

LONKING 龙工

LONKING HOLDINGS LIMITED

中國龍工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3339

2025 ANNUAL REPORT





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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Li San Yim (*Chairman and Chief Executive Officer*)
Mr. Chen Chao
Mr. Zheng Ke Wen
Mr. Yin Kun Lun

Non-executive directors

Ms. Ngai Ngan Ying

Independent non-executive directors

Dr. Qian Shizheng
Mr. Wu Jian Ming
Mr. Yu Tai Wei

AUDIT COMMITTEE

Dr. Qian Shizheng (*Chairman*)
Mr. Yu Tai Wei
Ms. Ngai Ngan Ying

REMUNERATION COMMITTEE

Dr. Qian Shizheng (*Chairman*)
Ms. Ngai Ngan Ying

NOMINATION COMMITTEE

Mr. Yu Tai Wei (*Chairman*)
Ms. Ngai Ngan Ying

EXECUTIVE COMMITTEE

Mr. Li San Yim (*Chairman and Chief Executive Officer*)
Mr. Chen Chao
Mr. Zheng Ke Wen
Mr. Yin Kun Lun

COMPANY SECRETARY

Mr. Chu Shun

HEAD OFFICE

No. 26 Mingyi Road, Xinqiao,
Songjiang Industrial,
Shanghai (201612), PRC

REGISTERED OFFICE

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

INVESTOR RELATIONS

Ms. Lv Zhen Zhen
LZZ@lonking.cn
Tel: 86-21-3760 2000 (5676)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1802, 18th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

WEBSITE

<http://www.lonking.cn>

STOCK CODE

3339

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

SOLICITORS

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street Central, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountant
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

PRINCIPAL BANKERS

Bank of China
Longyan Branch
Bank of China Tower
No. 1 Longchuan Bei Road Longyan City
Fujian, PRC

China Construction Bank
Shanghai Songjiang Branch
No. 89 Zhongshan Zhong P.O. Road
Songjiang District
Shanghai, PRC



Financial Highlights

The table below sets forth the consolidated financial summary of Lonking Holdings Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred as to the “Group”).

Current period	2025 RMB'000	2024 RMB'000	Change (+/-)
Turnover	11,215,184	10,213,556	+9.81%
Operating profits:	1,529,694	1,232,244	+24.14%
EBITDA	1,768,376	1,490,313	+18.66%
Profit attributable to equity parent	1,300,528	1,018,639	+27.70%
Per share data	RMB	RMB	
Basic earnings per share ^{(1)#}	0.30	0.24	+27.69%
Net assets per share ^{(2)#}	2.68	2.50	+7.2%
Key performance indicators	%	%	
Profitability			
Overall gross margin	21.37	19.56	+9.24%
Net profit margin	11.60	9.97	+16.29%
EBITDA margin ⁽³⁾	15.77	14.59	+8.06%
Return on equity ⁽⁴⁾	11.33	9.52	+1.81%
Liquidity and solvency			
Current ratio ⁽⁵⁾	2.46	2.64	-0.18%
Interest coverage ratio ⁽⁶⁾	509	82	+520.73%
Gearing ratio ⁽⁷⁾	47.32%	44.57%	-2.75%
Management efficiency	days	days	
Inventory turnover days ⁽⁸⁾	94	115	-21 days
Trade and bills payables turnover days ⁽⁹⁾	164	169	-5 days
Trade and bills receivable turnover days ⁽¹⁰⁾	85	78	+7 days



Financial Highlights

- # Calculated based on the 4,280,100,000 shares outstanding as at 31 December 2025 (31 December 2024: 4,280,100,000).
- 1 Net profit attributable to equity holders of the parent for each period divided by the weighted average number of outstanding shares (WANOS) as at the end of each period.
- 2 Shareholders' equity divided by the WANOS as at the end of each period.
- 3 Earnings before interest, tax, depreciation and amortisation ("EBITDA") divided by turnover for each period.
- 4 Net profit attributable to equity holders of the parent for each period divided by equity attributable to equity shareholders of the parent as at the end of each period.
- 5 Current assets divided by current liabilities as at the end of each period.
- 6 Earnings before interest and income tax expenses ("EBIT") divided by interest expenses.
- 7 Total liabilities divided by the total equity as at the end of each period.
- 8 Average inventories divided by cost of sales and multiplied by 365 days.
- 9 Average trade and bills payables divided by cost of sales and multiplied by 365 days.
- 10 Average trade and bills receivables divided by turnover and multiplied by 365 days.



Chairman's Statement

Dear shareholders and investors,

On behalf of the Board, I would like to present the Chairman's Statement of Lonking Holdings Limited ("China Lonking" or "Lonking") for the year ended 31 December 2025.

In 2025, facing multiple challenges including the slowdown of global economy growth, a complex and volatile geopolitical landscape, and intensifying industry competition, the management team and all employees of Lonking focused their efforts, remaining rooted in the construction machinery industry. They maintained strategic resolve, closely centering on the goal of "high-quality development", striving diligently and aiming for excellence, ultimately delivering a solid performance. Lonking achieved sales revenue of HK\$12.693 billion, further consolidating and strengthening the market position of its core products, with export revenue reaching HK\$4.308 billion, representing a year-on-year increase of 19%. Net profit amounted to HK\$1.472 billion, representing a year-on-year increase of 28%. Net cash flows from operating activities amounted to HK\$1.409 billion, and the total of various cash and financial assets as at the end of the period was HK\$9.13 billion. Gearing ratio of the Company as at the end of the period led the industry, standing at 32%, reflecting a healthier and more stable financial position. A dividend of HK\$0.20 per share was proposed as at the end of the period, representing a payout ratio of 58% of net profit. Both export revenue and cash in hands reached record highs.

Over the past year, Lonking has vigorously implemented a technology deployment reform, placing great emphasis on product research and development. New product development achieved significant results in 2025. Numerous new products across various segments, particularly those suitable for different regions and emission standards internationally, have been delivered. These new products will undoubtedly become new growth engines for Lonking this year and in the future.

Lonking has comprehensively improved its systems, fully implemented KGT, and enhanced product quality by strictly controlling and safeguarding processes. It has resolutely advanced the initiatives of "three rectifications, four clarifications, and two controls". In 2025, Lonking introduced an expert group to fully benchmark against American, Japanese, and European standards, elevating the level of its product manufacturing processes.

Lonking attached great importance to cost reduction and efficiency improvement throughout all aspects, enhancing corporate operational efficiency. By strengthening control over aspects such as procurement, transportation, bidding and tendering, material management, and production waste, we further increased the gross margin level of products and ensure that the products made by Lonking maintained core competitive advantage in cost effectiveness.



Chairman's Statement

Lonking vigorously adjusted domestic channels by adjusting or eliminating a large number of aging agents and inactive agents, while introducing fresh blood. These efforts continuously stimulated market vitality, and mobilized the enthusiasm of agents to compete for and bid on orders. We also mobilized the strength of the Group to develop overseas agent channels.

Lonking highly valued the introduction of talents from all fields at home and abroad, increased the introduction and cultivation of management trainees, while also continuously strengthening the cultivation of skilled talents and compound talents. Adhering to business needs as the purpose and guided by the corporate development goals, we implemented targeted training to support lean production.

Lonking also paid high attention to safety and environmental protection work, securing zero major safety production accidents and no violation of environmental protection laws and regulations. The Company attached great importance to corporate culture construction, actively creating a cultural atmosphere of Lonking Family. Moreover, the Company also continuously reduced the labor intensity of employees, ensuring that all measures to care for employees are in place, improving the stability and satisfaction of employees, and allowing employees to have a tangible sense of honor, belonging, and gain at Lonking. The Company will continue to fulfill its corporate social responsibilities and promote corporate culture construction.

Dear investors, the Board of Lonking has outlined the work agenda for 2026, which sets out the working targets and tasks in 2026. Lonking will make every effort to continuously expand its presence in three key markets: the domestic market, the international market, and the market for collaboration with industry peers. While maintaining strong performance in daily operations and management, we will firmly foster a company-wide commitment to the "Four Types of Awareness" (market awareness, product excellence awareness, cost awareness, and internationalization awareness), and will focus on the following priorities: First, we will strive to upgrade Lonking's product portfolio by concentrating the Group's high-quality resources to vigorously promote the electrification, intelligentization and high-end development of our products. We will strengthen independent innovation, increase R&D investment, continuously develop new products, optimize and upgrade existing products, and enrich and improve Lonking's product mix. Second, we will accelerate the pace of internationalization and make every effort to expand overseas markets. We will continuously increase resource input, enrich and improve overseas distribution channels, and actively recruit and cultivate internationally-minded talents. Third, we will actively pursue peer collaboration with both domestic and international industry counterparts, with a particular focus on strategic cooperation with globally renowned enterprises. We firmly believe, led by the Board, all the Lonkingers will be determined to forge ahead, keep exploring without changing their goals, and strive to exceed the 2026 target set by the Board.



Chairman's Statement

Since its listing, China Lonking has strived to maintain transparency and improve standards of corporate governance. We have maintained good communication with our investors. We are willing and hope to keep a closer tie with more investors, and strengthen interaction with them to promote sound development of the Company.

We are honored to have a professional Board, an experienced and diligent management team, and industrious and intelligent employees. I wish to take this opportunity to express my sincere gratitude to all directors and employees for their assiduous efforts. We will make our utmost efforts to attain sustainable growth and enhance our profitability and exert all our efforts to create the greatest value for our users and bring the best returns to our shareholders.

LONKING HOLDINGS LIMITED

Li San Yim

Chairman of the Board

26 March 2026



Management Discussion and Analysis

RESULT AND BUSINESS REVIEW

In 2025, China's economy advanced under pressure while transitioning towards high-quality development, achieving a 5.0% growth in GDP for the year. The domestic market for Chinese infrastructure machinery showed signs of a bottoming recovery, with domestic sales of major products recording growth. The overseas market experienced high growth, although market conditions in emerging economies and mature economies diverged significantly. The Group actively responded to the complex domestic and international landscape, capitalising on favorable opportunities from the recovery in domestic demand and growth in exports. It continued to explore opportunities from stock replacement and new energy substitution in the domestic market, while proactively pursuing incremental opportunities in international emerging markets. The Group achieved steady growth in both domestic and international markets, with strong market performance of high value-added new products. The overall gross profit margin of its products continued to increase, and export sales volume and its share reached new highs, resulting in robust, sustainable and high-quality development.

During the reporting period, the Group's performance continued its growth trajectory, achieving total operating revenue of RMB11,215 million, representing an increase of 9.81% year-on-year. The Group's main products are loaders and forklifts. Loaders, the Group's most competitive products, continue to be the main source of profit. Benefiting from a significant increase in sales of electric loaders and new export products, the proportion of the sales of loader to the total sales of the Group increased by 1.91 percentage points year-on-year to 43.14%. Forklift sales accounted for 30.82% of the total sales during the period, a decrease of 5.59 percentage points compared to the same period in 2024, primarily due to a year-on-year decline in sales. Excavators benefited from structural recovery in domestic demand and sustained demand release in overseas markets, with their sales proportion increasing by 4.73 percentage points to 15.07% compared to the same period in 2024. The Group achieved notable success in overseas market development, recording overseas revenue of RMB3,806 million, an increase of 19.32% year-on-year, reaching a new record high. The Group's overall gross profit margin for the reporting period was 21.37%, representing an increase of 1.81 percentage points from 19.56% in the same period of 2024. Net profit for the year amounted to RMB1,301 million, an increase of RMB282 million from RMB1,019 million in the same period last year, representing a year-on-year growth of 27.69%. The increase in net profit was primarily attributable to steady growth in domestic and international sales, particularly the further contribution of export business to profitability; the Group's continuous development of new products, with high value-added new products becoming the main driver of profit growth; and significant improvements in quality enhancement, cost control and efficiency gains, leading to a further increase in the overall gross profit margin of its products.



Management Discussion and Analysis

GEOGRAPHICAL RESULTS

In the fiscal year 2025, the Group observed a mixed performance across its geographical markets. The domestic Chinese market experienced a slight overall increase in revenue, driven by a robust recovery and growth in certain regions.

Sales revenue from the North region saw a modest increase, reaching approximately RMB2,231 million, representing 19.89% of total revenue. This indicates a stable performance in this key domestic market. The Northeast region also demonstrated positive momentum, with sales growing to approximately RMB370 million, accounting for 3.30% of total revenue. In the East region, sales revenue amounted to approximately RMB1,589 million, contributing 14.17% to the overall revenue. The South region reported sales of approximately RMB915 million, making up 8.16% of the total. The Northwest region experienced a notable increase in sales, reaching approximately RMB790 million, or 7.05% of total revenue. Similarly, the Southwest region saw its sales grow to approximately RMB464 million, representing 4.14% of the total. The Central region maintained a solid performance, with sales of approximately RMB1,050 million, accounting for 9.35% of total revenue.

The Group's export sales continued to be a significant driver of growth, increasing to approximately RMB3,806 million, which constituted 33.94% of total operating revenue. This sustained growth in international markets underscores the effectiveness of the Group's global expansion strategy and its enhanced product competitiveness. This robust export performance played a crucial role in offsetting localized domestic market fluctuations.

The total operating revenue for the fiscal year 2025 reached approximately RMB11,215 million, reflecting a healthy increase from the previous year's RMB10,214 million. This overall growth reflects the Group's diversified geographical presence and its ability to capitalize on domestic and international market opportunities.

ANALYSIS OF PRODUCTS

For the fiscal year 2025, the Group delivered a solid and steady top-line performance. Total group revenue reached RMB11,215 million, representing a year-over-year growth of 9.81% compared to RMB10,214 million in 2024. This overall growth was primarily driven by a strategic shift in our sales focus, characterized by a surging demand for our heavy construction machinery—specifically Wheel Loaders and Excavators—which successfully offset the contraction observed in our traditional Forklift operations.



Management Discussion and Analysis

Wheel Loader

The Wheel Loader series continues to be the Group's largest revenue pillar and remains a competitive product line. In 2025, total sales revenue for the Loader segment grew by an impressive 16.93% to RMB4,598 million, up from RMB3,932 million in the previous year. Consequently, the Wheel Loader's proportion of total group sales expanded from 38.50% in 2024 to 41.00% in 2025.

The ZL50 series remained the Group's primary revenue driver, generating about RMB2,468 million and achieving a modest 2.44% year-on-year increase, sustaining its role as a stable volume leader contributing 22% of total sales. In contrast, the ZL40 series delivered an extraordinary breakthrough, soaring by 1,369.58% to about RMB252 million in 2025, showing strong market acceptance and rising demand. The ZL30 series also performed robustly, expanding 28.32% to about RMB982 million, while the ZL60 grew 24.06% to about RMB724 million, showing that customers are still favouring higher capacity models. Meanwhile, the Mini Wheel Loader contributed solid incremental growth of 9.45%, reaching approximately RMB173 million in revenue. Together, these results illustrate a balanced profile of consistent core performance, accelerating segment growth, and a well-diversified product mix poised for sustained expansion.

Excavators

Excavators emerged as the most prominent structural growth driver for the Group in 2025. The segment recorded an outstanding 60.11% year-on-year revenue surge, climbing to about RMB1,690 million from RMB1,055 million in the prior year. Because of this stellar performance, Excavators' contribution to the Group's total revenue expanded significantly, rising from 10.34% in 2024 to 15.07% in 2025. The rapid growth in excavator sales was driven by a broad recovery in demand in China, supported by policy initiatives such as equipment renewal and infrastructure investment. At the same time, the Group actively expanded into diversified international markets and optimized its market footprint, enabling excavators to achieve strong results in emerging overseas markets.

Forklifts

However, the Group faced challenges in its traditional material handling business. In 2025, the forklift business was impacted by market price competition and slow progress in its transformation, with revenue declining by 7.04% year-to-year to about RMB3,457 million compared to RMB3,718 million in 2024. Although gross margin rose against the trend to 21.25% due to lower costs, the Group's penetration rate in the electric forklift market remains below the industry average. Overall, the segment showed a pattern of "both volume and price declining, with improved gross margin." The Group will accelerate forklift electrification and overseas expansion.



Management Discussion and Analysis

Skid Steer Loaders

Sales for Skid Steer Loaders declined by 14.05% year-on-year to end the year at around RMB240 million. Skid Steer Loader sales account for a small proportion of the Group's total sales, representing only 2.14%.

Road Rollers and Components

Though a smaller fraction of the overall portfolio, Road Rollers achieved a healthy growth rate of 26.33%, bringing in approximately RMB60 million in sales. The revenue generated from components and parts remained largely flat and recorded a negligible decrease of 0.87% to approximately RMB1,170 million.

FINANCIAL REVIEW

The cash position of the Group was strong during the year. As at 31 December 2025, the Group had bank balance and cash of approximately RMB4,365 million (31 December 2024: approximately RMB1,218 million).

Cash and Bank Balance

Compared with last year, cash and bank balances increased by approximately RMB3,149 million, which is generated as a result of net cash inflow of around RMB1,245 million from operating activities, the net cash inflow of RMB2,394 million from investing activities, the net cash outflow of RMB490 million from financing activities.

Liquidity and Financial Resources

We are committed to build a sound financial position. Total net assets as at 31 December 2025 was approximately RMB11,482 million, a 7.27% increase from approximately RMB10,704 million as at 31 December 2024. The current ratio of the Group at 31 December 2025 was 2.46 (2024: 2.64).

The directors believed that the Group will be in a strong and healthy position and has sufficient resources to support of its working capital requirement and meet its foreseeable capital expenditure.

Capital Structure

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities.

As at 31 December 2025, the gross gearing ratio (defined as total liabilities over total assets) was approximately 32.12% (31 December 2024: 30.83%).



Management Discussion and Analysis

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB70 million (2024: approximately RMB69 million) in line with a series of strategic transformation and production transformation by the Group.

The capital expenditures were financed by the internal resources and general borrowings of the Group.

Revenue

Revenue increased by 9.81% from approximately RMB10,214 million in 2024 to approximately RMB11,215 million in 2025, mainly due to strong performance across several product lines and the successful expansion into overseas markets.

Gross Profit

Gross profit saw a substantial increase of 19.95% in 2025 to approximately RMB2,397 million (2024: approximately RMB1,998 million), which was mainly attributable to the improvement in gross profit margin from 19.56% to 21.37%, improved cost of sales efficiency, and increased sales of higher gross-margin products.

Other Income

Other income decreased by 10.17% to approximately RMB116 million in 2025. This decrease was primarily due to a reduction in government subsidies.

Other Gains and Losses

Other gains and losses increased significantly by 55.72% from RMB57 million in 2024 to RMB89 million in 2025, largely driven by higher fair value gains on financial assets at fair value through profit or loss.

Finance Income and Costs

Finance income increased by 7.83% from approximately RMB137 million in 2024 to RMB148 million in 2025. This was mainly due to increased interest income from time deposits.

Finance costs decreased significantly by 80.06% from approximately RMB15 million in 2024 to RMB3 million in 2025. This reduction was primarily attributed to the repayment of offshore USD loans in April 2024.



Management Discussion and Analysis

Long-term receivables

A significant increase in long-term receivables from approximately RMB192 million in 2024 to RMB480 million in 2025. This is primarily due to customers paying over a longer period for more expensive products, such as electric products, so long-term receivables increased as the business grew.

Trade Receivables

Trade receivables increased by 20.40% from approximately RMB2,377 million in 2024 to RMB2,862 million in 2025. This increase aligns with the overall revenue growth and expansion of sales activities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss in current assets decreased dramatically by 93.08% from approximately RMB3,659 million in 2024 to approximately RMB253 million in 2025. This significant reduction is due to the redemption of wealth management products.

Time Deposits

Time deposits increased by 133.51% from approximately RMB1,059 million in 2024 to RMB2,474 million in 2025. This reflects the Group's strategy to increase its holdings of time deposits for higher financial returns.

Trade and bills payables

Trade and bills payables increased by 11.00%, from approximately RMB3,745 million in 2024 to RMB4,157 million in 2025. This increase is attributed to higher procurement volumes to support increased production and sales, as well as a longer payment cycle due to economic conditions.



Management Discussion and Analysis

PROSPECT

In 2026, the Chinese government has set a clear target of achieving 4.5% to 5% growth in GDP. It will continue to implement more proactive fiscal policies and moderately loose monetary policies, while strengthening the coordination between reform measures and macroeconomic policies. The combined effects of existing and new policies have created a favorable macroeconomic foundation and stable market demand with an upward trajectory for the development of construction machinery. In the domestic market, despite intensifying industry competition, the sector is expected to sustain its recovery momentum driven by factors such as the gradual release of the accumulated replacement demand from upgrades and replacements of existing equipment, the rising upgrade and replacement demand due to the increasing penetration of new energy, and the increasing market demand caused by the steady progress of infrastructure projects such as resource and water conservancy construction, and urban renewal. In overseas markets, despite challenges such as trade protectionism, geopolitical conflicts and logistical disruptions, overseas markets present vast market size and significant growth potential. The total demand along the Belt and Road routes remains stable, while emerging markets exhibit strong development momentum. With the continued enhancement of the comprehensive competitiveness and brand value of Chinese construction machinery products, and the broadening of accesses to global markets, the global market share of Chinese construction machinery products is expected to grow further.

The Group will remain focused on the main construction machinery business and specialize in its four major categories of host products (loaders, forklifts, excavators and road machinery), as well as the core components that extend the product manufacturing chain. We will adhere to the marketing principle of agency system and continue to strengthen our three strengths of “quality, service and cost effectiveness”. Looking ahead, the Group will prioritize high-quality development, intensify global expansion and increase investment in international product R&D and overseas market resources, so as to further boost overseas revenue. We will steadily and solidly advance efforts to improve quality, control costs and enhance efficiency, continuously strengthen the competitiveness of our core products in key markets, and strive to achieve sustained volume growth and effective quality improvement in our marketing efforts. We will remain committed to the business principle of high-quality development, firmly uphold the “four awarenesses” (market awareness, quality awareness, cost awareness and internationalization awareness) and focus on our main business with prudent operations, practical innovation and unwavering determination to achieve our annual goals. We will be dedicated to writing a new chapter of high-quality development and delivering long-term sustainable value to our shareholders.



Profiles of Directors and Senior Management

Mr. Li San Yim, aged 75, is an executive director, the Chairman of the Board and one of the founders of the Group.

Mr. Li is the husband of Ms. Ngai Ngan Ying, being a non-executive director. Save as disclosed above, Mr. Li has not held directorships in any other listed public companies in the last three years and does not have any other relationships with any directors, senior management, substantial or controlling shareholder of the Company. Mr. Li's interest in the shares within the meaning of Part XV of the Securities and Futures Ordinances (Cap 571) (the "SFO") is set out on page 22 of this annual report.

Mr. Zheng Ke Wen, aged 51, is an executive Director and the vice president of the Group. Mr. Zheng joined the Group in September 1996. Mr. Zheng obtained an EMBA degree from Xiamen University. Mr. Zheng has over 20 years of experience in corporate management and sales and marketing. He has been the vice general manager and general manager of Longgong Shanghai Machinery Co. Ltd., general manager of Longgong (Shanghai) Axle & Transmission Co., Ltd., general manager of Longgong (Shanghai) Excavator Manufacturing Co. Ltd., and general manager of excavator business segment of Lonking.

Save as disclosed above, Mr. Zheng has not held directorships in any other listed public companies in the last three years. Mr. Zheng is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Zheng's interest in the shares of the Company within the meaning of Part XV of the SFO is set out on page 21 of this annual report.

Mr. Chen Chao, aged 50, is an executive Director and the quality director of the Group. Mr. Chen joined the Group in July 1997. Mr. Chen holds an EMBA degree from Fudan University in Shanghai. Mr. Chen has over 25 years of experience in product development and quality control, and has previously served as a director of technical center at Lonking Group, deputy general manager and general manager of Shanghai Lonking Machinery, and the dean of Research Institute of Lonking Holdings Limited (中國龍工控股有限公司技術研究院). Mr. Chen is a member of the National Technical Committee on Earth-moving Machinery (全國土方機械標準化技術委員會) and the National Technical Committee of Auto Standardization (全國工業車輛標準化技術委員會), respectively. In addition, Mr. Chen has been successively appointed as a 5th, 6th and 7th Committee Member by the branch of China Mechanical Design Institute (中國機械工程學會機械設計分會). He has also been appointed as a qualified technology and quality expert (技術質量專家) by the Technology and Quality Standing Committee (技術質量委員會) of Mechanical Engineering Technology and Quality Message Site (全國工程機械行業技術質量信息網).

Save as disclosed above, Mr. Chen has not held directorships in any other listed public companies in the last three years. Mr. Chen is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Chen's interest in the shares of the Company within the meaning of Part XV of the SFO is set out on page 21 of this annual report.



Profiles of Directors and Senior Management

Mr. Yin Kun Lun, aged 58 is an executive Director and the chief financial officer of the Group. Mr. Yin obtained a Bachelor's degree from Jilin University Management School in 1990 and graduated from Washington University-Fudan University EMBA Program and obtained a MBA degree from Washington University in 2010, and is a qualified Certified Public Accountant in the PRC. He was the auditing director of a factory under China Petroleum Jilin Chemical Group, the chief financial officer of BASF JCIC NPG Company Ltd and Putzmeister Machinery (Shanghai) Company Ltd. as well as the chief financial officer of Mahle Technology (China) Holding Ltd. Mr. Yin has over 28 years of experiences in corporate finance and investment management.

Save as disclosed above, Mr. Yin has not held directorships in any other listed public companies in the last three years. Mr. Yin is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Yin does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

NON-EXECUTIVE DIRECTORS

Ms. Ngai Ngan Ying, aged 70, is a non-executive director of the Group, the Vice-Chairman of the Group and one of the founders of the Group.

Ms. Ngai is the wife of Mr. Li San Yim, being a director. Save as disclosed above, Ms. Ngai has not held directorships in any other listed public companies in the last three years and does not have any other relationships with any directors, senior management, substantial or controlling shareholder of the Company. Ms. Ngai's interest in the shares within the meaning of Part XV of the SFO is set out on pages 21 to 22 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Qian Shizheng, aged 74, was appointed as an independent non-executive director in February 2005. Dr. Qian Shizheng served as an independent non-executive director since February 2005. He graduated from Fudan University with a doctorate degree in management and has taught at Fudan University as associate director and professor in the faculty of Accountancy. He was an executive director of Shanghai Industrial Holdings Limited (stock code: 363HK) and vice president of Haitong Securities Co., Ltd. (stock code: 6837HK). He currently serves as independent director of Jingrui Holdings Limited (stock code: 1862HK) and Hanhua Financial Holding Co., Ltd (stock code: 3903HK). He has over 40 years of experience in the finance and accounting fields.

Save as disclosed above, Dr. Qian has not held directorships in any other listed public companies in the last three years. Dr. Qian is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.



Profiles of Directors and Senior Management

Mr. Wu Jian Ming, aged 72, was appointed as an independent non-executive director of the Company in August 2013. He graduated from Central Party School of the Communist Party of China and is an economist. Mr. Wu has been a delegate of the 12th session of the People's Congress of Shanghai Municipality and was awarded the title of Model Worker of Shanghai. Over the past 30 years, Mr. Wu has held various positions in different divisions in Songjiang government in Shanghai, including the mayor of Cangqiao Town (倉橋鄉) in Songjiang County, the secretary of Chinese Communist Party Committee of Maogang Town (泖港鎮), the secretary of Chinese Communist Party Committee of Xinqiao Town (新橋鎮), the director of Construction and Transportation Management Committee in Songjiang District, the director of Administrative Committee of Songjiang Industry Park, a secretary and director of Administrative Committee of Export Processing Zone, and a chairman and general manager of Songjiang Economic and Technological Development Corporation (松江經濟技術發展總公司).

Saved as disclosed above, Mr. Wu has not held directorships in any other listed public companies in the last three years. Mr. Wu is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Wu does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yu Taiwei, aged 64, was appointed as an independent non-executive director of the Company in 26 May 2021. He obtained a Masters Degree in Public Administration from National University of Singapore in 2003. From 1998 to 2001, he successively served as Deputy Director and Director of the Department of Animal and Plant Quarantine of the State Administration for Entry-Exit Inspection and Quarantine of the PRC (國家出入境檢驗檢疫局). From 2001 to 2011, he successively served as Deputy Director and Director of the Department of Animal and Plant Quarantine of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), and Director of the Bureau of Import and Export Food Safety. From 2011 to 2014, he also served as the Head of Songjiang District, Shanghai. From 2014 to 2017, he served as Director General of the Bureau of Import and Export Inspection and Quarantine of the PRC (上海出入境檢驗檢疫局). In 2017, he served as the President of the Asia Pacific Exchange of Singapore. From 2018 to 2019, he served as the Chairman and CEO of Ping An International Smart City Technology Co, Ltd. (平安國際智慧城市科技股份有限公司). Since 2020, he was engaged as a senior advisor of Ping An International Smart City Technology Co, Ltd.

Save as disclosed above, Mr. Yu has not held directorships in any other listed public companies in the last three years. Mr. Yu is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Yu does not have any interests in the shares of the Company within the meaning of the Part XV of the SFO.



Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

The board of directors (the "Board") has reviewed results of the Group for the year ended 31 December 2025 and discussed the financial key performance indicators and outlook of the Group. Details of the review and analysis are set out in the Management Discussion and Analysis on page 8 of the annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 68 of the annual report.

A final dividend of HKD0.13 (Equivalent to RMB0.12) per share as a result of the operation of 2024 amounting to HKD556 million (Equivalent to RMB514 million) was paid to the shareholders during the year. There were no any interim dividend paid out during the year.

The Board has proposed a final dividend of HKD0.20 per ordinary share for the year ended 31 December 2025.

PROPERTY, PLANT AND EQUIPMENT

The Group expended RMB70 million on property, plant and equipment during the year.

Details of the movement during the year in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interest of the Group for the last five financial years is set out on page 162 of the annual report. This summary does not form part of the audited consolidated financial statements.



Directors' Report

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group during the year are set out on page 72 of the annual report.

The Company's reserves available for distribution to shareholders comprise the share premium, contributed surplus and accumulated profits which in aggregate amounted to approximately RMB8,669 million as at 31 December 2025 (2024: RMB7,921 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the accumulated profits or other reserves, including the share premium account, of the Company.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Li San Yim (<i>Chairman and Chief Executive Officer</i>)	(appointed on 11 May 2004)
Zheng Ke Wen	(appointed on 25 May 2012)
Chen Chao	(appointed on 17 February 2005)
Yin Kunlun	(appointed on 25 May 2012)

Non-executive directors:

Ngai Ngan Ying	(appointed on 11 May 2004)
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Directors' Report

Independent non-executive directors:

Qian Shizheng	(appointed on 17 February 2005)
Wu Jian Ming	(appointed on 27 August 2013)
Yu Taiwei	(appointed on 26 May 2021)

Pursuant to the Articles of Association, at each annual general meeting one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. Each of Mr. Li San Yim, Mr. Zheng Ke Wen, Mr. Chen Chao, Mr. Yin Kun Lun, Ms. Ngai Ngan Ying, Dr. Qian Shizheng, Mr. Wu Jian Ming and Mr. Yu Taiwei shall retire at the annual general meeting and all offer themselves for re-election at the annual general meeting.

The biographical details of the directors are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2025, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:



Directors' Report

(1) Long positions in shares and underlying shares of the Company

Ordinary shares of HKD0.10 each of the Company

Name of directors	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Ngai Ngan Ying	Beneficial owner	2,436,199,188	56.92%
Chen Chao	Beneficial owner	1,596,000	0.04%
Zheng Ke Wen	Beneficial owner	429,900	0.01%
		2,438,225,088	56.97%

(2) Long positions in shares of the associated corporation of the Company, Longgong (Shanghai) Machinery Company Limited

Ordinary shares of HKD0.10 each of the Company

Name of directors	Capacity	Register share capital	Percentage of the issued share capital of the Company
Li San Yim	Corporate <i>(Note)</i>	480,000	0.11%
Ngai Ngan Ying	Corporate <i>(Note)</i>	480,000	0.11%

Note: The 0.11% interest of Longgong (Shanghai) Machinery Company Limited is held by Shanghai Longgong Machinery Limited, which is owned by Mr. Li and Mrs. Li as to 39.5% and 60.5% respectively.

Save as disclosed above as at 31 December 2025, none of the directors, chief executives of the Company or any of their associates, had registered any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded and kept in the register by the Company in accordance with the Section 352 of the SFO, or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as recorded and kept under Section 336 of the SFO as having an interest of 5% or more in the issued share capital of the Company.



Directors' Report

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities during the period.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Human Resources Division on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The five highest paid employees of the Group were all directors of the Company and details of their remuneration are included in note 8 to the consolidated financial statements.

At 31 December 2025, the Group employed approximately 8,239 employees.

ENVIRONMENTAL POLICY

We are committed to protect and improve the environment, prevent and reduce pollution. We operate in strict compliance with applicable national and local environmental regulations and strive to minimize the noise, waste water, gases and other industrial waste generated during our production processes. We require our production facilities to obtain necessary permission and approvals from the relevant government environmental regulator.

We are also continuously improving our existing products and developing new products in terms of environmental performance such as energy-efficient and noise-reduced features.

Details of the environmental performances of the Group are set out on page 42 to 62 of environmental, social and governance report in this annual report.



Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 11% (2024: 12%) of the Group's total turnover for the year and the largest customer accounted for approximately 5% (2024: 5%) of the Group's total turnover for the year. The five largest suppliers accounted for approximately 31% (2024: 28%) of the Group's total purchases for the year and the largest supplier accounted for approximately 11% (2024: 10%) of the total purchases.

Save as disclosed above, none of the directors of the Company, an associate of the directors or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) have interest in any of the Group's five largest suppliers or customers.

RELATIONSHIPS WITH STAKEHOLDERS

The Company's key stakeholders are shareholders, suppliers, customers, employees and financial institutions. We are committed to maintain a good relationship with our business partners including suppliers, customers and financial institutions through good communication, exchanging ideas and sharing business update when appropriate. We are also committed to provide competitive remuneration package to attract and motivate our employees.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 1 to the consolidated financial statements.

CONNECTED TRANSACTIONS

On 31 December 2025, the Company entered into a Master Purchase Agreement (the "Jinlong Master Purchase Agreement") with LongYan City Jinlong Machinery Company Limited ("Jinlong"), a company incorporated in the PRC with limited liability and owned as to approximately 82.67% by Mr. Ngai Ngan Qin, a brother of Ms. Ngai Ngan Ying, the non-executive director of the Company, pursuant to which the Group agreed to purchase the Parts from Jinlong from time to time for a term commencing from 1 January 2026 and ending on 31 December 2028.

On 6 February 2024, the Company and Herkules (Shanghai) Automation Equipment Co. Ltd. ("Herkules"), a company established under the laws of the PRC with limited liability and wholly-owned by Mr. Chen Jie, the son-in-law of Mr. Li San Yim, an executive Director, chairman and controlling shareholder of the Company, entered into a Renewed Master Purchase Agreement (the "Herkules Master Purchase Agreement"), pursuant to which, the Company agreed to purchase or would procure its subsidiaries to purchase the Automation Robot Products from Herkules from time to time for a term commencing from 1 January 2024 and ending on 31 December 2026.



Directors' Report

The transaction contemplated under each of the Jinlong Master Purchase Agreement, and the Herkules Master Purchase Agreement, constitutes connected transactions for the Company under Rule 14A.76(2) of the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules by virtue of the fact that each of the relevant percentage ratios (other than the profit ratio) in respect of the related amount is less than 5% on an annual basis. For the year ended 2025, the Company purchased the parts approximately RMB31 million from Jinlong under the Jinlong Master Purchase Agreement, the Automation Robot Products approximately RMB12 million under the Herkules Master Purchase Agreement.

Details of the related party transactions of the Company during the year are set out in Note 37 to the consolidated financial statements. All the related party transactions disclosed in the annual financial statements in accordance with HKAS 24 "Related Party Disclosure" fall under the definition of connected transactions or continuing connected transactions in Chapter 14A of the Main Board Rules. In the opinion of the directors, the Company had during the year ended 31 December 2025 complied with all the disclosure requirements in accordance with Chapter 14A of the Main Board Rules. The independent non-executive directors confirm that the Transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Company has engaged its external auditor to review the Group's continuing connected transactions with Jinlong and Herkules in accordance with Hong Kong Standard on Assurance Engagements 3000(Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on continuing connected transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The board of directors confirm that the auditor has issued an unqualified letter containing its conclusions in respect of the non-exempted continuing connected transactions mentioned above pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no major acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2025.

POST BALANCE SHEET EVENTS

The Company did not have any significant post balance sheet events.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.



Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

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.

PROPOSED DECLARATION OF FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.20 per share for the year ended 31 December 2025 (the "Final Dividend"). The payment of the Final Dividend is subject to the approval of the Shareholders at the upcoming annual general meeting of the Company. The Board considers that the declaration and payment of the Final Dividend are in line with the Company's established dividend policy. Details of the Company's dividend policy are set out on page 38 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospect may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. Major risks are summarized below.

(i) Market Risk

After years of high speed development, construction machinery industry has stepped into a relatively stable period. As result, market demand for our products including wheel loaders, road rollers, excavators, forklifts and other infrastructure machinery may continues decline. Our financial condition, results of operations and prospects will be adversely affected if we cannot guarantee that the demand for our products will continue or increase in the future.

In addition, the construction machinery industry in which the Group operates is highly competitive. We face competition in the market from international and domestic construction machinery manufacturers, many of which entered the market before us and currently have larger market shares than us. The demand in the market for our products may decline if we do not respond timely to our competitors.



Directors' Report

(ii) Financial Risk

We are subject to financial risks which may adversely affect our business, financial condition and results of operations. Details of which are set out in Note 40 to the consolidated financial statements.

(iii) Operational Risk

We rely on a limited number of suppliers for certain raw materials and key parts and components. There can be no assurance that these suppliers will continue to supply raw materials and components to us on existing or similar terms, or at all. If the supply of any of our core raw materials, parts and components is interrupted or the terms of supply change, our financial condition and results of operation may be adversely affected.

We also depend on sales agents to sell our products because we sell substantially all of our products through sales agents, which comprise our direct customer base. If we fail to maintain relationship with our existing sales agents, attract additional sales or effectively manage our sales agents, our business will be adversely affected. Further, we intend to expand our sales and service network in China and overseas to expand our geographical coverage and increase our domestic and international market penetration. If we cannot be able to successfully expand our sales, service and distribution network, our business will be adversely affected.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2025.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board

Mr. Li San Yim
CHAIRMAN

Shanghai, 26 March 2026



Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

To become a company which enjoys the continuously growing trust of its shareholders and all other stakeholders by maximizing its corporate value, the Company is working to improve its management efficiency, advocate corporate ethics and ensure sound management on a Group-wide basis. To further improve the transparency of the management to shareholders and investors, the Company will disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings in the PRC and Hong Kong to explain its business results and operations. The Company will endeavor to comply with the laws and regulations of the place of operation of the Company and the requirements and guidelines of the Stock Exchange of Hong Kong Limited and local regulatory bodies.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance duties as follows:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- (b) To review and monitor the training and continuous professional development of directors and senior management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Board is committed to maintaining and ensuring high standards of corporate governance practices.

The Board emphasizes on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Corporate Governance Code ("CG Code") as set out in Appendix C1 of the Listing Rules throughout the year ended 31 December 2025, except for certain deviations which are summarized as below.



Corporate Governance Report

Code Provision C.1.7

As stipulated in the Code provision C.1.7 of CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not yet made this insurance arrangement as the board of directors considers that the director liability insurance has not yet been identified on the market with reasonable insurance premium while providing adequate suitable security to directors.

Code Provision C.1.5

As stipulated in the Code Provision C.1.5 of CG Code, independent non-executive directors and other non-executive directors shall generally attend general meetings. Three independent non-executive directors and one non-executive director were unable to attend annual general meeting of the Company held on 28 May 2025 (the "2025 AGM") due to other important engagement.

Code Provision B.2.3 and B.2.4

Each of Dr. Qian Shizheng and Mr. Wu Jian Ming has been appointed as an independent non-executive Director for more than nine years. Pursuant to Code B.2.3 of the code provisions of Corporate Governance Code set out in Appendix C1 of the Listing Rules (the "CG Code"), if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Dr. Qian has extensive experience in the finance and accounting fields. He provides a wide range of expertise and experience which can meet the requirement of Group's business and his participant in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered.

Mr. Wu has over 30 years' experiences in the government sectors and public services in Chinese mainland. The Company values Mr. Wu continued service by bringing different perspectives and insights in the boardroom. The Board, having considered his comprehensive knowledge, professional skills and experience as well as his thorough and deepened understanding of the Company and the Company's relevant industry, is of the view that Mr. Wu's continued tenure will bring valuable contribution to the future sustainable development of the Company which is in the best interests of the Company and of the Shareholders.

The Company has received from Mr. Qian and Mr. Wu a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Each of Mr. Qian and Mr. Wu has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian and Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian and Mr. Wu shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the annual general meeting. At the Annual General Meeting of the Company held on 28 May 2025, a separate resolution to re-elect Mr. Qian and Mr. Wu a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.



Corporate Governance Report

Code Provision C.2.1

As stipulated in the Code provision C.2.1 of CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li San Yim ("Mr. Li"), an executive director of the Company and the chairman of the Board has been appointed by the Board to act as the chief executive officer concurrently since 21 December 2015. As Mr. Li serves as both the chairman of the Board and the chief executive officer of the Group, such practice deviates from code provision C.2.1 of the CG Code. The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Li to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2025. The Board will continue to review and foster its own Code of Corporate Governance Practices from time to time. The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

CORPORATE GOVERNANCE STRUCTURE

The Board is responsible for the management of the Company with acting in the interest of the Company and its shareholders as its principle and is accountable to the shareholders for the assets and resources entrusted to them by the shareholders. The key responsibilities of the Board include the formulation of the Company's long-term development strategies and operating direction, setting of the management targets and supervising members of the management in implementing matters resolved by the Board and performing their duties. Under the Board, there are currently 4 board committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee. All these committees perform their distinct roles in accordance with their respective terms of reference.



Corporate Governance Report

BOARD OF DIRECTORS

The Board currently comprises 8 directors, including 4 executive directors, 1 non-executive director and 3 independent non-executive directors. Each director has a duty to act in good faith in the best interests of the Company. The directors are aware of their collective and individual responsibilities to the shareholders.

Pursuant to Rules 3.10 (1) and (2) of the Listing Rules, Dr. Qian Shizheng, one of the independent non-executive directors, has specialized in related financial management expertise.

A written confirmation was received from each of the independent non-executive directors, Dr. Qian Shizheng, Mr. Wu Jian Ming and Mr. Yu Tai Wei confirming their independence pursuant to Rule 3.13 of the Listing Rules.

All members of the Board are of relevant professional background with plenty of experience who can have a positive and motivational effect in raising the development and management level of the Company. Mr. Li San Yim ("Mr. Li") serves as both the Chairman of the Board and the chief executive officer. The chairman of the Board is mainly responsible for the leadership and effective running of the Board, and making key strategic decisions for the Company. The chief executive officer is mainly responsible for the daily operation and management of the Group's business, and implementation of the approved strategies in achieving the overall Company's objectives. Mr. Li holds both positions for the best interests of the Company to maintain the continuity of the policies and the stability of the operations of the Company.

Included in the composition of the Board are two family members: the chairman of the Board, Mr. Li San Yim and his wife Ms. Ngai Ngan Ying, one of the non-executive directors of the Company are subject to retirement by rotation and offer themselves for re-election in the same manner as the executive directors. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

For detailed information on the members of the directors and senior management, please refer to the section headed "Profiles of Directors and Senior Management" from pages 14 to 17 of this annual report.

For the year ended 31 December 2025, the Board held 4 meetings. Notice of at least 14 days is given for a regular Board meeting to give all directors an opportunity to attend. The following table shows the attendance records of individual directors at the meetings of the Board and the attendance records of individual members at the meetings of the respective Board Committees held for the year ended 31 December 2025:



Corporate Governance Report

Name of directors	Number of meetings attended/Number of Meetings held for the year ended 31 December 2025					Annual General Meeting
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors						
Mr. Li San Yim (<i>Chairman and Chief Executive Officer</i>)	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Chen Chao	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Zheng Ke Wen	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Yin Kun Lun	4/4	2/2	N/A	N/A	N/A	1/1
Non-Executive Director						
Ms. Ngai Ngan Ying	4/4	N/A	2/2	1/1	1/1	0/1
Independent Non-Executive Directors						
Dr. Qian Shizheng	4/4	N/A	2/2	1/1	N/A	0/1
Mr. Wu Jian Ming	4/4	N/A	N/A	N/A	N/A	0/1
Mr. Yu Tai Wei	4/4	N/A	2/2	N/A	1/1	0/1



Corporate Governance Report

BOARD COMMITTEES

As part of good corporate governance practice, the Board has delegated certain authorities to a number of committees. These committees include representation from non-executive and independent non-executive directors whose objective views are important in the execution of the controls expected in a listed company.

EXECUTIVE COMMITTEE

The executive committee is responsible for recommending general policy and advising direction for the Company to the Board and as such, it interacts with the audit, remuneration committees and nomination committee in respect of their policy submissions. The executive committee reviews on a regular basis the need to appoint directors with specific business acumen in appropriate sectors that would further enhance the present skill set, or add expertise in a developing business sector and assess the independence of the Company's independent non-executive directors.

The Committee currently consists of 4 executive directors, namely Mr. Li San Yim, Mr. Zheng Ke Wen and Mr. Chen Chao and Mr. Yin Kun Lun. Mr. Li San Yim is elected as the chairman.

Under the executive committee, the Company set up a strategy and governance committee and adopted the company code, being its own code on corporate governance. The principal role of the strategy and governance committee are lay down the Company's strategies, policies and business plan and set up appropriate policies to manage risks in pursuit of the Company's strategy objective.

AUDIT COMMITTEE

The audit committee currently comprises 1 non-executive director, namely Ms. Ngai Ngan Ying, and 2 independent non-executive directors, namely Dr. Qian Shizheng and Mr. Yu Tai Wei. Dr. Qian Shizheng was elected as chairman.

The primary duties and responsibilities of the audit committee is to assist the Board in fulfilling its oversight responsibilities of the Company's compliance with legal and regulatory requirements with respect to financial matters and those required by the Listing Rules of the Stock Exchange of Hong Kong Limited and other regulatory bodies.

The functions of audit committee include but not limited to the following:

Serve as an independent party to monitor the integrity of the Company's financial statements, reporting process and internal control mechanism;

Review the Company's risk management and internal control systems and discuss the systems with the management to ensure the management has performed its duty to have effective systems.



Corporate Governance Report

Consider major investigation findings on risk management and internal control matters and management's response to these findings.

Review and assess audit efforts of the Company's independent auditors; directly appointing, retaining, compensating, evaluating and terminating the Company's independent auditors;

Review the qualifications, independence and performance of the independent auditor; and

Provide an intermediary of open communication among the Company's independent auditors, financial and senior management and board of directors.

The audit committee has reviewed the Company's interim and final results for the year of 2025.

The terms of reference of the Audit Committee are posted on the Company's Website.

AUDITOR'S REMUNERATION

For the year ended 31 December 2025, Ernst & Young Certified Public Accountants ("Ernst & Young") the external auditors of the Group received approximately RMB2.94 million (2024: approximately RMB2.94 million) for audit and review services.

REMUNERATION COMMITTEE

The remuneration committee currently consists of 1 non-executive director, namely Ms. Ngai Ngan Ying, and 1 independent non-executive director, namely Dr. Qian Shizheng. The primary duties and responsibilities of the remuneration committee is to assist its board of directors (the "Board") in determining the policy and structure for the remuneration of its executive directors, evaluating the performance of its executive directors, reviewing incentive schemes and directors' service contracts and fixing the remuneration packages for all its directors and senior management. No director plays a part in any discussions about his own remuneration for the year ended 31 December 2025. The terms of reference of the Remuneration Committee are posted on the Company's Website.

NOMINATION COMMITTEE

The nomination committee currently comprises 1 non-executive director, namely Ms. Ngai Ngan Ying, and 1 independent non-executive directors, namely Mr. Yu Tai Wei. The primary duties and responsibilities of the nomination committee is to assist its board of directors (the "Board") in identification of suitable individuals qualified to become Board members, review the structure, size and composition of the Board, review as appropriate to ensure the effectiveness of the board diversity policy and monitor of the implementation of this policy and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The terms of reference of the Nomination Committee are posted on the Company's Website.



Corporate Governance Report

BOARD INDEPENDENCE

To ensure the independent views and input are available to the Board, the Board adopts the following practices:

- (i) In order to comply with the requirements of the listing rules, the proportion of independent non-executive directors maintains at least one-third of the board of directors, the Board currently composes 3 independent non-executive directors.
- (ii) The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.
- (iii) The Board fully considered the contribution and independent judgment of the independent non-executive directors who have served the company for more than nine years with respect to the company's strategy, management and business development. Despite of their long service years, they maintained sufficient independence during the period and did not engaged in any executive management of the Group, which is in the best interests of the Company and shareholders.
- (iv) When appropriate, independent non-executive directors may reasonably seek independent external professional advices to assist them in making independent judgments and performing their duties.
- (v) To ensure that the mechanisms for independent views and input remain effective and properly implemented, It is fully considered that the composition of the board of directors is in line with the board's diversity policy, the details of the diversity policy are set out on page 36 of this annual report.
- (vi) Any of directors who are interested in any matters under consideration shall recuse himself/herself from consideration and abstain from voting on any resolution relating to that matter.

The Nomination Committee will review the above mechanisms on an annual basis to ensure that the mechanisms for independent views and input remain effective and properly implemented.

During the financial year ended 31 December 2025, the Nomination Committee has reviewed and confirmed that the implementation and effectiveness of the above mechanisms for ensuring independent views and input are available to the Board.



Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has ultimate responsibility for the design, implementation and effectiveness of the Group's risk management and internal control systems. These systems are designed to enable the Group to identify, assess and manage significant risks in order to achieve its business objectives, rather than to completely eliminate the risk of failure to achieve the business objectives of the Group, and therefore provide only reasonable but not absolute assurance against material misstatement, financial fraud or loss in management and financial data and records.

The Board, through the Audit Committee in overseeing management, has established a clear management structure with defined authority limits and has formulated policies and procedures for all operating units to ensure the effectiveness of the systems. Senior management also regularly reviews control procedures, monitors risk factors and reports relevant findings and remediation measures to the Audit Committee. In addition, the Company continuously reviews its business and operational activities to identify and mitigate significant business risks, and takes necessary measures to monitor and reduce such risks.

The Company has established an inside information disclosure procedure in accordance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission, to ensure that all relevant matters and circumstances that may have a material impact on the Company's share price are promptly assessed, and also to ensure that any material information known to any one or more officers of the Group is promptly identified, assessed and, if applicable, reported to the Board to determine whether disclosure is required.

For the year ended 31 December 2025, the Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems (covering financial, operational, compliance controls and risk management functions). Except for the following matter, the Board considered that the current systems were generally adequate and operating effectively, although certain procedures were identified as areas for further enhancement.

During the review, the Board and the Audit Committee specifically assessed a non-compliance incident occurring during the year concerning the delay in disclosing a transaction (for details, please refer to the Group's announcement dated 2 May 2025). Following assessment, it was determined that this incident indicated areas for improvement in the Group's transaction identification, Listing Rules judgment, internal approval and disclosure processes. In response, the Group has implemented remedial measures, including establishing a pre-approval procedure for investments and related transactions, enhancing staff training on the Listing Rules, seeking professional advice where appropriate, and refining the division of responsibilities and reporting mechanisms. The Board is of the view that the above remedial measures have effectively addressed the identified deficiencies and have been incorporated into the Group's ongoing control framework. The Board will continue to monitor the effectiveness of the implementation of these measures to ensure the systems are appropriate and effective in preventing the recurrence of similar incidents.

The Company continually reviews and enhances its business and operational activities to identify areas of significant business risks and take necessary measures to control and mitigate these risks.



Corporate Governance Report

Internal Audit

The internal audit department performs reviews of the adequacy and effectiveness of the risk management and internal control systems. It reports major risk management and internal review findings to the Board and Audit Committee. The department is monitored and held responsible to the Board and as well as to the audit committee. The internal audit department carries out inspection, monitoring and evaluation of the Company's financial information disclosures, operations and internal control procedures on a regular or in ad hoc basis, with a view to ensuring transparency in information disclosures, operational efficiencies and effectiveness of the corporate control regime.

Independent evaluations and recommendations are the core element in the department, the internal audit staff are authorized to access any information relating to the Company and to make enquiries to staff concerned. Besides that, internal audit department would assist external auditors during an external audit by providing pertinent financial information in a timely manner.

Strengthening Systems of Internal Controls

The Company fully adopts a comprehensive budget management and a level-based performance appraisal management, so as to monitor the operations of the Company according to the budget and adjust operating objectives and management initiatives in a timely manner. For a more scientific and effective human resources management, the Company carries out in-depth analysis on each position for a clear and reasonable definition of job missions, duties, skills requirements and key performance targets.

Key internal controls of the Company include

- Establishment of policies, rules, procedures and approval limits for key financial and personnel matters, and the rules to the delegation of authorities;
- Internal documentation of key processes and procedures;
- Maintenance of proper accounting records;
- Safeguarding the Company's assets;
- Ensuring reliability of financial information;
- Ensuring compliance with appropriate legislation and regulations; and
- Having qualified and experienced persons take charge of important functions.



Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2025, all directors have participated in continuous professional development by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors duties.

DIVIDEND POLICY

The Board has adopted a dividend policy. When proposing or paying any dividend, the Company shall comply with all applicable laws, regulations, regulatory requirements and the relevant provisions of the Company's Articles of Association.

The purpose of the Company's dividend policy is to provide shareholders with reasonable, stable and sustainable returns, while maintaining the Group's sound financial position, sufficient liquidity and supporting the Group's long-term business development and capital needs. In considering the declaration of dividends, the Board will endeavour to balance shareholder returns with the Group's long-term development, operational needs and future investment plans.

In considering whether to recommend the payment of a dividend and in determining the amount of any dividend, the Board will primarily consider the following factors:

- (i) the Group's overall financial performance and condition, including profitability, cash flow, gearing level and capital structure;
- (ii) the Group's working capital requirements, capital expenditure, investment plans and future business development needs;
- (iii) the Group's business conditions, operating strategies and market prospects;
- (iv) the expectations of shareholders for reasonable returns and the Company's ability to create long-term value for shareholders;
- (v) any legal, regulatory, contractual or other restrictions that may affect the payment of dividends; and
- (vi) any other factors that the Board considers relevant to the Group's circumstances at the time.



Corporate Governance Report

The Company does not guarantee the payment of dividends at any fixed amount or rate for any specific period, nor does it commit to paying dividends in all circumstances. The Board may, depending on the Group's actual operating and financial condition, decide to declare interim dividends, final dividends, special dividends, or no dividends.

If the Board decides to pay a dividend for a particular financial year, the Company will explain such dividend decision in the relevant Corporate Governance Report and annual report, and confirm whether such decision is in compliance with this dividend policy; if there is any deviation, the Company will explain the reasons for such deviation. If the Group's dividend level for a particular financial year changes significantly compared to the previous corresponding period, or if the Board decides not to pay a dividend, the Company will also explain the reasons for such change or non-payment in the relevant report and, where applicable, disclose other measures that the Board has considered or taken to enhance shareholder returns.

The Board will review this dividend policy from time to time and may amend it when it considers it appropriate and necessary.

INVESTOR RELATIONS

Information Disclosures and Investor Relations Management

The Company believes that it is crucial to maintain effective communication with investors to enhance their knowledge and understanding of the Company. In this regard, the Company attaches high importance to implement positive policies that facilitate investor relations and communication. The Company seeks to enhance the transparency and consolidate the knowledge and understanding of the investors towards the Company effectively through various means such as open, fair and impartial information disclosure to investors.

The Company mainly communicated with domestic and foreign investors through conference calls and visits and maintained a good relationship with the international capital market. As of 31 December 2025, the Company conducted over 100 telephone communications and received visiting investors on multiple occasions from both domestic and overseas markets.

Shareholder's Rights

The Board recognises the importance of effective communication with the shareholders. The Company communicates with the shareholders through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.



Corporate Governance Report

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department of the Company. Investor Relations Department of the Company handles both telephone and written enquiries from shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions. The contact details of the Investor Relations Department are set out in the Corporate Information section of this annual report. The Board considers that the shareholders communication policy was effective during the year ended 31 December 2025.

Pursuant to Article 58 of the Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members 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 shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 85 of the Articles of Association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The procedures for shareholders to propose a person for election as a Director is posted on the Company's website.



Corporate Governance Report

Other Stakeholders' interests

While dedicated to maximizing shareholders' value, the Company is also committed to its customers, in terms of provision of quality products and services, and to the staff, by making available opportunities to them for career development. The Company had a strong commitment to shareholders, investors, staff, customers, suppliers and the community at large and always acting in good faith and with integrity. The Company believed that the sustainable development of a company cannot be achieved in isolation from a healthy environment. The Company pledges to contribute to the community while pursuing profit growth, by managing the business within the bounds of relevant laws and environmental regulations, improving standard of corporate governance and enhancing corporate transparency and actively participating in social charities and contribute to the local social development.

During the year ended 31 December 2025, there has been no significant change in the Company's constitutional documents.

CORPORATE SOCIAL RESPONSIBILITY

The Group also dedicates itself to contributing to the society and serving the community in the midst of its rapid development. Taking into consideration the actual situation in the place where it operates, the subsidiaries of the Group take part in local social services. Our involvement in community service helps to build a good image of the Company and contribute to the local social development.

In the future, we will continue to support and participate in diversified social and community activities. To promote the relationship between the Company and investors and to enhance the transparency of the operation of the enterprise, the Company will communicate information regarding the Company's business development through various channels when appropriate.



Environmental, Social and Governance Report

About This Report

Group Overview

Lonking Holdings Limited (the “Group”, “Company”, “we” or “us”) is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (Hong Kong Stock Exchange stock code: 3339). Adhering to the corporate governance policy of “depending on talents and enhancing management; improving quality and promoting brand; earning credibility and becoming the leading player”, we are dedicated to our work and seek improvement while maintain stability, aiming to create value with wisdom and benefit people with efficiency.

Scope of Reporting

This report covers the environmental, social and governance (“ESG”) initiatives and performance issues related to construction machinery for the period commencing on 1 January and ending on 31 December 2025 (the “reporting period”).

This environmental, social and governance report has been prepared in accordance with the Environmental, Social and Governance Report Guidelines (“ESG Guidelines”) contained in Appendix 27 to the Main Board Listing Rules of the Hong Kong Stock Exchange.

Reporting Principles

Materiality:

Important and relevant information to stakeholders on different environmental, social and governance aspects is covered in this report, relative importance of environmental, social and governance topics has been determined through materiality assessment and approved by the Board.

Quantitative:

Quantitative information is provided in this report, and where appropriate, with narrative and comparative data to assist users in meaningful interpretation of figures and enable them to perform fair assessment of the Group’s environmental, social and governance performance.

Consistency:

Consistent methodologies (as previous reports) are used to prepare and present environmental, social and governance data provided in this report, unless otherwise specified.



Environmental, Social and Governance Report

Balance:

This report seeks to objectively and fully reveal the ESG controlling strategy and performance of the Company, so as to enhance the ESG information transparency of the Company. Unbiased information is provided in this report, without the inappropriate use of selections, omissions and presentation formats that would mislead the users.

Response to This Report

Lonking Holdings Limited highly values the views of all stakeholders on the measures taken by the Group for, and our performance in relation to, sustainability. Should you have any questions or suggestions on this report, please contact us by fax at (852)25878138. Please browse the Group's website (www.lonking.cn) for further information on the environmental, social and governance development plan of the Group.

Our Social Responsibility and Vision

The Group's vision is to become "a remarkable construction machinery operator all over the world". In the course of our future development, we are committed to our responsibilities and obligations as a responsible corporate citizen. We will not only adhere to the scientific concept of development, achieve sustainable development, and strive to build a resource-saving, environment-friendly and innovation-driven enterprise, but also be a role model in actively assuming overall social responsibility, promoting social justice and equity, protecting the natural and social environment, and supporting public welfare and charitable causes, so as to win the respect and admiration of users, agents, employees of operating companies, suppliers, investors, the entire construction machinery industry and society as a whole.

ESG Governance Structure

The Group's ESG governance structure consists of three major components, namely, the Board, the ESG Working Group, and the executive department.

The Board assumes the overall ESG responsibility of the Group and oversees ESG matters as a whole. It sets out the Group's ESG objectives and directions and delegates the management authorities to the ESG Working Group. In addition, the Board is responsible for assessing and identifying the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Comprised of the key management of core departments, the ESG Working Group is responsible for implementing and coordinating all ESG-related activities and reports to the Board on relevant matters. It also handles materiality assessment, ESG information and data collection as well as the preparation of sustainability reports. In addition, the Working Group is responsible for assisting the Board in identifying and assessing the Group's ESG risks and evaluating the effectiveness of the Group's ESG internal control mechanisms.



Environmental, Social and Governance Report

The Executive Department drives the implementation of the sustainability policies and initiatives within the business and achieves the sustainability targets set by the Group in the environmental, social and operational management areas.

According to the specific division of work, each Executive Department will evaluate the achievement of ESG objectives proposed by the Board from time to time and report to the ESG Working Group. Then the ESG Working Group will report to the Board after review, and supervise the implementation of the ESG objectives by each Executive Department according to the Board's instructions.

Communication with and Engagement of Stakeholders

This ESG report involves key stakeholders in assessing the significance of various sustainability issues, identifying our operations that have a significant impact on the environment and society, and appropriate analysis and assessment of the materiality and relevance of each ESG issue by stakeholders.

Stakeholders	Participation method	Concerns
Shareholders and investors	<ul style="list-style-type: none"> • Regular announcements and circulars • Annual and interim reports • Annual general meeting 	<ul style="list-style-type: none"> • Financial and business performance • Corporate governance • Compliance and legality
Employees	<ul style="list-style-type: none"> • Employee recruitment • Employee training and meetings • Work performance evaluation • Opinion collection • Employee activities 	<ul style="list-style-type: none"> • Compensation and benefits • Promotion opportunities • Occupational health and safety
Agents and customers	<ul style="list-style-type: none"> • Signing agency cooperation agreement • End customer information • Company website • Annual and interim reports 	<ul style="list-style-type: none"> • Product quality • Product development and innovation • Customer relationship management • Financial and business performance • The sustainable development strategy of the Group



Environmental, Social and Governance Report

Stakeholders	Participation method	Concerns
Suppliers/business partners	<ul style="list-style-type: none"> • Supplier information • Performance evaluation • Annual renewals and updates • Company website • Annual and interim reports 	<ul style="list-style-type: none"> • Ongoing cooperation • Financial and business performance • Corporate governance • Occupational health and safety
Governmental departments/ regulatory departments	<ul style="list-style-type: none"> • Routine data information reports • Annual and interim reports • Response to inquiries from governmental departments • Related meetings of governmental departments 	<ul style="list-style-type: none"> • Environmental impact • Occupational safety regulations • Product compliance
Media and the public	<ul style="list-style-type: none"> • Announcements • Annual and interim reports • Company website • Interviews 	<ul style="list-style-type: none"> • Corporate governance • Compliance and legality
Community	<ul style="list-style-type: none"> • Community activities • Donation activities • Company website 	<ul style="list-style-type: none"> • The sustainable development strategy of the Group • Support for the community

Materiality Assessment

The Company conducted materiality assessment on environmental, social and governance issues. During the assessment, we invited different stakeholders to express their views on the environmental, social and governance performance of the Group by means of questionnaires based on their reliance and influence on our business, including key external stakeholders such as shareholders and investors, agents and customers, suppliers and business partners, and key internal stakeholders such as employees and the management. In the materiality assessment, stakeholders rated their relevance based on ESG issues, while the management rated the importance of ESG issues to the Group's business.

We classified ESG issues into "very important" and "important" categories. "Very important" refers to those issues that are closely related to and have a significant impact or risk on the Group's operations, and we will focus on disclosing these issues and the required information in this report. "Important" refers to those issues that are relevant to and affect the Group's operations, which will be described in general terms in this report to indicate the Group's role therein or the extent to which it is affected, in order to enhance transparency.



Environmental, Social and Governance Report

The results of the materiality assessment are as follows:

Very Important:

- Exhaust gas emissions
- Greenhouse gas emissions
- Wastewater emissions
- Direct energy
- Water resources
- Employee rights Labor standards
- Occupational health and safety
- Development and training
- Supply chain management
- Product liability
- Business information privacy and intellectual property protection
- Anti-corruption



Environmental, Social and Governance Report

Important:

- Use of packaging materials
- Potential impact of environment and natural resources on the Company
- Community investment
- Potential impact of climate change on the Company
- Non-hazardous waste emissions
- Other potential environmental impacts on the Company

I. Environment

Pursuant to the requirements of national laws and regulations, the Company has a management system in place for environmental protection, and set up a leading group responsible for environmental protection and prepared emergency plans for environmental incidents. The Company has also established the ISO14001 environment management system and ensured the effective operation of the environment management system, while continuing to promote cleaner production and pollution treatment to minimize the impacts of the Company's production and operation on the environment. Adhering to the environmental approach of "cleaner production to perform social responsibility; sustained improvement to create green enterprise", the Company has included environmental management and control into its "Annual Work Schedule of the Board" to facilitate "cleaner production" and "pollution treatment" and, ultimately, to be a resource conserving and environmentally-friendly enterprise in a socially responsible way.

Emissions

Strictly abiding by the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》) and other related laws and regulations and various emission standards of pollutants, the Company actively promotes the application of advanced techniques and equipment with high resource efficiency and low pollutant emission, so as to reduce the generation of pollutants from the source and maintain effective operation of its pollution treatment facilities, ensuring that the pollutants are discharged in compliance with standards.



Environmental, Social and Governance Report

The greenhouse gas emissions of the Company mainly come from the consumption of direct energy, mainly including the consumption of primary energy such as natural gas and diesel oil, and indirect energy, mainly including the consumption of electricity. In 2025, the Company's greenhouse gas emissions (Scope 1) amounted to 25,993.99 tonnes, greenhouse gas emissions (Scope 2) amounted to 113,292.40 tonnes, and total greenhouse gas emissions amounted to 139,286.39 tonnes.

The waste water discharged by the Company is mainly the one from the metal surface treatment during the production process and a small amount of domestic waste water. The Company has built 12 waste water treatment facilities, which apply techniques including acid-base neutralization, coagulating sedimentation and biochemical degradation to conduct treatment of production waste water. A small amount of domestic waste water undergoes biological treatment through septic tank. After such treatment, the production waste water and domestic waste water of the Company meet the "Wastewater Quality Standards for Discharge to Municipal Sewers" (GB/T 31962-2015) or "Integrated Standards for Wastewater Discharge" (DB 31/199-2018). As of 31 December 2025, total waste water discharged by the Company to the urban drainage facility was 561,990 tonnes, with a drainage pass rate of 100% in 2025. The Company has established the "Regulations on Administration of the Usage of Tap Water in Production Areas" (《生產區自來水用水管理規定》) to perform strict quota management and control on water usage, realizing a recycle rate of industrial water of 85%.

The organized emission of exhaust gases by the Company are mainly sulfur dioxide and nitrogen oxide arising from energy combustion (such as steam boilers, normal pressure boilers, heating furnaces, and burners, etc.) as well as exhaust gases generated from the metal surface treatment process. The Company used energy-saving gas boilers. The emissions of pollutants (such as sulfur dioxide, nitrogen oxide, etc.) meet the "Emission Standard of Air Pollutants for Boilers" (GB 13271-2014) or "Emission Standard of Air Pollutants for Boilers" (DB 31/387-2018). Exhaust gases generated from production process are treated through facilities such as acid fog absorption towers, regenerative combustion and activated carbon absorbers. Such treated pollutants can meet the standard set out in the "Integrated Emission Standard for Air Pollutants" (GB 16297-1996) or "Integrated Emission Standard for Air Pollutants" (DB 31/993-2025). As of 31 December 2025, the Company emitted 0.0360 tonnes of sulfur dioxide and 16.0249 tonnes of nitrogen oxide in total in 2025.



Environmental, Social and Governance Report

The solid wastes discharged by the Company mainly include hazardous wastes and non-hazardous wastes. Hazardous wastes are mainly waste mineral oil, waste cutting fluid, paint residue, surface treatment bath solution, sludge, waste acid, spent activated carbon, scrapped lead-acid batteries, and waste packing drums, etc. As of 31 December 2025, the Company generated total hazardous wastes of 2,062 tonnes in 2025, all of which were outsourced to qualified hazardous waste treatment units entrusted by the Company for proper disposal and corresponding examination and approval formalities regarding the transfer of hazardous wastes being processed as required. The management of hazardous wastes of the Company complies with the requirements of regulations such as “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” (《中華人民共和國固體廢物污染環境防治法》), “National Catalogue of Hazardous Wastes” (《國家危險廢物名錄》), “Measures for the Transfer of Hazardous Wastes” (《危險廢物轉移管理辦法》) and “Standard for Pollution Control on Hazardous Waste Storage” (《危險廢物貯存污染控制標準》). Non-hazardous wastes are mainly recyclable wastes such as waste steel, waste iron, waste paper and waste plank, and unrecyclable industrial wastes. As of 31 December 2025, the Company generated total non-hazardous wastes of 102,267 tonnes in 2025, including recyclable wastes of 101,100 tonnes, all of which were recollected by a casting and forging company of the Group, or other recycling companies for comprehensive reuse. Industrial wastes of 1,167 tonnes were outsourced to industrial waste treatment units recognised by the local government authorities for disposal.

Use of Resources

Starting from the source, the Company has adopted advanced production processes to abandon equipment with heavy pollution and high energy consumption. In 2025, the main energy consumed by the Company included natural gas of 8,997,700 cubic meters, electricity of 256,972,200 KWH, fuel diesel of 1451.65 tonnes, and propane of 606.71 tonnes.

In 2025, the Company consumed 66.1165 tonnes of tap water in total.

Committed to be a resource-saving enterprise, the Company prudently complies with the laws and regulations including the “Law of the People’s Republic of China on Energy Conservation” (《中華人民共和國節約能源法》) as well as local regulations on energy conservation. As the Company places great importance on energy conservation and consumption reduction to enhance the utilisation rate of energy, it has adopted a 3-level measurement for energy management and quota management. Each of the cutting gas equipment using natural gas and propane is installed with flow meters for measurement. The most reasonable cutting parameters are determined according to steel plate cutting experiments. All of the flame cutting categories are set up with fixed consumption quota. Energy-intensive equipment is installed with power meters for measurement. For high consumption equipment, electricity suspension is arranged in trough hours. Waste heat from boilers is recycled for utilisation. After implementing the aforesaid measures, the Company has recorded a notable decrease in energy consumption.



Environmental, Social and Governance Report

The Company consistently adopts the concept of water conservation. By developing a water management system and fixed quota control, installing water meters for measurement and improving recycle rate of industrial water, the Company's product water consumption has decreased significantly.

Packing materials used by the Company mainly include wrapping film, wooden boxes and steel baling strap. Without influencing the product, the Company improves the utilisation rate of recyclable packages and reduces consumption of packing materials to minimise its effect on the environment through strengthening internal management and reasonable use of packages. In 2025, total consumption of timber, plastic film, steel baling strap and other packing materials of the Company was approximately 469.3 tonnes.

Environment and Natural Resources

In 2025, the Company invested a vast amount of capital to conduct technical renovation on its harmful toxic procedures and several existing pollution treatment facilities. With the adoption of international and domestic advanced production processes and pollution treatment techniques, the production and pollution treatment level has been comprehensively improved. Each type of pollutant emissions has met the national or local standards.

In the production and operation process, the Company intensifies the usage control of non-renewable energy, focuses on saving and eliminates waste. The Company neither uses and wastes plenty of non-renewable energy, nor damages the ecological environment of surrounding areas, and there is no material impact on environment and natural resources.

Climate Change

The Company actively seeks to respond to global climate change and climate change policies. Since 2025 when the Ministry of Ecology and Environment announced the implementation of the Carbon Emission Trading Management Regulations (Trial) and climate related policies, the Company has been focusing on greenhouse gas emissions and air pollutant emissions to ensure that locally enforced environmental emission requirements are met. The Company has adopted an ISO 14001 environmental management system and set emission reduction targets. It is assessed that the Company's production operations will be less affected by climate change in the long term at this stage.



Environmental, Social and Governance Report

II. Society

2.1 Employee benefits

Employees are one of the most important resources of the Company and its core for development, growth and value creation. The Company fully respects the legal rights of its employees and always upholds the talent perspective of “recruiting and cultivating talents, selecting the right people for the right jobs” (“聚才用賢、能崗匹配”), with an aim to create a fair, equitable and respectful workplace and ambience for all of its employees.

The Company strictly complies with the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), “Labour Laws of Hong Kong” (《香港勞工法例》) and other relevant laws and regulations. Besides, and it has established relevant human resources systems, which systemically govern aspects such as remuneration packages, employments and promotions, re-designations and overseas deployment, resignation management, working hours, leave management, appointment qualifications, labour protection as well as prevention and protection from occupational hazards. The Company fights against any kind of career discrimination based on factors including genders, ages, disability, races and religions and ensures that employees are offered fair employment or promotion opportunity and remuneration package based on their capabilities and profit contributions.

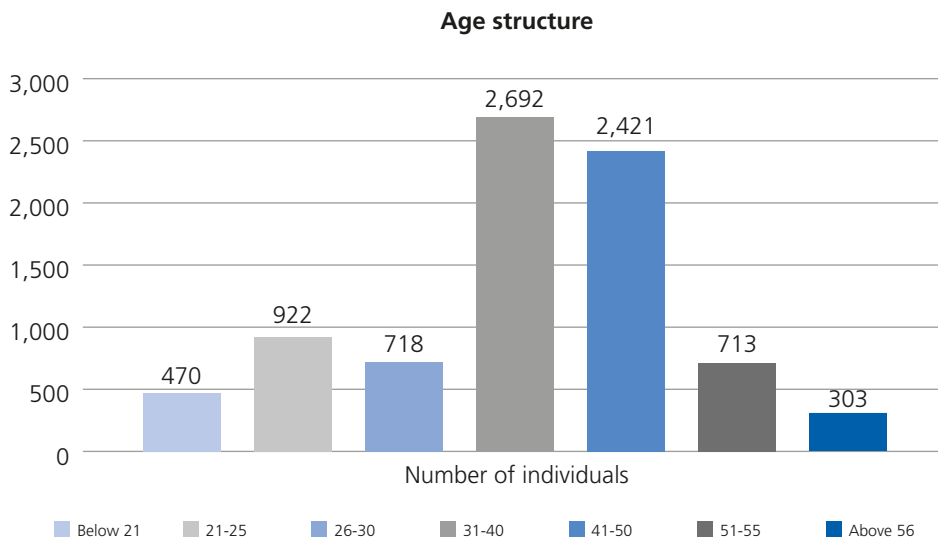
The Company provides diverse benefits and care to its employees. In addition to the contribution to social insurance and housing provident funds as required under the national provisions, the Company offers a variety of cash and benefit in kind to its employees such as holiday allowance, wedding gift, birth gift and high temperature allowance as well as caring benefits such as health check-ups, accommodation and significant family care. The Company also offers benefits in the form of “healthy life” themed corporate culture events.

Female staffs are entitled to pregnancy examination leave, maternity leave and breastfeeding leave during their pregnancy and parturition, and are arranged to work in their original unit and duties upon expiry of maternity leave in order to actively help employees reintegrate into the workplace. We also provide parental leave to relieve female staff of their worries about returning to the workplace.



Environmental, Social and Governance Report

As of 31 December 2025, the Company had a total of 8,239 employees. Owing to the business nature of the Company as a construction machinery enterprise, most employees are males, accounting for 84%; and most employees of the Company are aged 30 to 50. The table below sets forth the breakdown of the age of our employees.



2.2 Health and Safety

The Company has always endeavored to safeguard employees' health and safety. We strictly abided by the occupational health and safety laws and regulations of Hong Kong and Mainland China, and constantly improved the occupational health and safety management system, striving to provide a safe and healthy working environment for our employees, so that they can work with peace of mind and live a happy life.

The Company attaches great importance to environment governance and has continue to invest fund to treat dust and toxic and harmful gases discharged in a comprehensive manner. It has complied with relevant national and regional standards of various discharges. The Company strictly implements related national laws and regulations, and sticks to the guidelines of "Safety First, Prevention First, Comprehensive Governance". The Company has built and complete various management systems to protect employees' safety and physical and mental health, including the "Management System of Safe Production" (《安全生產管理制度》), "Contingency Plan for Safety Production" (《安全生產應急預案》), "Administrative Measures for Occupational Medical Examination" (《職業健康檢查管理辦法》), "Regulations on Safety and Occupational Health Training" (《安全、職業健康培訓規定》) and "Provisions on the Distribution of Worker Protection Items (《勞保用品發放規定》)". The safety production standardisation has obtained level 2 national certificate, and the safe production procedures cover all positions throughout the Company. The Company



Environmental, Social and Governance Report

conducts annual inspections on on-site occupational hazard factors, allocates to employees qualified and completes set of labor protection appliances and implements daily supervision and inspections to standardise their usage. Furthermore, occupational health examination is arranged annually for workers who are exposed to toxic and harmful substances at the production line to prevent occupational diseases. The Company has obtained the Environment and Occupational Health and Safety Management Systems (OHSMS) certification and carries out annual internal and external reviews to rectify any noncompliance within specified periods of time. The Company ensures the safety and hygienic condition of the working environment in line with the applicable standards.

2.3 Development and Training

The Company adheres to the tenet of “people-oriented” and the spirit of “diligence, practice, foresight, and innovation”. Adhered to the principle of “taking employees as the first”, it respects, cares for and relies on employees, and gives full play to their enthusiasm and subjective initiative. In the Company, everyone shall be the manager and the owner, so that they may enjoy the fruitful results of the rapid development of the Company and feel the warmth of “Lonking Family”. A harmonious working and living environment will be strived to create for employees to do their best and obtain happiness in work and life.

The Company regularly provides various types of training for employees to enhance their abilities and expertise. In addition, we advocate innovative learning forms, strive to build a practical online learning platform, develop and improve high-quality training materials at different levels, and establish training courses for specific groups. The general staff focuses on the training of professional skills and business knowledge, the middle management focuses on the training of team management and executive ability, and the senior management focuses on the training of leadership. Through training, a high-quality staff team has been formed within the Company.

The Company conducts campus recruitment every year to provide internship and employment opportunities for college students, and to provide suitable training and talent training for numerous students. The training shall be conducted by experienced employees to help the students accumulate work experience, thereby providing career development opportunities and showcasing their strengths.

2.4 Labor Standards

The Company has strictly complied with the relevant laws and regulations such as the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Law of the People’s Republic of China on the Protection of Minors” (《中華人民共和國未成年人保護法》) and the “Provisions on the Prohibition of Using Child Labor” (《禁止使用童工規定》) to protect the



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legitimate rights and interests of minors. We prohibit minors from working in any workplaces. In order to eliminate the employment of minors, during the open recruitments, candidates are required to present their identity cards and verify against the originals and only candidates who fulfill the recruitment conditions may proceed with the entry formalities. In 2025, the Company did not violate relevant laws or regulations.

3. Operation and Social Responsibility

3.1 Supply Chain Management

The Company has strict requirements on the management of its suppliers and the supply chain. Adhered to its vertical integration strategy, the Company reasonably plans and establishes an efficient supply chain system that is in line with its development. The Company formulates and implements a series of management systems related to the supply chain, including "Procurement Control Procedures", "Procurement Management System", "New Supplier/New Product Recommendation and Supplier Evaluation Management", and requires all staff and management to effectively implement them. Through regular assessment on the status and capabilities of its suppliers, the Company continuously integrates and optimizes the supply chain. Based on the analysis on the internal environment and supply environment, the Company deeply cooperates with its suppliers and establishes long-term strategic partnership in a selective and planned way, so as to enhance and stabilize the value of the supply chain, which is also the core competitiveness of the Company.

In the process of cooperation with and management on its suppliers, the Company focuses on strengthening the management of supplier risk identification and assessment and implements necessary supervision and inspection on the production sites of its suppliers. The Company will gather, research, evaluate, and recommend the use of data resources based on the principles of "improving quality, controlling costs, and increasing efficiency" in the supply chain. At the same time, regarding the environmental and social risks in the production of suppliers' products, we take into account various aspects such as the supplier's business qualifications, operational risks, social reputation, research and development capabilities, supply capabilities, quality assurance capabilities, after-sales support capabilities, and willingness to cooperate to develop a rating standard that meets the requirements for assessment and evaluation.

In 2025, the Company had 3 contracted strategic cooperative suppliers and 132 new suppliers, which had greatly reduced constraints of supply chain bottlenecks. In 2025, there were a total of 1,505 qualified suppliers, among which, 1,170 from Eastern China, 100 from Northern China, 48 from Southern China, 23 from the southwest region, 119 from Central China, 18 from the northeast region, 14 from the northwest region and 13 from overseas.



Environmental, Social and Governance Report

(1) *Policy and Management Measures*

1. Competitive selection and elimination management of suppliers was implemented to promptly eliminate non-qualified suppliers, continuously optimizing and integrating supply chain resources to establish a rational and stable procurement resource platform. We persist in the principle of “Selecting the Best” and construct a supply chain system in line with the product positioning of the Company;
2. We continuously optimize the supplier management platform (SRM) system in respect of system modules and processes, leveraging processes such as inquiry management, price adjustment management, quota management and key important new products, utilizing process controls to mitigate risks and improve operational efficiency. By opening up the data link with the QMS system, suppliers can register multiple management systems at one port, which plays a key role in the quality improvement of the supply chain;
3. Classified by product importance, we adopt the procurement mechanism combing regular open tenders and sealed time-limited competitive bidding through the SRM system. Meanwhile, we establish a common supply quota allocation system to implement flexible quota adjustment and control based on the cost differences between suppliers. We prioritize high-quality suppliers with significant cost competitiveness while maintaining quality and delivery timelines.

(2) *Introduction Criteria and Control of Suppliers*

1. In introducing all suppliers, the Company conducts control on the process of procurement and outsourcing pursuant to “Procurement Control Procedures” (《採購控制程序》). The review on suppliers covers “CCC”, “ISO9000” and “IATF16949”, etc.
2. The control methods of the Company on suppliers include: the Company conducts control on its suppliers through irregular on-site supervision and inspection (for the control of the supplier’s procurement of raw materials, production process, quality control, technical assurance capabilities, and environmental systems), as well as pays attention to and requires the use of environmentally friendly products and services in the production process when selecting suppliers to ensure the environmental requirements of the products provided; the Company meets with suppliers with quality concerns on a regular basis (to analyse reasons, propose schemes and measures for improvement and require such suppliers to submit new samples); and suppliers’ annual performance assessment management.



Environmental, Social and Governance Report

(3) *Long-term Procurement of Components*

The procurement cycle of certain key import components of the Company was longer, which were exposed to the guarantee risk under the significant growth of the products sales of the Company. Loss for sluggish materials will occur when there is a decline in industry demand. The solution is, based on industry and market information and status, to formulate the rolling plan for long-term product procurement and manage strategic inventories in a scientific and reasonable manner, and set the maximum inventory. For delivery cycle exceeding two months, the Company would enter into circuit breaker agreements or supplemental agreements when signing contracts with suppliers to stipulate that in the event of overstocking of products due to changes in the market, the both parties will take measures such as cancellation of orders, delay in shipment, third-party resale, and return of the ordered products. The Company also needs to ensure that all long-term procurement is made based on demand and cycle as well as make timely adjustments, so as to ensure that long-term product procurement meets production needs and avoid sluggish of long-term supplies.

(4) *Future Plan and Measures*

1. Supplier Strategy Planning

The Company leveraged on the basis of professional procurement management team and excellent supplier team, so as to support the procurement strategy of the Group through continuously improving the competitiveness in terms of the quality, cost and delivery schedule of procurement. The Company adhered to the procurement guideline of "Supplier Management, Usage Management, and Efficiency Management", establishing a stable and quality supply chain system.



Environmental, Social and Governance Report

2. Protection Measures

- ① Production capacity: That is “Supplier Management”, the Company ensured the timely and efficient supply of materials needed for production and the market through implementation process of informatization (MRP) in supply chain management involving accurate calculation and dynamic adjustment of material requirements;
 - ② Quality: That is “Usage Management”, the Company has established a strict supplier management system. Through information technology means, the access standards for suppliers are set, and it is clearly stipulated that all products can only be purchased after signing a technical agreement, so as to control the quality from the source. Implement closed-loop management throughout the whole process, covering key links such as supplier access review, product trial evaluation, and after-sales feedback tracking. Strictly implement the quality policy of “holding the bottom line”, and focus on strengthening the whole-process supervision of suppliers, including raw material procurement, incoming inspection, production and manufacturing, packaging and transportation, etc., to ensure that the product quality is always under control.
 - ③ Cost: That is “Efficiency Management”, the Company has established a competitive procurement system. High-quality resources are introduced through methods such as public bidding, time-limited sealed bidding, and sealed quotation for full competition. Additionally, a cost analysis model is constructed, and intelligent dynamic monitoring of raw material price fluctuations is implemented through informatization. Suppliers are encouraged to adopt new processes, technologies, materials, and structures to improve quality and reduce costs, transforming cost reduction and efficiency improvement into common value for both parties.
3. Leverage informationization and intellectualization to enhance work efficiency as well as control and evaluation on suppliers to realize a closed-loop management.



Environmental, Social and Governance Report

3.2 Product Responsibility

The Company has strictly performed its responsibilities as an enterprise for quality and safety, clearly declared that the President is primary responsible person for quality and safety of products, and has implemented quality management in compliance with the requirements of the ISO9001 quality management system. In terms of the quality, the Company implemented the “Departments and Regions” management, under which the quality management department is responsible for building and implementing product quality plans, quality control and improvement endeavors in an all-round manner.

In terms of product research and development, the Company has established research and development system, while also developed product research and development management system and new product process quality control management system on the basis of institutional norms, so as to achieve the goal of “new products are high-quality products”. At the same time, the Company has strictly implemented the requirements of the systems in the process of product research and development to ensure the quality of research and development, and to ensure that the products developed meet the requirements of national laws and regulations.

In terms of supplier management, the Company sets up supplier appraisal standards and will conduct comprehensive inspections and evaluations on suppliers in terms of quality of supply and delivery time before the introduction of new products from new suppliers and new products from qualified suppliers. The Company will also enter into technical agreements, quality assurance agreements and three-package service agreements with suppliers. When the supplier’s products are put on trial in the factory, the “Four Equals” inspection requirements will be strictly followed. During this process, On-site supervision, data inspection, remote video inspection, quality interviews and other methods will be constantly carried out for qualified suppliers. In addition, product exchange meetings will be organized for suppliers from time to time, in order to keep improving suppliers’ processes and product quality.



Environmental, Social and Governance Report

In terms of internal quality control, the Company continuously implements the quality policy of “one card for one fault, full control and customer satisfaction” and management modes such as “user-based” and “gate-keeping and door-keeping” of the quality control system” to promote all-staff quality management. It launches an all-round “4M Change Management” mechanism to reduce quality defects from changes in “people, machine, material, and method”. The Company adopts a “three-in-one” management model for key processes, combining technology, quality, and production system management. In addition, we introduce experts to guide the implementation of process improvement activities, and conduct regularized management on the “five types of details” to ensure that every aspect of the product meets customer requirements and guarantees stable and reliable product quality. The Company has also implemented a range of audit methods, including product audits, process audits, and system audits, to identify potential risks in process control and product quality. Additionally, the Company adheres to management methods such as the QMS quality management information system, “two strictures,” “four clarifications and two controls” and “five-question analysis model” to ensure continuous improvement in process and product quality.

In terms of improving the quality of products, the Company made effort in all levels thereof by aspects of QOMT, QQPS, continuous enhancement of quality, Six Sigma and special project for quality supervision to achieve quality improvement in various levels. Meanwhile, the Company formulated such management requirements as “doubt or failure prevention” and “suggestions for quality” so that employees may participate in quality improvement as much as possible.

In terms of after-sales services, the Company adheres to the principle of “sales agency system”, and keeps its advantages of “quality, services and value-for-money” while strictly implementing the “one card for one fault” system. It has further improved the QMS, SRM and OA electronic information platform to integrate hotlines, emails, and WeChat information communication methods and platforms for accurate, timely, and integrated transmission of messages. This has ensured its after-sales service quality and continuously met customers’ demands though training on our after-sales staffs.

In terms of product quality information collection, the Company has set up a quality alert platform by product segments and domestic and international markets to provide daily alerts for prompt processing of quality-related issues. At the same time, a Quality Case Manual for typical quality cases is prepared and periodically shared internally, which to a certain extent enables the Company to prevent problems and facilitate continuous improvement of product quality.



Environmental, Social and Governance Report

The Company attaches great importance to customer satisfaction construction. It makes targeted improvements through customer satisfaction surveys, information collection and analysis to constantly meet customers' needs and enhance the Company's competitiveness.

3.3 Information Privacy and Intellectual Property Protection

The Company is committed to the protection of supplier information and product intellectual property rights and strictly complies with the relevant laws and regulations of the domestic government (including but not limited to the General Principles of the PRC, etc.). The Group has prepared and implemented the Technical Confidentiality Guidelines and strictly requires its staff to comply with the relevant policies and sign confidentiality and non-competition agreements, handle and store partner-related information properly. Various controls have been established to protect partner data information within the system, and the effectiveness of relevant internal controls is reviewed regularly. The ERP system assigns operators with strict permissions based on their duties and responsibilities, which are regularly reviewed. Additionally, all employees who have access to product or bill of material information are required to sign confidentiality and non-competition agreements. We are not aware of any material non-compliance with applicable regulations in relation to the protection of information of partners and intellectual property rights that are material to the Group in 2024.

3.4 Anti-corruption

The Company believes that preventing the occurrence of corruption, bribery, fraud and extortion is the social responsibility and legal liability it shall assume. Besides, the Company is dedicated to developing a clean and honest culture and system for all stakeholders inside and outside the Company, promoting the idea and philosophy of practice of anti-corruption.



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The Company established the Committee of Discipline Inspection of the Chinese Communist Party (黨委紀律檢查委員會) and the Anti-Corruption Office (廉政辦公室) to carry out anticorruption work independently and accept the report of and deal with all kinds of violations of laws and regulations. With relevant systems such as “Clean Administration of Lonking Holdings Limited” (《中國龍工控股有限公司廉政規定》), “Measures of Lonking Holdings Limited for the Treatment of Accepting Gifts” (《中國龍工控股有限公司收受禮品處置辦法》), “Whistle-Blowing Procedures” (《舉報程序》), “Regulations of Lonking Holdings Limited on Eight Restrictions” (《中國龍工控股有限公司「八不准」規定》), “Commitment Letter on Integrity Matters for Employees in Key Positions” (《關鍵崗位員工廉政事項承諾書》) and “Report Letter on Integrity Matters for Employees in Key Positions” (《關鍵崗位員工廉政事項報告書》) in place, the Anti-Corruption Office, Internal Audit Organisation, Financial Management Department and Risk Management Department of the Company, all as effective units responsible for supervision and management to safeguard each stakeholder to act with integrity, are able to implement effective review and supervision on all kinds of economic activities in an independent manner, ensuring that all anti-corruption and integrity systems are executed in an efficacious manner, thereby promoting the development of anticorruption culture within the Company.

Major business dealings particularly with more centralized stakeholders including purchasing suppliers and sales agents are executed in strict compliance with various business policies and approval procedures. In order to follow the anti-corruption system of the Company, such stakeholders are required to publicize and sign the “Non-corruption Agreement”. For those suppliers and sales agents who refuse to sign the “Non-corruption Agreement” and do not follow the non-corruption requirements of the Company, the Company shall terminate the business cooperation(s) with them. All courtesy gifts inevitably accepted in business dealings shall be under the unified treatment of the Anti-Corruption Office of the holding company to deter relevant departments and business project members of the Company from committing unfavorable business practices against the Company as a result of such gifts.

In entering into major fixed asset transactions, the Company has introduced such bidding management system as it thinks necessary to make the transactions transparent, open and fair, on top of normal business policies and approval procedures, which maintained the transaction order and full competition to the maximum extent and reduced the transaction cost.

In order to further reduce the procurement cost and with the continuous maturity of the industrial chain of the construction machinery industry, the Company began to further open bidding for the procurement of ancillary parts, so as to introduce more new suppliers with high quality and good price to participate in the competition, which produced good results and continuously reduced the procurement cost.



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Cadres above the office level and employees on key positions shall sign the “Integrity Matters Commitment Letter” on a yearly basis and sign the “Integrity Matters Report Letter” at the end of every year to restrict employees’ behavior and strengthen the concept of integrity practice. The Company urged all immediate departments and subsidiaries to organise training and education on the integrity system for all employees in order to strengthen their awareness of integrity and encourage them to participate in anti-corruption and anti-corruption activities.

The independent operation of internal management structure can ensure each stakeholder can get an appropriate solution when interests are impaired. During the year, Internal Audit Organisation, Anti-Corruption Office, Financial Management Department, and Risk Management Department did not receive any complaints about corruption and blackmailing related to the stakeholders, which violated the laws and the anti-corruption requirement of the Company.

3.5 Community Investment

The Company has been actively involved in philanthropy, including actively participating in poverty alleviation, disaster relief, voluntary blood donation and other social welfare activities, and has made particular effort to help the poor and the needy, provide medical and educational support, improve infrastructures in poor rural area, and support the poor to develop production to increase their income. We have been recognised by the local provincial and municipal governments for many times. The aforesaid efforts have established the Company a good corporate image and enhanced employees’ sense of social responsibility.



Independent Auditor's Report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Lonking Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lonking Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 159 which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of 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 its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by 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. We have also 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 of 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, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in *the Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss assessment of receivables</i></p> <p>The Group's receivables consisted of trade receivables, other receivables and long-term receivables, and accounted for 21% of the Group's total assets. Recoverability of receivables is greatly affected by the overall condition of the economy. The assessment of impairment of these receivables requires the judgements and assumptions made by management.</p> <p>HKFRS 9 requires the Group to measure the impairment of financial assets based on the expected credit losses ("ECLs"). In order to measure the ECLs of the receivables, significant judgements and assumptions are applied by management, including customer payment patterns, product types, credit risk and forward-looking information such as macroeconomic factors.</p> <p>Given the significance of the receivable balances and the complexity of judgements and estimations in assessing the allowance for expected credit losses, we considered this area as a key audit matter for the Group.</p> <p>Details of the expected credit losses of receivables are disclosed in notes 3, 15, 17, 19 and 40 to the consolidated financial statements.</p>	<p>The audit procedures we performed in relation to the expected credit loss assessment of receivables included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the process of management's assessment of the impairment of trade receivables, other receivables and long-term receivables; - Examining the assumptions and judgements regarding the expected credit loss provision on trade receivables, other receivables and long-term receivables including assumptions in respect of the realisable value of collateral, especially the aged receivables and receivables in dispute; - Assessing the appropriateness of the approach and the models along with the key assumptions and parameters used in the expected credit loss matrix on trade receivables and long-term receivables by testing the accuracy and completeness of the data used in developing the historical loss rates and forward-looking information, and by evaluating customers' historical payment patterns; - Testing the accuracy of the ageing of trade receivables, other receivables and long-term receivables on a sample basis against supporting documents; and - Assessing the adequacy of the disclosures on the trade receivables, other receivables and long-term receivables in the consolidated financial statements.



Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 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 HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



Independent Auditor's Report

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. Our 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism 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.



Independent Auditor's Report

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

- 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ling (practising certificate number: P05274).



Consolidated Statement of Profit or Loss

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	4	11,215,184	10,213,556
Cost of sales		(8,818,483)	(8,215,442)
GROSS PROFIT		2,396,701	1,998,114
Other income	5	115,581	128,671
Other gains and losses	5	89,257	57,319
Selling and distribution expenses		(450,601)	(424,161)
Administrative expenses		(240,067)	(233,974)
(Impairment)/reversal of impairment on financial assets, net		(20,730)	17,426
Research and development costs		(502,439)	(447,511)
Other expenses		(5,901)	(789)
Finance income	5	147,893	137,149
Finance costs	6	(3,004)	(15,062)
PROFIT BEFORE TAX	7	1,526,690	1,217,182
Income tax expense	10	(225,942)	(198,543)
PROFIT FOR THE YEAR		1,300,748	1,018,639
Attributable to:			
Owners of the parent		1,300,528	1,018,400
Non-controlling interests		220	239
		1,300,748	1,018,639
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
-For profit for the year (RMB)	12	0.30	0.24



Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR	1,300,748	1,018,639
Exchange differences on translation of foreign operations	(9,076)	14,447
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(9,076)	14,447
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(9,076)	14,447
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,291,672	1,033,086
Attributable to:		
Owners of the parent	1,291,452	1,032,847
Non-controlling interests	220	239
	1,291,672	1,033,086



Consolidated Statement of Financial Position

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,584,723	1,760,226
Right-of-use assets	14	114,302	119,476
Prepayments for property, plant and equipment		6,405	7,835
Long-term receivables	15	479,780	191,772
Equity investments at fair value through other comprehensive income	21	1,000	1,000
Financial assets at fair value through profit or loss	22	666,080	594,138
Deferred tax assets	29	360,006	337,181
Time deposits	24	590,403	–
Total non-current assets		3,802,699	3,011,628
CURRENT ASSETS			
Inventories	16	2,256,524	2,287,310
Trade receivables	17	2,862,266	2,377,319
Bills receivable	18	567,718	671,525
Due from related parties	36	1,525	174
Prepayments, other receivables and other assets	19	610,773	521,363
Financial assets at fair value through other comprehensive income	20	52,663	42,640
Derivative financial instruments	23	4,091	27,601
Financial assets at fair value through profit or loss	22	253,314	3,659,338
Pledged deposits	24	255,849	598,712
Time deposits	24	1,883,253	1,059,336
Cash and cash equivalents	24	4,364,812	1,218,049
Total current assets		13,112,788	12,463,367
CURRENT LIABILITIES			
Trade and bills payables	25	4,156,705	3,744,900
Other payables and accruals	26	909,587	801,633
Interest-bearing bank borrowings	27	20,000	–
Due to related parties	36	7,894	10,335
Tax payable		142,300	77,000
Provisions	28	82,208	72,538
Deferred income	30	6,570	6,462
Total current liabilities		5,325,264	4,712,868



Consolidated Statement of Financial Position

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
NET CURRENT ASSETS		7,787,524	7,750,499
TOTAL ASSETS LESS CURRENT LIABILITIES		11,590,223	10,762,127
NON-CURRENT LIABILITIES			
Deposits for finance leases		37	37
Deferred tax liabilities	<i>29</i>	69,156	14,404
Provisions	<i>28</i>	7,631	7,524
Deferred income	<i>30</i>	31,393	36,069
Total non-current liabilities		108,217	58,034
NET ASSETS		11,482,006	10,704,093
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>31</i>	444,116	444,116
Share premium and reserves	<i>32</i>	11,035,162	10,257,224
		11,479,278	10,701,340
Non-controlling interests		2,728	2,753
TOTAL EQUITY		11,482,006	10,704,093

Li San Yim
DIRECTOR

Yin Kun Lun
DIRECTOR



Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Issued capital RMB'000	Share premium* RMB'000	Special reserve* RMB'000	Non-distributable reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2025	444,116	854,922	420,711	1,915,561	7,557,246	(491,216)	10,701,340	2,753	10,704,093
Profit for the year	-	-	-	-	1,300,528	-	1,300,528	220	1,300,748
Exchange differences related to foreign operations	-	-	-	-	-	(9,076)	(9,076)	-	(9,076)
Total comprehensive income for the year	-	-	-	-	1,300,528	(9,076)	1,291,452	220	1,291,672
2024 Final dividend declared	-	-	-	-	(513,514)	-	(513,514)	(245)	(513,759)
Transfer from retained profits	-	-	(1,511)	54,320	(52,809)	-	-	-	-
At 31 December 2025	444,116	854,922	419,200	1,969,881	8,291,451	(500,292)	11,479,278	2,728	11,482,006

* These reserve accounts comprise the consolidated share premium and reserves of RMB11,035,162,000 (2024: RMB10,257,224,000) in the consolidated statement of financial position.

	Issued capital RMB'000	Share premium* RMB'000	Special reserve* RMB'000	Non-distributable reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	444,116	854,922	425,939	1,902,885	6,856,807	(505,663)	9,979,006	2,514	9,981,520
Profit for the year	-	-	-	-	1,018,400	-	1,018,400	239	1,018,639
Exchange differences related to foreign operations	-	-	-	-	-	14,447	14,447	-	14,447
Total comprehensive income for the year	-	-	-	-	1,018,400	14,447	1,032,847	239	1,033,086
2023 Final dividend declared	-	-	-	-	(310,513)	-	(310,513)	-	(310,513)
Transfer from retained profits	-	-	(5,228)	12,676	(7,448)	-	-	-	-
At 31 December 2024	444,116	854,922	420,711	1,915,561	7,557,246	(491,216)	10,701,340	2,753	10,704,093



Consolidated Statement of Cash Flows

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,526,690	1,217,182
Adjustments for:			
Finance costs	6	3,004	15,062
Interest income	5	(147,893)	(137,149)
Impairment/(reversal of impairment) on financial assets, net		20,730	(17,426)
(Reversal)/addition of provision for inventories	5	(3,434)	7,688
Losses/(gains) on disposal of items of property, plant and equipment	5	2,384	(1,779)
Depreciation of property, plant and equipment	13	233,508	253,185
Depreciation of right-of-use assets	14	5,174	4,884
Amortisation of deferred income	30	(6,774)	(6,679)
Gains from derivative instruments	5	–	(66,942)
Fair value (gains)/losses, net:			
-Financial assets at fair value through profit or loss	5	(104,725)	36,144
-Derivative financial instruments	5	22,179	12,695
Gain on disposal of items of financial assets at fair value through profit or loss	5	(3,012)	(48,341)
Dividend income from financial assets at fair value through profit or loss	5	(7,355)	(11,385)
Additional value-added tax deduction	5	(56,383)	(70,271)
Losses on debt restructuring	5	949	3,616
Exchange gains from bank balances		(847)	(1,584)
Exchange losses/(gains) from time deposits and others		(11,962)	30,613
		1,472,233	1,219,513
Decrease in inventories		34,220	581,509
Increase in trade and bills receivables, prepayments, other receivables and other assets		(711,595)	(401,493)
(Increase)/decrease in amounts due from related parties		(1,351)	68
Increase/(decrease) in trade and bills payables, other payables and accruals		501,749	(73,451)
Increase/(decrease) in provisions		9,777	(12,274)
(Decrease)/increase in amounts due to related parties		(2,441)	1,564
(Placement)/withdrawal of pledged deposits for bank acceptance bills and others		(57,136)	89,167
Increase in deferred income		2,206	20,146
Cash generated from operations		1,247,662	1,424,749
Interest received		125,610	117,845
Income tax paid		(128,715)	(177,007)
Net cash flows from operating activities		1,244,557	1,365,587



Consolidated Statement of Cash Flows

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(61,538)	(83,455)
(Placement)/withdrawal of pledged deposits for financial assets at fair value through profit or loss		400,000	(400,000)
Placement of time deposits with original maturity of more than three months		(2,313,923)	(315,648)
Withdrawal of time deposits with original maturity of more than three months		899,603	–
Proceeds from disposal of financial assets at fair value through profit or loss		3,439,038	1,165,500
Purchases of financial assets at fair value through profit or loss		–	(3,410,760)
Proceeds from disposal of items of property, plant and equipment		9,531	10,317
Return of financial asset investments		14,487	304
Dividend income from financial assets at fair value through profit or loss	5	7,355	11,385
Gain from derivative financial instruments	5	–	12,893
Net cash flows from/(used in) investing activities		2,394,553	(3,009,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(506,928)	(330,321)
Interest from pledged deposits for bank loans received		–	38,448
Interest paid		(3,004)	(21,449)
Withdrawal of pledged deposits for bank loans		–	420,292
Repayment of bank loans		–	(722,396)
Addition of bank loans		20,000	–
Net cash flows used in financing activities		(489,932)	(615,426)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,149,178	(2,259,303)
Cash and cash equivalents at beginning of year		1,218,049	3,470,777
Effect of foreign exchange rate changes, net		(2,415)	6,575
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,364,812	1,218,049
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,364,812	1,218,049
Cash and cash equivalents as stated in the statement of financial position		4,364,812	1,218,049
Cash and cash equivalents as stated in the statement of cash flows		4,364,812	1,218,049



Notes to Financial Statements

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION

Lonking Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Ngai Ngan Ying, a non-executive director of the Company, is the ultimate controller of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the introduction in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company's subsidiaries, except for China Dragon Development Ltd. and China Dragon Investment Ltd. The functional currency of the Company, China Dragon Development Ltd. and China Dragon Investment Ltd. is the Hong Kong dollar ("HK\$").

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other construction machinery and the provision of finance leases for construction machinery.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and type of entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lonking Shanghai Machinery Co., Ltd. (龍工(上海)機械製造有限公司)	13 August 2004 People's Republic of China ("PRC") Sino-foreign equity joint venture	HK\$448,000,000	–	99.89%	Manufacture and distribution of wheel loaders
Lonking (Shanghai) Precision Hydraulic Component Co., Ltd. (龍工(上海)精工液壓有限公司, formerly known as Lonking (Shanghai) Axle & Transmission Co., Ltd.)	17 September 2001 PRC wholly-owned-foreign investment enterprise ("WOFE")	HK\$168,000,000	–	100%	Manufacture and distribution of axles and gear boxes



Notes to Financial Statements

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place and date of incorporation/ registration and type of entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lonking Fujian Machinery Co., Ltd. (龍工(福建)機械有限公司)	15 September 2004 PRC WOFE	HK\$400,000,000	–	100%	Manufacture and distribution of wheel loaders
Fujian Longyan Lonking Machinery Components Co., Ltd. (福建龍岩龍工機械配件有限公司)	1 March 1999 PRC WOFE	HK\$29,680,000	–	100%	Manufacture and distribution of wheel loader components
Lonking (Shanghai) Hydraulic (龍工(上海)液壓有限公司, formerly known as Hydraulics (Shanghai) Hydraulics Machinery Co., Ltd.)	30 September 2003 PRC WOFE	US\$31,800,000	–	100%	Manufacture and distribution of wheel loader components
Lonking (Shanghai) Machinery Components Co., Ltd. (龍工(上海)機械部件有限公司, formerly known as Refined (Shanghai) Machinery Co., Ltd.)	27 November 2003 PRC WOFE	HK\$50,000,000	–	100%	Manufacture and distribution of wheel loader components
Lonking (Jiangxi) Machinery Co., Ltd. (龍工(江西)機械有限公司)	12 September 2003 PRC WOFE	RMB32,500,000	–	100%	Manufacture and distribution of wheel loader components
Lonking (Fujian) Hydraulics Machinery Co., Ltd. (龍工(福建)液壓有限公司)	15 January 2007 PRC WOFE	HK\$100,000,000	–	100%	Manufacture and distribution of wheel loader components
Lonking (Fujian) Axle & Transmission Co., Ltd. (龍工(福建)橋箱有限公司)	16 January 2007 PRC WOFE	HK\$200,000,000	–	100%	Manufacture and distribution of axles and gear boxes



Notes to Financial Statements

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Name	Place and date of incorporation/ registration and type of entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lonking (Shanghai) Road Machinery Construction Co., Ltd. (龍工(上海)路面機械製造有限公司)	12 September 2007 PRC Sino-foreign equity joint venture	HK\$100,000,000	–	100%	Manufacture and distribution of wheel loaders and road rollers
Lonking (Shanghai) Excavator Co., Ltd. (龍工(上海)挖掘機製造有限公司)	12 September 2007 PRC WOFE	HK\$260,000,000	–	100%	Manufacture and distribution of excavators
Lonking (Shanghai) Forklift Sales (龍工(上海)叉車銷售有限公司, formerly known as Monarch (Shanghai) Machinery Co., Ltd.)	1 January 2007 PRC WOFE	HK\$83,600,000	–	100%	Distribution of forklifts
Lonking (Shanghai) Forklift Co., Ltd. (龍工(上海)叉車有限公司)	7 February 2007 PRC WOFE	HK\$500,000,000	–	100%	Manufacture and distribution of forklifts
Lonking (Shanghai) Financial Leasing Co., Ltd. (龍工(上海)融資租賃有限公司)	28 March 2008 PRC WOFE	US\$23,000,000	–	100%	Finance leasing for wheel loaders and other machinery
Lonking (China) Machinery Sales Co., Ltd. (龍工(中國)機械銷售有限公司)	12 September 2008 PRC WOFE	RMB850,000,000	–	100%	Distribution of wheel loaders and other machinery
Lonking (Fujian) International Trade Co., Ltd. (龍工(福建)國際貿易有限公司)	19 June 2008 PRC WOFE	RMB80,000,000	–	100%	Distribution of wheel loaders and other machinery



Notes to Financial Statements

Year ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place and date of incorporation/ registration and type of entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lonking (Fujian) Casting & Forging Co., Ltd. (龍工(福建)鑄鍛有限公司)	13 August 2008 PRC WOFE	US\$65,000,000	–	100%	Manufacture and distribution of wheel loader components
China Dragon Development Holdings Ltd. (中國龍工發展控股有限公司) (note 1)	3 May 2004 British Virgin Islands ("BVI")	US\$50,000	100%	–	Investment holding
China Dragon Investment Holdings Ltd. (中國龍工投資控股有限公司) (note 1)	3 May 2004 BVI	US\$50,000	100%	–	Investment holding
Lonking (Fujian) Excavator Co., Ltd. (龍工(福建)挖掘機有限公司)	20 September 2010 PRC WOFE	RMB100,000,000	–	100%	Manufacture and distribution of excavators
Lonking (Shanghai) Excavator Sales Co., Ltd. (龍工(上海)挖掘機銷售有限公司)	17 December 2018 PRC WOFE	RMB20,000,000	–	100%	Distribution of excavators
Gongxiong (Shanghai) Oil Products Co., Ltd. (工雄(上海)油品有限公司)	10 October 2023 PRC WOFE	RMB5,000,000	–	100%	Distribution of oil products

Note 1: The Company directly holds the interests in China Dragon Development Holdings Ltd. and China Dragon Investment Holdings Ltd. All other interests shown above are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.



Notes to Financial Statements

Year ended 31 December 2025

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.



Notes to Financial Statements

Year ended 31 December 2025

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.



Notes to Financial Statements

Year ended 31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

These HKFRSs are expected to be applicable to the Group for annual periods beginning on or after the effective date. These new and amended HKFRSs are not expected to have any significant impact on the Group's financial statements.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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); and
 - (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 parent of the Group.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 13%
Plant and machinery	9% to 32%
Motor vehicles	10% to 19%
Furniture and fixtures	9% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of apartments (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other gains and losses in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are past due.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

The Group considers a financial asset in default when payments are past due and in disputes. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related parties, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial liabilities at amortised cost (trade and bills payables, financial liabilities included in other payables and accruals, deposit for finance leases, interest-bearing borrowings and due to related parties)

After initial recognition, trade and bills payables, financial liabilities included in other payables and accruals, deposit for finance leases, interest-bearing borrowings and due to related parties are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, while the functional currency of the Company is HK\$. As the major assets of the Group are derived from operations in Chinese mainland, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.



Notes to Financial Statements

Year ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and the Company are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and the Company which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.



Notes to Financial Statements

Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has tax losses and deductible temporary differences of RMB109,973,000 (2024: RMB202,103,000) carried forward. These losses and deductible temporary differences related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses and deductible temporary differences as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB27,493,000 (2024: RMB35,148,000). Further details on deferred taxes are disclosed in note 29 to the financial statements.



Notes to Financial Statements

Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Chinese mainland that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Chinese mainland for the year ended 31 December 2025 was RMB37,084,000 (31 December 2024: RMB2,500,000). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.



Notes to Financial Statements

Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade and other receivables (continued)

The Group measures the loss allowance at an amount equal to lifetime ECLs for other receivables. An impairment analysis is performed at each reporting date by considering the probability of default, the ageing, existence of disputes, likelihood of collection, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimation of ECLs may not be representative of the counterparty's actual default in the future.

The information about the ECLs on the Group's trade and other receivables is disclosed in notes 17 and 19 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.



Notes to Financial Statements

Year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty (continued)

Provision for warranty costs

As explained in note 28, the Group offers an 18-month warranty for excavators and a 12-month warranty for wheel loaders (the warranty period of four major parts is extended from 12-month to 24-month from 2021), road rollers and forklifts, during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The provision for warranty costs is based on the historical experience and statistics. As 31 December 2025, the carrying amount of provision for warranty costs was RMB89,839,000 (31 December 2024: RMB80,062,000).

Fair value of wealth management and fund investment products

The wealth management and fund investment products have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The fair value of the unlisted equity investments as at 31 December 2025 was RMB666,080,000 (31 December 2024: RMB4,033,672,000). Further details are included in note 22 to the financial statements.

Variable consideration for sales rebates

The Group's expected sales rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date. The Group updates its assessment of expected sales rebates quarterly. Estimates of expected sales rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. As at 31 December 2025, the amount recognised as accrued sales rebate was RMB311,501,000 (31 December 2024: RMB298,178,000) for the expected rebates.



Notes to Financial Statements

Year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) sale of construction machinery
- (b) finance lease of construction machinery
- (c) financial investment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as head office and corporate other income and expenses are excluded from such measurement.

Segment assets exclude corporate and other unallocated assets, which comprise deferred tax assets, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude corporate and other unallocated liabilities, which comprise interest-bearing bank borrowings, withholding tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



Notes to Financial Statements

Year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2025	Sale of construction machinery RMB'000	Finance lease of construction machinery RMB'000	Financial investment RMB'000	Total RMB'000
Segment revenue	11,215,184	–	–	11,215,184
Segment results	1,308,592	(70)	92,913	1,401,435
Reconciliation:				
Interest income				147,893
Unallocated other losses				(3,757)
Corporate and other unallocated expenses				(15,877)
Finance costs				(3,004)
Profit before tax				1,526,690
Segment assets	15,416,976	244,846	923,485	16,585,307
Corporate and other unallocated assets				330,180
Total assets				16,915,487
Segment liabilities	5,355,550	10,158	29,691	5,395,399
Corporate and other unallocated liabilities				38,082
Total liabilities				5,433,481
OTHER SEGMENT INFORMATION				
Provision for impairment of financial assets, net	20,730	–	–	20,730
Reversal of inventories, net	(3,434)	–	–	(3,434)
Depreciation	238,682	–	–	238,682
Capital expenditure*	70,360	–	–	70,360

* Capital expenditure consists of additions to property, plant and equipment.



Notes to Financial Statements

Year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2024	Sale of construction machinery RMB'000	Finance lease of construction machinery RMB'000	Financial investment RMB'000	Total RMB'000
Segment revenue	10,213,556	–	–	10,213,556
Segment results	1,2041,850	(82)	77,830	1,119,598
Reconciliation:				
Interest income				137,149
Unallocated other losses				(10,984)
Corporate and other unallocated expenses				(13,519)
Finance costs				(15,062)
Profit before tax				<u>1,217,182</u>
Segment assets	10,568,506	1,656	4,081,077	14,651,239
Corporate and other unallocated assets				<u>823,756</u>
Total assets				<u>15,474,995</u>
Segment liabilities	4,735,622	9,942	22,294	4,767,858
Corporate and other unallocated liabilities				<u>3,044</u>
Total liabilities				<u>4,770,902</u>
OTHER SEGMENT INFORMATION				
Reversal of impairment of financial assets, net	(17,426)	–	–	(17,426)
Provision for inventories, net	7,688	–	–	7,688
Depreciation	258,069	–	–	258,069
Capital expenditure*	68,549	–	–	68,549

* Capital expenditure consists of additions to property, plant and equipment.



Notes to Financial Statements

Year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION *(continued)*

Revenue from contracts with customers

The following is a major products analysis of the Group's revenue from contracts with customers:

	2025		2024	
	RMB'000	%	RMB'000	%
Wheel loaders	4,838,119	43.2	4,211,545	41.2
Forklifts	3,456,613	30.8	3,718,397	36.4
Excavators	1,690,168	15.1	1,055,621	10.3
Road rollers	60,131	0.5	47,597	0.5
Others	1,170,153	10.4	1,180,396	11.6
Total	11,215,184	100.0	10,213,556	100.0

There was no revenue from a single customer that accounted for 10% or more of the total revenue of the Group for the year (2024:Nil).

Revenue is recognised when goods are transferred at a point in time.

Geographical information

	2025	2024
	RMB'000	RMB'000
Revenue from external customers:		
Chinese mainland	7,408,845	7,023,569
Outside Chinese mainland	3,806,339	3,189,987
Total revenue	11,215,184	10,213,556

The non-current assets of the Group are based in Chinese mainland.



Notes to Financial Statements

Year ended 31 December 2025

5. OTHER INCOME, FINANCE INCOME AND OTHER GAINS AND LOSSES

	2025 RMB'000	2024 RMB'000
Finance income		
Bank structured deposit interest income	66,527	55,618
Bank time deposit interest income	59,083	68,186
Amortisation of unrealised financing income	22,283	13,345
	147,893	137,149
Other income		
Government grants	41,825	49,952
Additional value-added tax deduction	56,383	70,271
Income from sales of scraps	11,931	6,009
Penalty income	178	100
Others	5,264	2,339
	115,581	128,671
	2025 RMB'000	2024 RMB'000
Other gains and losses		
Foreign exchange losses	(3,757)	(10,985)
Gains on disposal of items of financial assets at fair value through profit or loss	3,012	48,341
Gains from disposal of derivative financial instruments	–	66,942
Dividend incomes from financial assets at fair value through profit or loss	7,355	11,385
Reversal/(addition) of provision for inventories	3,434	(7,688)
(Losses)/gains on disposal of items of property, plant and equipment	(2,384)	1,779
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss	104,725	(36,144)
Derivative financial instruments	(22,179)	(12,695)
Loss on debt restructuring	(949)	(3,616)
	89,257	57,319



Notes to Financial Statements

Year ended 31 December 2025

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2025	2024
	RMB'000	RMB'000
Interest on bank loans	–	13,731
Other finance costs:	3,004	1,331
	3,004	15,062



Notes to Financial Statements

Year ended 31 December 2025

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2025 RMB'000	2024 RMB'000
Cost of inventories sold*	8,617,712	8,040,826
Depreciation of property, plant and equipment (note 13)	233,508	253,185
Depreciation of right-of-use assets (note 14)	5,174	4,884
Research and development costs*	502,439	447,511
Auditor's remuneration	2,938	2,938
Employee benefit expense (excluding directors' remuneration (note 8)):		
Wages and salaries	788,389	713,316
Contributions to a pension scheme	76,299	69,405
Foreign exchange differences, net	3,757	10,984
Impairment of financial assets, net		
– trade receivables (note 17)	20,950	(17,325)
– other receivables (note 19)	(220)	(101)
	20,730	(17,426)
(Reversal)/addition of provision for inventories	(3,434)	7,688
Product warranty provision:		
Additional provision (note 28)	99,368	82,395
Bank structured deposit interest income	(66,527)	(55,618)
Bank time deposit interest income	(59,083)	(68,186)
Amortisation of unrealised financing income	(22,283)	(13,345)
Losses/(gains) on disposal of items of property, plant and equipment	2,384	(1,779)
Fair value losses, net:		
Financial assets at fair value through profit or loss	(104,725)	36,144
Derivative instruments	22,179	12,695
Dividend income from financial assets at fair value through profit or loss	(7,355)	(11,385)
Gains on disposal of items of financial assets at fair value through profit or loss	(3,012)	(48,341)
Loss on debt restructuring	949	3,616
Government grants	41,825	49,952
Additional value-added tax deduction	56,383	70,271
Gains from disposal of derivative financial instruments	–	(66,942)

* Cost of inventories sold and research and development costs include expenses relating to staff cost, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.



Notes to Financial Statements

Year ended 31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 RMB'000	2024 RMB'000
Fees	1,650	1,650
Other emoluments:		
Salaries, allowances and discretionary bonuses	10,740	11,754
Pension scheme contribution	213	210
	10,953	11,964
	12,603	13,614

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Dr. Qian Shizheng	200	200
Mr Wu Jianming	100	100
Mr Yu Tai Wei	150	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).



Notes to Financial Statements

Year ended 31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2025					
Chief executive:					
Mr. Li San Yim	-	7,640	-	-	7,640
Executive directors:					
Mr. Chen Chao	-	400	600	71	1,071
Mr. Zheng Kewen	-	600	600	71	1,271
Mr. Yin Kunlun	-	400	500	71	971
	-	1,400	1,700	213	3,313
Non-executive director:					
Ms. Ngai Ngan Ying	1,200	-	-	-	1,200
	1,200	9,040	1,700	213	12,153



Notes to Financial Statements

Year ended 31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, a non-executive director and the chief executive *(continued)*

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
Chief executive:					
Mr. Li San Yim	–	6,840	1,614	–	8,454
Executive directors:					
Mr. Chen Chao	–	600	600	70	1,270
Mr. Zheng Kewen	–	600	600	70	1,270
Mr. Yin Kunlun	–	400	500	70	970
	–	1,600	1,700	210	3,510
Non-executive director:					
Ms. Ngai Ngan Ying	1,200	–	–	–	1,200
	1,200	8,440	3,314	210	13,164

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group in 2025 and 2024 were all directors of the Company and details of their remuneration are included in note 8 above.



Notes to Financial Statements

Year ended 31 December 2025

10. INCOME TAX

	2025 RMB'000	2024 RMB'000
Current tax:		
Charged for the year	157,971	99,207
Adjustment in prior years	1,460	454
Withholding tax paid	34,584	52,444
	194,015	152,105
Deferred tax (note 29)	31,927	46,438
Total tax charge for the year	225,942	198,543

The Company, China Dragon Development Holdings Ltd. and China Dragon Investment Holdings Ltd. are tax exempted companies registered in the Cayman Islands or British Virgin Islands. No provision for Hong Kong profits tax has been made as the Group's profit neither arose in nor was derived from Hong Kong during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries has become 25% from 1 January 2008 onwards.

- (a) There are 13 entities that have maintained the qualifications of High and New Technology Enterprises ("HNTE"). In accordance with the EIT Law, they were subject to income tax at a rate of 15% for the effective years.
- (b) The EIT Law imposes withholding tax on dividends distributed by the Group's subsidiaries in Chinese mainland to the holding companies located off-shore starting from 1 January 2008. In 2009, the off-shore intermediate holding companies were recognised as the tax residents of Hong Kong by the Inland Revenue Department of Hong Kong. The tax bureaus in charge of the subsidiaries elect to apply a 5% preferential withholding income tax rate on the dividends based on the tax treaty between the Hong Kong Special Administrative Region and Chinese mainland. In view of the above, a 5% withholding tax rate is applicable to the dividends, for the period starting from 1 January 2009, distributed by the PRC subsidiaries to these off-shore companies, and was also applicable in 2025 (2024: 5%).



Notes to Financial Statements

Year ended 31 December 2025

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Chinese mainland to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2025		2024	
	RMB'000	%	RMB'000	%
Profit before tax	1,526,690		1,217,182	
Tax at the statutory tax rate of 25% (2024: 25%)	381,673	25	304,296	25
Income not subject to tax	(2,723)	–	–	–
Expenses not deductible for tax (i)	2,375	–	7,084	1
Adjustments in respect of current tax of previous periods	1,460	–	454	–
Tax losses and deductible temporary differences not recognized	4,604	–	–	–
Tax incentives on eligible research and development expenditures	(34,877)	(2)	(61,838)	(5)
Tax losses utilised from previous periods	(11,962)	(1)	(1,611)	(0)
Effect of withholding tax	34,584	2	52,444	4
Effect of the preferential tax rate of 15%	(149,192)	(9)	(102,286)	(8)
Tax charge and effective tax rate for the year	225,942	15	198,543	16

- (i) Expenses not deductible for tax purposes generally refer to expenses without proper tax-deductible documents and other miscellaneous expenses which are in excess of the allowable tax deduction limit, such as entertainment expenses.



Notes to Financial Statements

Year ended 31 December 2025

10. INCOME TAX (continued)

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current income tax when incurred. Pillar Two legislation has been enacted or substantially enacted and in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the fiscal year of 2025. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group should benefit from the transitional safe harbor for most of the jurisdictions in which the Group operates. As such, the group does not expect to have any material Pillar Two exposure. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

11. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Proposed final – HK\$0.20 (2024: HK\$0.13) per ordinary share	756,354	513,514

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,280,100,000 (2024: 4,280,100,000) outstanding during the year. The Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2025 and 31 December 2024.



Notes to Financial Statements

Year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2025	1,853,713	4,174,237	50,767	184,231	22,564	6,285,512
Additions	382	10,045	3,864	64	56,005	70,360
Transfers	5,341	38,767	904	11,921	(56,933)	-
Disposals	-	(58,748)	(5,643)	(1,603)	(2,280)	(68,274)
Exchange realignment	(534)	-	-	(10)	-	(544)
At 31 December 2025	1,858,902	4,164,301	49,892	194,603	19,356	6,287,054
Accumulated depreciation and impairment						
At 1 January 2025	1,098,281	3,238,810	44,460	143,735	-	4,525,286
Charge for the year	82,554	137,923	2,710	10,321	-	233,508
Disposals	-	(49,549)	(5,300)	(1,511)	-	(56,360)
Exchange realignment	(92)	-	-	(11)	-	(103)
At 31 December 2025	1,180,743	3,327,184	41,870	152,534	-	4,702,331
Carrying amount						
At 31 December 2025	678,159	837,117	8,022	42,069	19,356	1,584,723



Notes to Financial Statements

Year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2024	1,848,094	4,167,226	51,035	175,319	15,798	6,257,472
Additions	379	5,050	1,462	2,585	59,073	68,549
Transfers	4,777	37,300	356	9,770	(52,203)	–
Disposals	–	(35,339)	(2,086)	(3,452)	(104)	(40,981)
Exchange realignment	463	–	–	9	–	472
At 31 December 2024	1,853,713	4,174,237	50,767	184,231	22,564	6,285,512
Accumulated depreciation and impairment						
At 1 January 2024	1,008,295	3,117,210	43,782	136,621	–	4,305,908
Charge for the year	89,907	150,233	2,669	10,376	–	253,185
Disposals	–	(28,633)	(1,991)	(3,271)	–	(33,895)
Exchange realignment	79	–	–	9	–	88
At 31 December 2024	1,098,281	3,238,810	44,460	143,735	–	4,525,286
Carrying amount						
At 31 December 2024	755,432	935,427	6,307	40,496	22,564	1,760,226

The construction in progress is mainly related to the modification of factory premises which has not been completed at the end of the reporting period.

As 31 December 2025, the Group was in the process of applying for title certificates of certain buildings with a carrying amount of RMB6,907,000 (31 December 2024: RMB8,123,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025.

As 31 December 2025, none of property, plant and equipment of the Group was pledged (31 December 2024: Nil).



Notes to Financial Statements

Year ended 31 December 2025

14. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land. Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land
	RMB'000
As at 1 January 2024	125,318
Disposals	(958)
Depreciation charge	(4,884)
As at 31 December 2024 and 1 January 2025	119,476
Depreciation charge	(5,174)
As at 31 December 2025	114,302

(b) The amount recognised in profit or loss in relation to leases is as follows:

	2025	2024
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	5,174	4,884



Notes to Financial Statements

Year ended 31 December 2025

15. LONG-TERM RECEIVABLES

Long-term receivables are the receivables due after one year according to the credit terms, and include the following item:

	2025 RMB'000	2024 RMB'000
Trade receivables (note 17)	479,780	191,772

The long-term trade receivables bear interest at approximately 3% to 8% per annum.

16. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	731,051	795,288
Work in progress	213,685	195,937
Finished goods	1,311,788	1,296,085
	2,256,524	2,287,310

17. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	3,833,735	3,040,304
Impairment	(491,689)	(471,213)
	3,342,046	2,569,091
Less: Non-current portion (note 15)	(479,780)	(191,772)
	2,862,266	2,377,319



Notes to Financial Statements

Year ended 31 December 2025

17. TRADE RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally six to twelve months, extending up to eighteen to twenty-four months for some customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables due within one year are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025	2024
	RMB'000	RMB'000
Within 3 months	1,622,074	1,292,871
3 to 6 months	797,663	591,051
6 months to 1 year	654,650	462,892
More than 1 year	267,659	222,277
	3,342,046	2,569,091



Notes to Financial Statements

Year ended 31 December 2025

17. TRADE RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025	2024
	RMB'000	RMB'000
At beginning of year	471,213	489,932
Impairment losses, net (note 7)	20,950	(17,325)
Written off as uncollectible	(474)	(1,394)
At end of year	491,689	471,213

An impairment analysis is performed at each reporting date. The Group identifies the receivables that are credit-impaired (but that are not purchased or originated credit-impaired) among the receivables, considering the observable information, such as the debtors being in major financial difficulties, in breach of the contract stipulations or in bankruptcy. The ECLs are based on all the cash flows that the Group expects to receive, discounted at an effective interest rate. As at 31 December 2025, the Group has accrued ECLs of RMB457,689,000 (31 December 2024: RMB438,446,000) for credit impaired trade receivables with a gross carrying amount of RMB562,639,000 (31 December 2024: RMB547,581,000).

The Group uses a provision matrix to measure expected credit losses for the remaining receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off that are unlikely to be collected.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:



Notes to Financial Statements

Year ended 31 December 2025

17. TRADE RECEIVABLES (continued)

As at 31 December 2025	Past due				Total
	Current	Less than 6 months	6 to 12 months	1 to 2 years	
Expected credit loss rate	0.58%	1.43%	11.26%	40.50%	1.04%
Gross carrying amount (RMB'000)	2,737,165	456,535	67,711	9,685	3,271,096
Expected credit losses (RMB'000)	15,916	6,538	7,624	3,922	34,000

As at 31 December 2024	Past due				Total
	Current	Less than 6 months	6 to 12 months	1 to 2 years	
Expected credit loss rate	0.47%	1.10%	8.58%	23.04%	1.31%
Gross carrying amount (RMB'000)	1,494,197	882,212	74,672	41,642	2,492,723
Expected credit losses (RMB'000)	7,050	9,717	6,407	9,593	32,767



Notes to Financial Statements

Year ended 31 December 2025

18. BILLS RECEIVABLE

	2025 RMB'000	2024 RMB'000
Bank acceptance bills	564,608	667,925
Commercial acceptance bills	3,110	3,600
	567,718	671,525
Less: Impairment allowance	–	–
	567,718	671,525

The expected credit loss of bills receivable is considered insignificant at the end of the reporting period.

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	322,694	368,972
3 to 6 months	245,024	302,448
6 to 9 months	–	105
	567,718	671,525



Notes to Financial Statements

Year ended 31 December 2025

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	283,086	231,724
Deductible value-added tax	60,286	77,529
Deposits	11,159	5,735
Total	354,531	314,988
Other receivables:		
Loan receivables	443,443	443,733
Less: Impairment	(436,950)	(437,170)
Net loan receivables	6,493	6,563
Other miscellaneous receivables	250,447	200,510
Less: Impairment	(698)	(698)
Net other miscellaneous receivables	249,749	199,812
Total other receivables	256,242	206,375
Grand total	610,773	521,363

The movements in the provision for impairment of other receivables are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	437,868	437,969
Impairment losses reversal (note 7)	(220)	(101)
At 31 December	437,648	437,868



Notes to Financial Statements

Year ended 31 December 2025

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

The carrying amounts of financial assets included in prepayments, deposits and other receivables approximate to their fair values.

None of the deposits with suppliers is either past due or impaired, for which there was no recent history of default.

A large portion of other receivables represent the loans to sales agencies for their repurchase of machines. The collection of receivables of sales financed by leasing went worse due to the deterioration of the external operating environment. According to the finance lease agreements, the sales agencies were required to fulfil the obligation to repurchase the machines and pay the outstanding lease amount back to the lease companies once there is a balance overdue for more than three months. The Group provided loans to the sales agencies for the settlement of repurchase. The sales agencies were required to pay off within three months as it normally takes three months to resell the machines. The Group would enter into instalment contracts with the sales agencies if the repurchased machines had been sold again. The instalments would be arranged at interest rates ranging from 3% to 8% per annum and mainly repaid within 18 to 24 months. Other receivables also include miscellaneous borrowings for sales agencies' daily operation needs.

The Group has considered the financial assets described above credit-impaired (but not purchased or originated credit-impaired), for which the loss allowance is measured at an amount equal to lifetime ECLs. An impairment analysis is performed at each reporting date by considering the probability of default, the ageing, existence of disputes, likelihood of collection, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

An ageing analysis of the loan receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	2025	2024
	RMB'000	RMB'000
More than 1 year	6,493	6,563



Notes to Financial Statements

Year ended 31 December 2025

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Bills receivable, at fair value	52,663	42,640

The Group has classified bills receivable that are held both to collect cash flows and to sell as financial assets at fair value through other comprehensive income under HKFRS 9.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	1,000	1,000

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Listed equity investments, at fair value	253,314	219,804
Wealth management and fund investment products, at fair value	666,080	4,033,672
	919,394	4,253,476
Less: Non-current portion	(666,080)	(594,138)
	253,314	3,659,338



Notes to Financial Statements

Year ended 31 December 2025

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The above listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above wealth management and fund investment products were issued by financial institutions in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2025	2024
	RMB'000	RMB'000
Current:		
Compensation terms for an investment	4,091	27,601
	4,091	27,601

The compensation terms for investment were related to the listed equity investments at fair value through profit or loss (note 22).



Notes to Financial Statements

Year ended 31 December 2025

24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	4,364,812	1,218,049
Time deposits and pledged deposits	2,729,505	1,658,048
	7,094,317	2,876,097
Less: Pledged cash and bank balances and time deposits:		
Pledged for bank acceptance bills (note 25)	(226,895)	(193,234)
Pledged for purchasing financial assets at fair value through profit or loss	–	(400,000)
Pledged for others	(28,954)	(5,478)
Time deposits with original maturity of more than three months	(2,473,656)	(1,059,336)
Cash and cash equivalents	4,364,812	1,218,049

The RMB is not freely convertible into other currencies, however, under Chinese mainland 's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.



Notes to Financial Statements

Year ended 31 December 2025

24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS *(continued)*

The Group's certain cash and bank balances, time deposits and pledged bank deposits that are denominated in currencies other than the functional currencies of the respective group entities are as follows:

Original currency	US\$ equivalent to RMB'000	HK\$ equivalent to RMB'000	EUR€ equivalent to RMB'000
As at 31 December 2025	227,060	19,618	5
As at 31 December 2024	739,165	4,635	236

25. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	2,025,136	1,903,171
Bills payable	2,131,569	1,841,729
	4,156,705	3,744,900

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 6 months	4,077,718	3,673,021
6 months to 1 year	24,950	16,609
1 to 2 years	10,477	13,605
2 to 3 years	4,747	6,320
Over 3 years	38,813	35,345
	4,156,705	3,744,900



Notes to Financial Statements

Year ended 31 December 2025

25. TRADE AND BILLS PAYABLES *(continued)*

Bills payable were aged within 12 months at the end of the reporting period, and were secured by pledged bank deposits amounting to RMB226,895,000 (2024: RMB193,234,000) (note 24).

The trade and bills payables are non-interest-bearing.

26. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Accrued sales rebate	311,501	298,178
Salaries and wages payable	157,335	142,479
Contract liabilities	136,482	91,474
Other payables	98,460	96,700
Other accrued expenses	83,927	76,516
Payable for acquisition of property, plant and equipment	17,547	10,155
VAT and other taxes payable	98,563	80,359
Deposit for finance leases	5,772	5,772
	909,587	801,633

Other payables are non-interest-bearing and have different credit terms within one year.

Contract liabilities include short-term advances received to deliver industrial products. The revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period amounted to RMB91,474,000 (2024: RMB121,029,000). The contract liabilities as of 31 December 2025 are expected to be recognised as revenue within one year.



Notes to Financial Statements

Year ended 31 December 2025

27. INTEREST-BEARING BANK BORROWINGS

	2025			2024		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current Bank loans – unsecured	1.72	2026	20,000	–	–	–
			20,000			–

As at 31 December 2025, the amounts from discounted unmatured letter of credit presented as borrowings were RMB20,000,000.

28. PROVISIONS

	2025 RMB'000	2024 RMB'000
At 1 January 2025	80,062	92,336
Additional provision (note 7)	99,368	82,395
Amounts utilised during the year	(89,591)	(94,669)
At 31 December 2025	89,839	80,062
Analysis of total provisions		
Current	82,208	72,538
Non-current	7,631	7,524
	89,839	80,062

The Group provides an 18-month warranty for excavators and a 12-month warranty for wheel loaders (the warranty period of four major parts is extended from 12-month to 24-month from 2021), road rollers and forklifts for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.



Notes to Financial Statements

Year ended 31 December 2025

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Allowance for bad and doubtful debts and inventories RMB'000	Provision for product warranties RMB'000	Unrealised profit in inventories RMB'000	Accrued sales rebate and others RMB'000	Tax losses RMB'000	Deferred income RMB'000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2024	176,919	17,033	69,509	82,193	762	4,300	54,253	404,969
(Charged)/credited to the statement of profit or loss for the year (note 10)	(4,095)	87	(9,487)	(4,396)	14,675	2,080	(54,253)	(55,389)
At 31 December 2024	172,824	17,120	60,022	77,797	15,437	6,380	-	349,580
(Charged)/credited to the statement of profit or loss for the year (note 10)	(12,189)	2,100	17,352	5,301	998	(685)	-	12,877
At 31 December 2025	160,635	19,220	77,374	83,098	16,435	5,695	-	362,457



Notes to Financial Statements

Year ended 31 December 2025

29. DEFERRED TAX (continued)

Deferred tax liabilities:

	With holding taxes on undistributed dividends RMB'000	Accrued interest income RMB'000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Change in fair value of derivative financial instruments RMB'000	One-time tax deduction of property, plant and equipment RMB'000	Total RMB'000
At 1 January 2024	2,500	5,211	23,937	1,904	2,202	35,754
Charged/(credited) to the statement of profit or loss for the year (note 10)	-	(4,472)	(5,783)	2,236	(932)	(8,951)
At 31 December 2024	2,500	739	18,154	4,140	1,270	26,803
Charged/(credited) to the statement of profit or loss for the year (note 10)	34,584	2,977	10,923	(3,526)	(154)	44,804
At 31 December 2025	37,084	3,716	29,077	614	1,116	71,607



Notes to Financial Statements

Year ended 31 December 2025

29. DEFERRED TAX *(continued)*

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB2,451,000 (2024: RMB12,399,000) have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	360,006	337,181
Net deferred tax liabilities recognised in the consolidated statement of financial position	69,156	14,404

At the end of the reporting period, certain subsidiaries of the Group had RMB109,973,000 unused tax losses arising in Chinese mainland (2024: RMB202,103,000) that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese mainland in respect of earnings generated from 1 January 2008 based on the distribution rate announced by the board resolution. At the end of the reporting period, certain subsidiaries of the Group had undistributed profits arising in Chinese mainland of RMB5,433,415,000 (2024: RMB4,695,887,000) that have not been recognised as deferred tax liabilities.



Notes to Financial Statements

Year ended 31 December 2025

30. DEFERRED INCOME

Deferred income represents government grants received related to assets whose useful lives are 10 years.

	2025	2024
	RMB'000	RMB'000
Special government grants for promoting technological improvements	37,963	42,531

The movements in government grants during the year are as follows:

	2025	2024
	RMB'000	RMB'000
At 1 January	42,531	29,064
New additions	2,206	20,146
Recognised as income during the year	(6,774)	(6,679)
At 31 December	37,963	42,531

	2025	2024
	RMB'000	RMB'000
Analysis of total deferred income:		
Current	6,570	6,462
Non-current	31,393	36,069
	37,963	42,531



Notes to Financial Statements

Year ended 31 December 2025

31. ISSUED CAPITAL

Shares

	2025 HK\$'000	2024 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.1 each	2,000,000	2,000,000
	2025 RMB'000	2024 RMB'000
Issued and fully paid:		
4,280,100,000 ordinary shares of HK\$0.1 each	444,116	444,116

32. SHARE PREMIUM AND RESERVES

The share premium of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to a group reorganisation in 2004.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 10 and 11 of the financial statements.

The special reserve represents the safety fund accrued in accordance with the requirements of the Administrative Measures on the Accrual and Usage of Production Safety Fund of Enterprises ([2022] No.136). The safety fund is used exclusively for the improvement and enhancement of enterprises to provide safe production conditions. The provision for safety production expenditures is treated as appropriation from retained profits to special reserve and the relevant expense is recognised in profit or loss only when it is incurred.

The non-distributable reserve of the Group represents the statutory reserve which comprises statutory reserve funds and surplus reserve funds appropriated from the profit after taxation of the subsidiaries established in Chinese mainland in accordance with the PRC laws and regulations.



Notes to Financial Statements

Year ended 31 December 2025

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities and assets arising from financing activities

Year ended 31 December 2025

	Bank loans RMB'000
At 1 January 2025	–
Changes from financing cash flows	20,000
At 31 December 2025	20,000

Year ended 31 December 2024

	Bank loans RMB'000	Pledged bank deposits RMB'000
At 1 January 2024	726,556	420,292
Changes from financing cash flows	(722,396)	(420,292)
Interest expense	13,731	–
Interest paid	(21,449)	–
Foreign exchange movement	3,558	–
At 31 December 2024	–	–

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and bills payable are included in note 24 to the financial statements.



Notes to Financial Statements

Year ended 31 December 2025

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2025	2024
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	9,614	11,635

36. RELATED PARTY TRANSACTIONS

(a) The following table sets out the total amounts of transactions which have been entered into with related parties during the years ended 31 December 2025 and 31 December 2024 as well as balances with related parties as 31 December 2025 and 31 December 2024:

		Sales to	Purchase	Amounts due	Amounts due
		related	from related	from related	to related
		parties	parties	parties	parties
		RMB'000	RMB'000	RMB'000	RMB'000
		(i)	(ii)		
Related parties:					
Longyan City Jinlong Machinery	2025	–	31,477	–	5,721
Company Limited (note a)	2024	–	24,051	–	8,283
Herkules (Shanghai) Automation	2025	–	11,740	1,525	2,064
Equipment Co., Ltd. (note b)	2024	–	6,793	174	1,797
Shanghai Longtui Environmental	2025	–	–	–	109
Technology Co., Ltd. (note c)	2024	–	136	–	255



Notes to Financial Statements

Year ended 31 December 2025

36. RELATED PARTY TRANSACTIONS *(continued)*

- (a) The following table sets out the total amounts of transactions which have been entered into with related parties during the years ended 31 December 2025 and 31 December 2024 as well as balances with related parties as 31 December 2025 and 31 December 2024: (continued)

Notes:

note a: Mr. Ngai Ngan Gin, the brother of Ms. Ngai Ngan Ying (ultimate controller of the Company), holds a controlling interest in this entity.

note b: Herkules (Shanghai) Automation Equipment Co., Ltd., a company established in the PRC with limited liability, is wholly owned by Mr. Chen Jie, the son-in-law of Mr. Li San Yim, an executive director and the chairman of the Company. The Group prepaid RMB1,525,000 for the purchases of equipment from Herkules (Shanghai) Automation Equipment Co. Ltd. as at 31 December 2025.

note c: Shanghai Refined Machinery Co., Ltd. is wholly owned by Refined Holdings, which is wholly owned by Mr. Li Bin, the son of Mr. Li San Yim.

Shanghai Longtui Machinery Environmental Technology Co., Ltd. (formerly named as Shanghai Longtui Machinery Co., Ltd.) is wholly owned by Mr. Li Jun, the son of Mr. Li San Yim.

- (i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from the related parties were made according to the published prices and conditions offered by the associates to their major customers.

All the amounts are unsecured, non-interest-bearing and repayable on demand or based on the agreed credit terms of approximately 90 days.

- (b) Compensation of key management personnel of the Group:

	2025	2024
	RMB'000	RMB'000
Short-term employee benefits	10,740	11,754
Pension scheme contributions	213	210
Total compensation paid to key management personnel	10,953	11,964

Further details of directors' emoluments are included in note 8 to the financial statements.



Notes to Financial Statements

Year ended 31 December 2025

37. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

As at 31 December 2025, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB2,371,803,000 (31 December 2024: RMB2,068,668,000). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are insignificant.

During 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout 2025.

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2025, the Group endorsed certain bills receivable accepted by banks and corporations (the "Endorsed Bills") with a carrying amount of RMB508,062,000 (31 December 2024: RMB604,498,000) to certain of its suppliers in order to settle the accounts payable due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained substantially all the risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bill, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the accounts payable settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB508,062,000 (31 December 2024: RMB604,498,000) as at 31 December 2025.



Notes to Financial Statements

Year ended 31 December 2025

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity instruments RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	
Trade receivables	-	-	-	-	2,862,266	2,862,266
Bills receivable	-	-	-	-	567,718	567,718
Financial assets at fair value through other comprehensive income	-	-	-	52,663	-	52,663
Long-term receivables	-	-	-	-	479,780	479,780
Due from related parties	-	-	-	-	1,525	1,525
Financial assets included in prepayments, other receivables and other assets	-	-	-	-	266,834	266,834
Financial assets at fair value through profit or loss	-	919,394	-	-	-	919,394
Derivative financial instruments	4,091	-	-	-	-	4,091
Equity investments at fair value through other comprehensive income	-	-	1,000	-	-	1,000
Pledged deposits	-	-	-	-	255,849	255,849
Time deposits	-	-	-	-	2,473,656	2,473,656
Cash and cash equivalents	-	-	-	-	4,364,812	4,364,812
	4,091	919,394	1,000	52,663	11,272,440	12,249,588



Notes to Financial Statements

Year ended 31 December 2025

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2025 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,156,705
Financial liabilities included in other payables and accruals	116,007
Interest-bearing bank borrowings	20,000
Deposit for finance leases	5,809
Due to related parties	7,894
	4,306,415



Notes to Financial Statements

Year ended 31 December 2025

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily designated as such	Equity instruments	Financial assets at fair value through other comprehensive income		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	-	-	-	-	2,377,319	2,377,319
Bills receivable	-	-	-	-	671,525	671,525
Financial assets at fair value through other comprehensive income	-	-	-	42,640	-	42,640
Long-term receivables	-	-	-	-	191,772	191,772
Due from related parties	-	-	-	-	174	174
Financial assets included in prepayments, other receivables and other assets	-	-	-	-	211,532	211,532
Financial assets at fair value through profit or loss	-	4,253,476	-	-	-	4,253,476
Derivative financial instruments	27,601	-	-	-	-	27,601
Equity investments at fair value through other comprehensive income	-	-	1,000	-	-	1,000
Pledged deposits	-	-	-	-	598,712	598,712
Time deposits	-	-	-	-	1,059,336	1,059,336
Cash and cash equivalents	-	-	-	-	1,218,049	1,218,049
	27,601	4,253,476	1,000	42,640	6,328,419	10,653,136



Notes to Financial Statements

Year ended 31 December 2025

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2024 *(continued)*

Financial liabilities

	Financial liabilities amortised cost RMB'000
Trade and bills payables	3,744,900
Financial liabilities included in other payables and accruals	106,855
Deposit for finance leases	5,809
Due to related parties	10,335
	3,867,899

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivable, financial assets included in prepayments, other receivables and other assets, trade and bills payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, deposits for finance lease and amounts due from/to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of long-term receivables and the non-current portion of financial lease receivables carried at amortised cost are based on current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.



Notes to Financial Statements

Year ended 31 December 2025

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the long-term receivables and non-current portion of finance lease receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2025 were assessed to be insignificant. The fair values of the non-current portion of deposits for finance leases were assessed and approximated to their carrying amounts.

Bills receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments and unlisted wealth management products issued by asset management companies that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The fair values of investment funds classified as Level 3 are based on net asset value reports provided by the managers of such funds. For certain underlying unlisted equity securities held by the investment funds, the valuation techniques adopted include the use of last transaction price of recent fund raising by the underlying investee, and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount. An increase (decrease) in liquidity discount would result in a lower (higher) fair value. The Group periodically reviewed all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.



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Year ended 31 December 2025

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	–	52,663	–	52,663
Equity investments designated at fair value through other comprehensive income	–	–	1,000	1,000
Financial assets at fair value through profit or loss	253,314	–	666,080	919,394
Derivative financial instruments	–	4,091	–	4,091
	253,314	56,754	667,080	977,148



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Year ended 31 December 2025

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	–	42,640	–	42,640
Equity investments designated at fair value through other comprehensive income	–	–	1,000	1,000
Financial assets at fair value through profit or loss	219,804	3,439,534	594,138	4,253,476
Derivative financial instruments	–	27,601	–	27,601
	219,804	3,509,775	595,138	4,324,717

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2025 (31 December 2024: Nil).



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Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than equity investments, comprise finance lease receivables, other interest-bearing loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivable and trade and bills payable, which arise directly from its operations.

The Group also enters into a derivative transaction, which are interest rate swaps. The purpose is to manage the interest rate arising from the Group's sources of finance.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 17% (2024: 14%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, with 98% (2024: 98%) of the costs denominated in the units' functional currencies.

In addition, the Group has currency exposures from its interest-bearing bank borrowings.



Notes to Financial Statements

Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities):

	Change in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000
2025		
If RMB weakens against US\$	10%	76,187
If RMB strengthens against US\$	10%	(76,187)
	Change in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000
2024		
If RMB weakens against US\$	10%	124,566
If RMB strengthens against US\$	10%	(124,566)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.



Notes to Financial Statements

Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2025

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	3,833,735	3,833,735
Bills receivable	567,718	–	–	–	567,718
Financial assets at fair value through other comprehensive income	52,663	–	–	–	52,663
Financial assets included in prepayments, other receivables and other assets					
– Normal	261,606	–	–	–	261,606
– Doubtful	–	–	443,443	–	443,443
Pledged deposits					
– Not yet past due	255,849	–	–	–	255,849
Time deposits					
– Not yet past due	2,473,656	–	–	–	2,473,656
Cash and cash equivalents					
– Not yet past due	4,364,812	–	–	–	4,364,812
Due from related parties	1,525	–	–	–	1,525
	7,977,829	–	443,443	3,833,735	12,255,007



Notes to Financial Statements

Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2024

	12-month	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 2	Stage 3			
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	3,040,304	–	3,040,304
Bills receivable	671,525	–	–	–	–	671,525
Financial assets at fair value through other comprehensive income	42,640	–	–	–	–	42,640
Financial assets included in prepayments, other receivables and other assets						
– Normal	206,245	–	–	–	–	206,245
– Doubtful	–	–	443,733	–	–	443,733
Pledged deposits						
– Not yet past due	598,712	–	–	–	–	598,712
Time deposits						
– Not yet past due	1,059,336	–	–	–	–	1,059,336
Cash and cash equivalents						
– Not yet past due	1,218,049	–	–	–	–	1,218,049
Due from related parties	174	–	–	–	–	174
Finance lease receivables	–	–	–	473	–	473
	3,796,681	–	443,733	3,040,777	–	7,281,191



Notes to Financial Statements

Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2025

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	–	20,172	–	20,172
Trade and bills payables	78,988	1,383,254	2,694,463	–	4,156,705
Other payables and accruals	116,007	–	–	–	116,007
Due to related parties	7,894	–	–	–	7,894
Deposits for finance leases	5,772	–	–	37	5,809
	208,661	1,383,254	2,714,635	37	4,306,587



Notes to Financial Statements

Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

2024

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	71,880	1,027,132	2,645,888	–	3,744,900
Other payables and accruals	106,855	–	–	–	106,855
Due to related parties	10,335	–	–	–	10,335
Deposits for finance leases	5,772	–	–	37	5,809
	194,842	1,027,132	2,645,888	37	3,867,899

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 5% and 30%. Net debt includes interest-bearing bank borrowings, trade, bills and other payables, accruals, amounts due to related parties, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:



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Year ended 31 December 2025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

	31 December 2025 RMB'000	31 December 2024 RMB'000
Interest-bearing bank borrowings	20,000	–
Trade and bills payables	4,156,705	3,744,900
Other payables and accruals	909,587	801,633
Due to related parties	7,894	10,335
Less: Cash and cash equivalents	(4,364,812)	(1,218,049)
Net debt	729,374	3,338,819
Equity attributable to owners of the parent	11,479,278	10,701,340
Capital and net debt	12,208,652	14,040,159
Gearing ratio	6%	24%



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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	17,463	17,905
Investment in subsidiaries	112,718	115,565
Total non-current assets	130,181	133,470
CURRENT ASSETS		
Due from subsidiaries	3,825,171	3,853,725
Other receivables	901	1,742
Cash and cash equivalents	60,010	50,764
Total current assets	3,886,082	3,906,231
CURRENT LIABILITIES		
Interest-bearing bank borrowings	–	545
Other payables and accruals	573	–
Total current liabilities	573	545
NET CURRENT ASSETS	3,885,509	3,905,686
TOTAL ASSETS LESS CURRENT LIABILITIES	4,015,690	4,039,156
Net assets	4,015,690	4,039,156
EQUITY		
Equity attributable to owners of the parent		
Issued capital	444,116	444,116
Share premium and reserves	3,571,574	3,595,040
Total equity	4,015,690	4,039,156



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Year ended 31 December 2025

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

Note:

A summary of the Company's share premium and reserves is as follows:

	Share premium account RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2024	982,757	1,639,628	228,283	2,850,668
Final 2023 dividend declared	–	(310,513)	–	(310,513)
Total comprehensive income for the year	–	974,603	80,282	1,054,885
At 31 December 2024 and 1 January 2025	982,757	2,303,718	308,565	3,595,040
Final 2024 dividend declared	–	(513,514)	–	(513,514)
Total comprehensive income for the year	–	586,378	(96,330)	490,048
At 31 December 2025	982,757	2,376,582	212,235	3,571,574

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2026.



Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Result					
Profit before taxation	1,452,913	438,924	772,657	1,217,182	1,526,690
Income tax credit (expense)	(177,487)	(38,584)	(127,113)	(198,543)	(225,942)
Profit for the year	1,275,426	400,340	645,544	1,018,639	1,300,748
Attributable to:					
Equity holder of the parent	1,275,383	400,454	645,440	1,018,400	1,300,528
Non-controlling interests	43	(114)	104	239	220
	1,275,426	400,340	645,544	1,018,639	1,300,748
Dividends	765,435	374,851	310,513	513,514	756,354
Earnings per share-basic (RMB)	0.30	0.09	0.15	0.24	0.30
As at 31 December					
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Assets and Liabilities					
Total assets	16,602,217	15,390,930	15,623,542	15,474,995	16,915,487
Total liabilities	6,397,428	5,639,775	5,642,022	4,770,902	5,433,481
	10,204,789	9,751,155	9,981,520	10,704,093	11,482,006
Equity attributable to equity holders of the parent	10,202,265	9,748,745	9,979,006	10,701,340	11,479,278
Non-controlling interests	2,524	2,410	2,514	2,753	2,728
	10,204,789	9,751,155	9,981,520	10,704,093	11,482,006