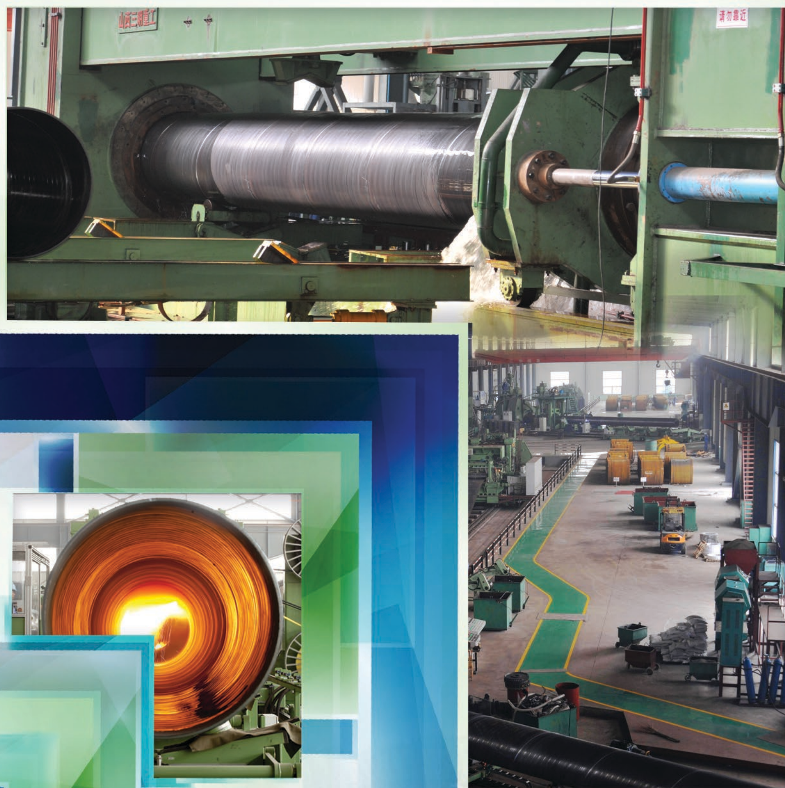
SHENGLI OIL & GAS PIPE HOLDINGS LIMITED

勝利油氣管道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1080

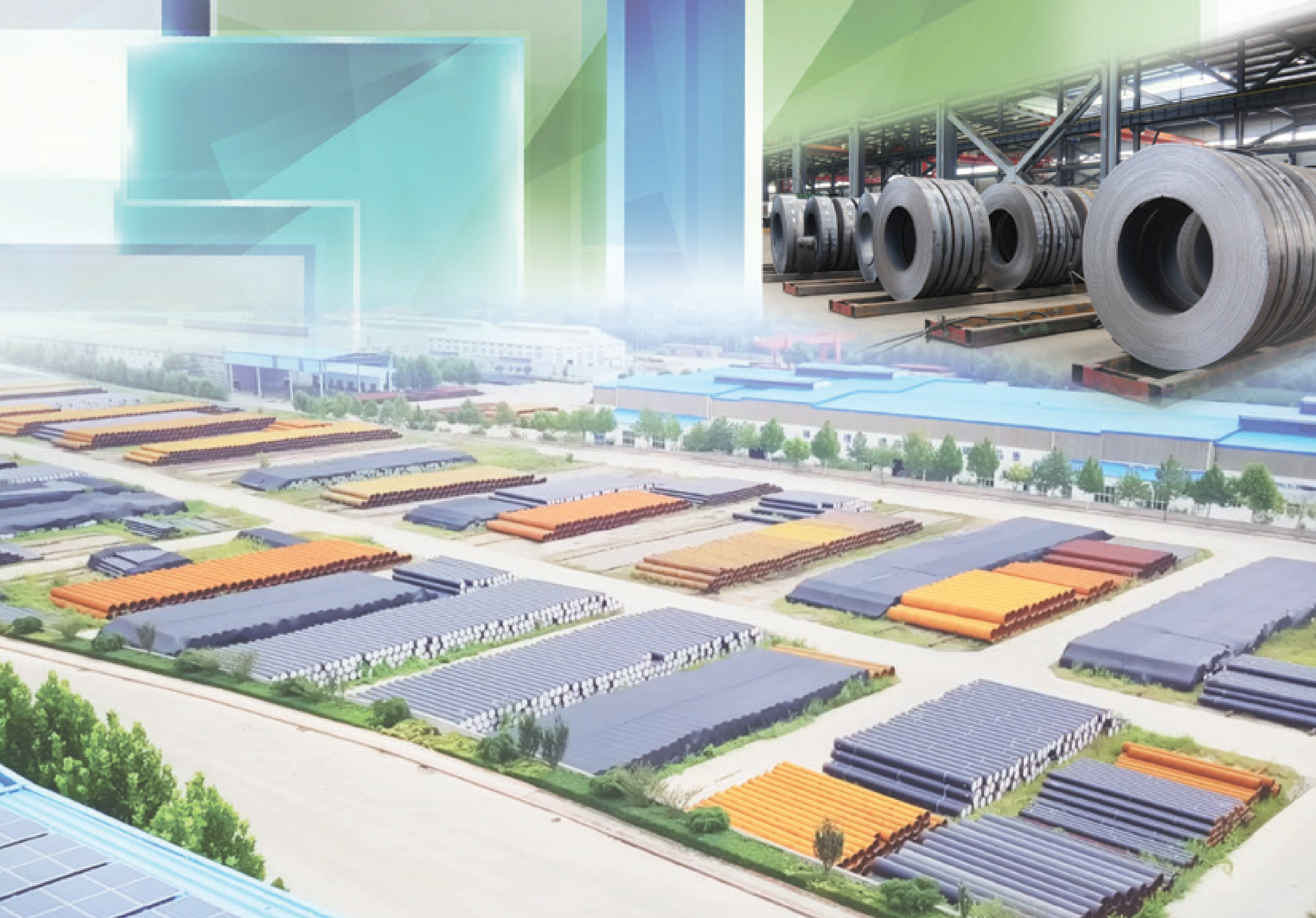
# Annual Report 2024



# CORPORATE PROFILE

**SHENGLI OIL & GAS PIPE HOLDINGS LIMITED**

(the "Company") is one of the largest oil and gas pipe manufacturers in China. We focus on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of submerged arc helical welded pipes ("SAWH pipes") that are used to transport crude oil, refined petroleum, natural gas and other related products.



# Contents

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Wei Jun *(Chairman)*
*(redesignated from a non-executive Director to an executive Director on 1 January 2025)*
Mr. Zhang Bizhuang *(Chief Executive Officer)*
Mr. Wang Kunxian *(Vice President)*
Ms. Han Aizhi *(Vice President)*
Mr. Zhang Bangcheng *(retired on 21 June 2024)*

### Non-executive Directors

Mr. Huang Xingwang *(appointed on 1 July 2024)*
Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)*

### Independent non-executive Directors

Mr. Chen Junzhu, *ACCA*, *CICPA*
Mr. Qi Defu *(appointed on 24 April 2024)*
Mr. Qiao Jianmin
Mr. Wu Geng *(resigned on 24 April 2024)*

## AUDIT COMMITTEE

Mr. Chen Junzhu *(Chairman)*, *ACCA*, *CICPA*
Mr. Qi Defu *(appointed on 24 April 2024)*
Mr. Qiao Jianmin
Mr. Wu Geng *(resigned on 24 April 2024)*

## REMUNERATION COMMITTEE

Mr. Qi Defu *(Chairman) (appointed on 24 April 2024)*
Mr. Chen Junzhu, *ACCA*, *CICPA*
Mr. Wei Jun
Mr. Wu Geng *(Chairman) (resigned on 24 April 2024)*

## NOMINATION COMMITTEE

Mr. Qiao Jianmin *(Chairman)*
Mr. Zhang Bizhuang
Mr. Qi Defu *(appointed on 24 April 2024)*
Mr. Wu Geng *(resigned on 24 April 2024)*

## COMPANY SECRETARY

Mr. Zhang Feng

## AUTHORISED REPRESENTATIVES

Ms. Han Aizhi
Mr. Zhang Feng

## REGISTERED OFFICE

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

## HEADQUARTERS IN CHINA

Zhongbu Town
Zhangdian District, Zibo City
Shandong Province
the PRC
Postal Code: 255082

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2111, 21st Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

## PRINCIPAL BANKS

China Construction Bank
Agricultural Bank of China
Industrial & Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia)

## LEGAL ADVISER AS TO HONG KONG LAW

DeHeng Law Offices (Hong Kong) LLP

## AUDITORS

Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited)
*Certified Public Accountants*, Hong Kong
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

## SHARE REGISTRARS

### Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

## LISTING EXCHANGE INFORMATION

Main Board
The Stock Exchange of Hong Kong Limited

## STOCK CODE

1080

## COMPANY WEBSITE

www.slogp.com

# FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2024 ("Year under Review"), revenue was approximately RMB570,069,000, representing a decrease of approximately RMB21,816,000 as compared to that in 2023.

- For the Year under Review, gross profit margin was approximately 10.4%, representing an increase of approximately 4.7 percentage points as compared to that in 2023.

- For the Year under Review, the loss for the year attributable to owners of the Company amounted to approximately RMB42,564,000, representing a decrease of approximately RMB55,850,000 as compared to that in 2023.

- Total comprehensive loss for the year attributable to owners of the Company for the Year under Review amounted to approximately RMB77,209,000, representing a decrease of approximately RMB21,205,000 as compared to that in 2023.

- For the Year under Review, basic and diluted loss per share attributable to owners of the Company was approximately RMB1.10 cents, representing a decrease of approximately RMB1.44 cents as compared to that in 2023.

- The Board did not recommend the declaration of any final dividend and interim dividend for the year ended 31 December 2024.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Shengli Oil & Gas Pipe Holdings Limited (the "Company"), I hereby present to you the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024 (the "Year under Review").

In 2024, amid persistent external uncertainties presented by a complex and volatile global economy, and accelerating economic restructuring, China's economic development encountered transitional challenges, including a lack of effective demand and pains inherent in shifting from old to new economic drivers. However, the development of the economy was also strongly supported by a series of positive factors, such as the continuing effects of macro policies, more proactive fiscal policies, and stable and flexible monetary policies, which created a favourable policy environment for stable economic growth. In 2024, the Gross Domestic Product (GDP) of China reached RMB134.9 trillion, representing a year-on-year growth of 5.0%, and the national economy was generally stable and progressing amidst stability.

Since the beginning of 2024, the oil and gas industry has faced many challenges and opportunities. On the one hand, geopolitical conflicts and uncertainties in the international landscape have posed challenges to the stability of global energy supply. On the other hand, the rapid development of alternative energy has had an impact on the traditional oil and gas industry, accelerating the downward trend of refined petroleum consumption. At the same time, China is vigorously promoting the green low-carbon transition, and renewable energy alternative actions are being continuously deepened. As an essential part of the traditional energy system, the oil and gas industry is facing the dual tests of transition pressure and investment adjustment.

During the Year under Review, China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) ("PipeChina") has effectively promoted the in-depth implementation of the group company's overall strategy of "Five Insistences (五個堅持)" and the overall deployment of "Five Vigorous Efforts (五個狠下功夫)". The Sino-Russian East Line Natural Gas Pipeline (中俄東線天然氣管道), the largest single-pipe gas transmission capacity in China, has been fully completed and is operating at full capacity. The construction of strategic projects such as the Sichuan-to-East Natural Gas Pipeline No. 2 (川氣東送二線) and other projects is being accelerated, and new achievements have been made in the construction of the "one pipeline network nationwide* (全國一張網)". The Group will continue to leverage its extensive experience and advanced technologies to further enhance its operational efficiency and service quality, and continuously practice high-quality development.

## STEADY PROGRESS IN BIDDING AND CUSTOMER MAINTENANCE TO CONSOLIDATE THE DOMESTIC AND OVERSEAS MARKET LAYOUT

During the Year under Review, the Group has achieved outstanding performance in the bidding projects of major customers such as PipeChina, China Petroleum & Chemical Corporation ("SINOPEC"), China National Petroleum Corporation ("CNPC"), China National Offshore Oil Corporation ("CNOOC") (collectively the "Three Barrels") and China Petroleum Technology & Development Corporation (中國石油技術開發有限公司) ("CPTDC"), and at the same time, steadily enlarged our share in the social market and actively expanded the domestic and overseas markets, so as to lay a solid foundation for high-quality growth. In the CNPC's annual bidding for centralised procurement of welded steel pipes, the Group won the first place by virtue of its remarkable production quality and efficient service capability. Subsequently, the Group continued to maintain its leading position in SINOPEC's framework tenders for a number of projects, especially in the 2024 framework agreement bidding for the processing of spiral submerged arc welded pipes for long-distance pipelines, in which the Group was awarded the second place with excellent result. In addition, the Group continued to win the bidding of the pipeline steel pipe framework of PipeChina in 2024, further consolidating its position as a supplier.

On the basis of the consistent deployment of major national high-end oil and gas pipeline customers, the Group has steadily expanded its share in the social market, and actively explored new cooperation opportunities during the year and successfully secured five new customers. At the same time, the Group optimised its overall order structure and launched strategic cooperation with leading enterprises in the insulation industry, laying the foundation for the Group to develop the insulation market independently and to accumulate significant project achievements in the future.

Confronted with the changes in the industry environment and the new trend of market demand, the Group accelerated its international layout and seized the opportunities of globalisation. During the Year under Review, the Group established a sound communication mechanism with Middle East Company of CPTDC (中技開中東公司) to lay the foundation for entering the Middle East and international markets and expanding its overseas business layout.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## COORDINATING PRODUCTION AND MAINTENANCE TO ENHANCE EQUIPMENT CAPACITY AND COMPLETE SUPPLY GUARANTEE TASKS WITH HIGH QUALITY AND EFFICIENCY

During the Year under Review, production branches of Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("Shandong Shengli Steel Pipe"), a subsidiary of the Group, strictly implemented the production plan and successfully completed production of welded and anti-corrosion pipelines used for the transmission of oil, gas and water, including PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林 — 長春天然氣管道工程), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (川氣東送二線天然氣管道工程川渝鄂段工程), and Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀徵原油管道工程連雲港至淮安段) and other major pipeline projects. Based on the demand for orders and the supply of raw materials, the Group has precisely formulated production task allocation and human resources allocation strategies, and continued to optimise the coordination of positions and workflow to ensure the efficient operation of various links and the orderly progress of various tasks. Meanwhile, in order to ensure the completion of the supply guarantee tasks with high quality, the Group has improved and refined the key equipments by adopting new processes, which effectively enhanced the stability and precision of the equipments as well as the overall production efficiency.

## BOOSTING QUALITY MANAGEMENT THROUGH MAINTAINING VALID QUALIFICATION CERTIFICATES

During the Year under Review, Shandong Shengli Steel Pipe launched an internal audit of the quality, environmental, occupational health and safety management system, and completed the annual supervision and audit of API 5L and API Q1, and successfully passed the second annual audit certificate of TU-CR of Eurasian Union. In addition, the Group has completed the Carbon Footprint and Type III Environmental Statement assessment for spiral submerged arc welded steel pipes and anti-corrosive steel pipes for the first time, as well as the accreditation of Green Packaging and Green Factory. These initiatives have provided adequate protection for customer maintenance and market development, which have helped the Group to rank among the first-class pipeline manufacturing enterprises and actively fulfill its corporate social responsibilities.

## OPTIMISING THE INTERNAL MANAGEMENT MECHANISM OF THE ENTERPRISE TO ENHANCE OPERATIONAL EFFICIENCY

During the Year under Review, the Group continued to promote quantitative performance appraisal, reasonably adjusted the contractually standards, effectively strengthened the detailed management of the basic units and enhanced production efficiency, thereby further improving the employee incentive mechanism and overall operational efficiency. By optimising the procurement process, strengthening inventory management and improving the procurement system of materials, the Group effectively reduced the pressure on inventory and enhanced liquidity. Keeping abreast of the adjustment of the train transportation policy, the Group optimised the vehicle loading scheme to reduce the steel pipe transport costs, and meanwhile, the Group comprehensively promoted grid-based management, strengthened on-site and safety management, and further enhanced the management level.

## PROACTIVELY EXPEDITING AUTOMATION TRANSFORMATION AND SAFETY PROTECTION TRANSFORMATION, IMPROVING TECHNOLOGY CAPABILITIES

The Group continued to deepen automation and safety protection transformation and promote technology-powered generation. During the Year under Review, Shandong Shengli Steel Pipe implemented 2 technological improvement projects, including the Automatic Pipe-end Measuring System of Pre-welding Finished Products* (預精焊成品管端自動測量系統) and the Automatic Welding Seam Tracking System for 3# Unit* (3#機組內焊縫自動跟蹤系統), which optimised and improved the solutions under the production mode of small pipe diameters. Meanwhile, the Group implemented 20 equipment technology upgrading and modification works to further enhance the equipment level and improve the safety of operation. In addition, the Group independently designed the automatic grinding equipment for in-line external weld seams for 2# Unit in No. 2 Factory* (二分廠2#機組在線外焊縫自動修磨設備), which not only improved the appearance quality of the external weld seams, but also significantly saved anti-corrosion raw materials. During the Year under Review, the Group's technical personnel published 16 scientific papers, and 3 utility model patents and 1 invention patent have been authorized. In addition, the number of middle and senior-ranking staff continued to increase and the building of professional and technical teams progressed steadily, further enhancing the Group's soft power in technology and management.

## INTENSIFYING MANAGEMENT ON ENERGY CONSUMPTION, ENERGY SAVING AND EMISSION REDUCTION FOR DEVELOPMENT

During the Year under Review, the Group proactively moved towards "new" and "green" development, strengthened energy consumption management, supervision and assessment work, and verified and realised energy consumption reduction, energy saving and emission reduction. According to the monthly pre-scheduling demand, combined with the industrial electricity season and the distribution of peak period and valley period, the Group adjusted its pricing model in a timely manner, in order to reasonably reduce electricity pricing. In addition to lowering electricity costs, the Group has also fulfilled its corporate social responsibility by utilizing photovoltaic power generation projects on factory roofs and rooftops to increase the use of electricity with green energy in order to contribute to the realization of the "carbon peaking and neutrality" initiative in China's "14th Five-Year Plan".

## FUTURE PROSPECTS

The year 2025 is the final year of China's "14th Five-Year Plan", and with a series of economic stimulus policies launched by China, economic development is facing new opportunities. Against this macro backdrop, the Group will flexibly respond to the ever-changing industry trends, dare to try new modes and explore new tracks, and promote the upgrading of industries empowered by new quality productivity. In the increasingly fierce market competition, the Group will maintain the passion of "no retreat is the way to victory" to open up new development paths and create new value growth points.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

Since its establishment, PipeChina has been committed to expediting the construction of oil and gas pipeline infrastructure. At present, Hulin-Changchun Natural Gas Pipeline Project* (虎林 — 長春天然氣管道工程) and Sichuan-to-East Natural Gas Pipeline No.2 Project (Tongliang-Qianjiang Section, Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section)* (川氣東送二線天然氣管道工程(銅梁 — 潛江段、鄂豫贛皖浙閩段)) have successively started construction, and the entire line of Zhangzhou LNG Transmission Pipeline Project* (漳州LNG外輸管道工程) has formally put into operation. Shandong Shengli Steel Pipe, as a major supplier of PipeChina, taking advantage of its production capacity and technology, has been striving for more project orders from PipeChina with high-quality and efficient supply performance. The Group will actively deploy 2025 annual framework agreement bidding to stabilize the position of the main supplier, focus on optimising and analysing the Group's strengths to meet the requirements of PipeChina for major suppliers, in order to lay the foundation for securing more project orders. With overwhelming performance and good quality advantages, the Group is confident that it will gain more construction opportunities in the future oil and gas pipeline infrastructure construction, which will increase the Group's revenue and make positive contributions to China's energy construction.

Looking forward to 2025, the Group will continue to open up the social market based on the layout of the mid-to-high-end oil and gas pipeline market by strengthening market research, expanding the scope of product and carrying out entire-life-cycle sales services, with a view to realising the comprehensive coverage of the national pipeline network to the provincial and municipal trunk line projects. At the same time, the Group will further optimise the order structure, focus on the customer-supplied materials processing market and the large-diameter heat pipeline market, and strive to achieve steady growth in both social pipeline orders and national pipeline network orders. The Group will also press ahead with strategic adjustment, optimise business structure and expedite the upgrade and update of products and technologies, in a bid to enhance its core competitiveness.

Relying on the strength of the process technology research center and the quality inspection institute, the Group will continue to intensify its efforts in patent application and technology research and development, and promote the transformation of innovative achievements into actual products. At the same time, the Group will continue to strengthen quality management to ensure that every steel pipe complies with national and industry standards, strictly control production, inspection and shipment to ensure product quality and guard the quality lifeline of the Company.

Last but not least, I would like to take this opportunity to express sincere gratitude to our shareholders, customers and stakeholders, as well as to all management and staff for their hard work and unremitting efforts in the past year. Looking ahead, the Group will continue to capitalize on market opportunities, actively promote its strategic layout, and uphold the "fighting spirit" to strengthen and optimise oil and gas transmission products. At the same time, the Group will focus on long-term development and create new momentum with new quality productivity to create long-term value for our shareholders and the society.

**Zhang Bizhuang**
*Executive Director & Chief Executive Officer*

* The English names are for identification only

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET OVERVIEW

In 2024, the global market still faced many uncertainties, with external factors such as international geopolitical conflicts and trade protectionism exerting certain pressure on the global economic recovery. Meanwhile, China is significantly boosting development coordination with its accelerating optimization and upgrading of its economic structure, and transformation and upgrading of traditional industries and the rise of emerging industries occurring in parallel. According to the preliminary estimate of the National Bureau of Statistics, China's Gross Domestic Product (GDP) reached RMB134.9 trillion in 2024, representing a year-on-year growth of 5.0%. Despite numerous external challenges, the economy maintained a stable growth trend throughout the year, demonstrating strong resilience and vitality, driven by the precise control of the national macro policies, the continuous release of domestic demand and the development of new quality productive forces.

In 2024, the oil and gas industry showed overall steady progress. After reaching its peak in 2023, consumption of refined petroleum declined in 2024. International oil prices fluctuated within the range of core trends, striking a basic balance between demand and supply. In the domestic market, under the guidance of the national energy security strategy, constant progress has been achieved in the reserve and output of oil and gas resources, and crude oil and natural gas production achieved steady growth. Crude oil produced by industry players with designated scale reached approximately 210 million tonnes, representing a year-on-year increase of 1.8%, while natural gas produced by industry players with designated scale reached approximately 246.4 billion cubic metres, representing a year-on-year increase of 6.2% and hitting record highs for the same periods historically. On the demand side, total energy consumption in the domestic market in 2024 registered a year-on-year growth of 4.2%. Among them, oil consumption posted a year-on-year decrease of 1.7% due to industrial restructuring and new energy substitution effect, natural gas consumption recorded a year-on-year increase of 8%, coal consumption represented a decrease of 1.6%, and the proportion of non-fossil energy in total energy consumption recorded a year-on-year steady increase of 1.8%. This indicates that the overall demand in the domestic oil market is stabilising, while the penetration of new and alternative energies is increasing, and the trend towards green and sustainable development is becoming more apparent.

The Group has been closely following the national development strategy by optimising resources allocation, improving technical and innovative capability and strengthening market expansion efforts, which contributes to domestic oil and gas pipeline construction. During the Year under Review, the Group made constant efforts to serve pipeline construction demands of PipeChina, the "Three Barrels" and other major customers, and won the bids for several national pipeline projects. Besides, the Group also established ties with five new customers, including cleaning and heating projects in the Fugu County (府谷縣) urban area, thereby paving the way for subsequent development of thermal insulation market independently and accumulation of significant engineering results. In addition, the Group also contributed to the "carbon peaking and carbon neutrality" initiative, rolled out multiple assessments on carbon footprints, which set the solid foundation for tapping into energy conservation and emission reduction measures.

# MANAGEMENT DISCUSSION AND ANALYSIS

2025 is the end of the "14th Five-Year" Period and an important year for the conclusion of "15th Five-Year Plan", and China's oil and gas work will enter a critical period of promoting high-quality development and high-level security. The oil and gas industry needs to focus on improving its independent security capabilities, its ability to cope with risks and its ability to secure imported resources. Looking forward to 2025, in the face of the evolving industry trends, the Group will respond flexibly, continue to explore new models, open up and develop new roads with innovative thinking, and excavate more value growth points. In the increasingly fierce market competition, the Group will uphold the spirit of "choose one thing that matters and follow through all the rest of your life", and make every effort to win more orders for oil and gas pipeline construction projects. At the same time, the Group will continue to increase its efforts in patent applications and technology research and development, strictly control quality, constantly optimise corporate governance and technological innovation, promote its own sustainable development, and create long-term value for investors.

## BUSINESS REVIEW

As one of China's largest oil and gas pipeline manufacturers offering superior quality products with top-rated facilities, cutting-edge technologies, advanced technique and a comprehensive quality inspection and assurance system, the Group is one of the few domestic qualified suppliers which are capable of providing large-diameter pipes designed to sustain the high pressure in long distance transportation of crude oil, refined petroleum and natural gas for large-scale oil and gas pipeline projects in China.

Major customers of the Group comprise PipeChina and large-scale state-owned oil and gas enterprises and their subsidiaries such as the Three Barrels. The Group focuses on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of submerged-arc helical welded pipes (the "SAWH pipes") used for the transport of crude oil, refined petroleum, natural gas and other related products.

During the Year under Review, the Group participated in multiple important biddings and achieved remarkable results in biddings such as the annual welding pipe centralised procurement bidding program of CNPC, the SSEC-carbon steel spiral welded pipe company-level framework bidding of Sinopec Shanghai Engineering Co., Ltd., SINOPEC's 2024 long-distance submerged-arc helical welded pipes processing framework agreement bidding activity, and the open bidding for the annual framework procurement of welded pipes manufacturers in Sinopec's 13th-phase group procurement. Meanwhile, under the leadership of the Group's management, it continued to win the bid for PipeChina's 2024 annual pipeline framework bidding.

As of 31 December 2024, the annual production capacity of the SAWH pipes, the ancillary anti-corrosion production line and the insulation pipe production line of the Group reached approximately 800,000 tonnes, 4.80 million square metres and 110 kilometres, respectively.

As of 31 December 2024, pipes manufactured by the Group were used in the world's major oil and gas pipelines with a cumulative total length of approximately 35,554 kilometres, of which 94.9% were installed in China while the remaining 5.1% were installed outside China.

During the Year under Review, large-scale pipe projects using SAWH pipes manufactured by the Group's subsidiaries included: PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林 — 長春天然氣管道工程), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (川氣東送二線天然氣管道工程川渝鄂段工程), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段幹線), Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀徵原油管道工程連雲港至淮安段), Guangdong Natural Gas Pipe Network Zhuhai-Zhongshan-Jiangmen Trunk Pipeline* (廣東省天然氣管網珠中江幹線), Haixi Natural Gas Pipeline Network Phase II Project Rectification Assignment (Zhangzhou-Longyan Section)* (海西天然氣管網二期工程整改項目(漳州 — 龍巖段)), CPTDC Pakistan Pipeline Project* (中技開巴基斯坦管道項目) and SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project* (中石化山東管道濟青管道(章丘 — 膠州段)提升改造工程). Local pipeline projects included Laiwu-to-Tai'an Long-distance Transmission Heat Supply Pipeline Project* (萊熱入泰長距離輸送供熱管網工程), Weihai High Pressure Natural Gas Pipeline Project* (威海市高壓天然氣管線工程), Fugu County, Shaanxi Province Clean Heating Project in Urban Area* (陝西省府谷縣城區清潔供暖工程), Gongyi Yulian Industrial Park-Northern Zhengzhou Municipal Centralised Heat Supply Pipeline Connecting Project* (鞏義市豫聯工業園至鄭州市北部區域市政集中供熱幹線聯通管工程), Gongyi Yulian Industrial Park-Urban Area Heat Supply Pipeline Network Capacity Increase and Improvement Project* (鞏義市豫聯工業園至市區集中供熱主幹管網增容改造工程) and Anhui Dingjie Urban-rural Integration Water Supply Project* (安徽定結縣城鄉一體化供水工程).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group's subsidiaries included: PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林 — 長春天然氣管道工程), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (川氣東送二線天然氣管道工程川渝鄂段工程), Guangdong Natural Gas Pipe Network Zhuhai-Zhongshan-Jiangmen Trunk Pipeline* (廣東省天然氣管網珠中江幹線), Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀徵原油管道工程連雲港至淮安段), Haixi Natural Gas Pipeline Network Phase II Project Rectification Assignment (Zhangzhou-Longyan Section)* (海西天然氣管網二期工程整改項目(漳州 — 龍巖段)), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段幹線) and SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project* (中石化山東管道濟青管道(章丘 — 膠州段)提升改造工程). Local pipeline projects included Weihai High Pressure Natural Gas Pipeline Project* (威海市高壓天然氣管線工程), Gongyi Yulian Industrial Park-Northern Zhengzhou Municipal Centralised Heat Supply Pipeline Connecting Project* (鞏義市豫聯工業園至鄭州市北部區域市政集中供熱幹線聯通管工程) and Liulin Area Connecting Line (Xiameizhi Gas Gathering Station-Linlin line 6# Valve Room) Construction Project* (柳林區塊連接線(下嵋芝集氣站至臨臨線6#閥室)建設項目).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2024, the Group's revenue witnessed a decline of approximately 3.7%, decreasing from approximately RMB591,885,000 in last year to approximately RMB570,069,000. The majority of revenue was attributable to the Group's core business, the Pipe Business, where the revenue from the sales of SAWH pipes increased by approximately 0.8% to approximately RMB514,921,000 (2023: approximately RMB510,914,000). The revenue from the anti-corrosion processing business experienced an approximately 20.9% increase to approximately RMB44,454,000 (2023: approximately RMB36,770,000), the revenue from the insulation processing business which was significantly plummeted to nil (2023: approximately RMB143,000). The revenue from the trading segment decreased by approximately 75.7%, amassing revenue of approximately RMB10,694,000 (2023: approximately RMB44,058,000). The Group's revenue from sales of SAWH pipes and anti-corrosion processing business increased as compared to last year, but revenue from insulation processing business and trading business decreased significantly as compared to previous year, which in total resulted in a slight decrease in the Group's revenue during the Year under Review as compared to 2023.

### Cost of sales and services

The Group's cost of sales and services decreased by approximately 8.5% from approximately RMB558,422,000 for the year ended 31 December 2023 to approximately RMB510,933,000 for the year ended 31 December 2024. The decrease in cost of sales and services was mainly due to the reduction in the various costs and expenses incurred by the Group during the Year under Review.

### Gross profit

The gross profit of the Group increased by approximately 76.7% from approximately RMB33,463,000 for the year ended 31 December 2023 to approximately RMB59,136,000 for the year ended 31 December 2024. The gross profit margin of the Group increased from approximately 5.7% for the year ended 31 December 2023 to approximately 10.4% for the Year under Review. The increase in gross profit and gross profit margin was primarily attributable to a significant increase in the proportion of national pipeline projects and anti-corrosion processing business in the Group's Pipe Business, which have higher gross profit margin, during the Year under Review.

### Other income and gains

Other income and gains of the Group decreased from approximately RMB17,838,000 for the year ended 31 December 2023 to approximately RMB7,657,000 for the year ended 31 December 2024. Such decrease was primarily due to a significant decrease in income from sales of materials during the Year under Review, while the Group's revenue from the sales of steel plates achieved an increase through inventory clearance during the year ended 31 December 2023.

### Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB27,730,000 for the year ended 31 December 2023 to approximately RMB32,487,000 for the year ended 31 December 2024. The significant increase in selling and distribution costs was primarily attributable to the increase in distribution expenses incurred by the subsidiaries of the Group during the Year under Review.

### Administrative expenses

The Group's administrative expenses decreased from approximately RMB94,281,000 for the year ended 31 December 2023 to approximately RMB78,334,000 for the year ended 31 December 2024. The decrease in administrative expenses was primarily attributable to reasonable planning by the Group to cut down on expenses during the Year under Review.

### Share of results of associates

For the year ended 31 December 2024, the Group's share of results of associates was approximately RMB14,558,000, as compared to share of results of associates of approximately RMB11,773,000 for the year ended 31 December 2023. The increase was primarily attributable to the increase in the Group's share of profits of associates during the Year under Review which was mainly due to the increase in profits of Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司), an associate of the Group, as compared with the previous year.

### Disposal of equity interests

During the Year under Review, the Group recognised approximately RMB192,000 in the consolidated statement of changes in equity under the item of capital reserve, representing the difference between cash consideration of RMB1,890,000 and fair value of NCI recognised, on the disposal of 2% equity interest in a subsidiary, Zhejiang Shengguan Industrial Co., Ltd* (浙江勝管實業有限公司) ("Zhejiang Shengguan"). For the year ended 31 December 2023, the Group recorded gain of approximately RMB1,029,000 on disposal of partial equity interests in an associate, which was recognised in the consolidated statement of profit or loss and other comprehensive income, representing gain on disposal of 2% equity interests in Xinfeng Energy Enterprise Group Co., Ltd.* ("Xinfeng Energy") (新鋒能源集團有限公司).

### Impairment loss

For the year ended 31 December 2023, the Group recognised an impairment loss of approximately RMB39,044,000, primarily attributable to the impairment of the Group's investment in a former associate, namely Xinfeng Energy. After the completion of the disposal of 2% equity interest in Xinfeng Energy of the Group on 27 December 2023, the investment in Xinfeng Energy was re-designated as financial assets at fair value through other comprehensive income. No impairment loss has been provided during the Year under Review.

### Finance costs

The Group incurred finance costs of approximately RMB13,872,000 for the year ended 31 December 2024 (2023: approximately RMB14,503,000), which were primarily derived from interest on bank loans.

* English name is for identification purpose only.

### Other comprehensive loss

For the year ended 31 December 2024, the Group recognised a loss on fair value changes in financial assets designated at fair value through other comprehensive income with respect to investment in Xinfeng Energy of approximately RMB34,645,000 with reference to the valuation report prepared by an independent professional valuer using the adjusted net asset approach.

### Income tax (expenses) credit

Hong Kong profits tax is calculated at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year ended 31 December 2024. The profits tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (2023: 17%) for the year ended 31 December 2024. Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of the Company's subsidiaries in the PRC for the Year under Review is 25% (2023: 25%). Income tax expense for the year ended 31 December 2024 was approximately RMB57,000 (2023: income tax credit of approximately RMB15,122,000). Income tax credit recognised for 2023 was primarily due to the reversal of income tax provided in prior years of approximately RMB15,308,000 after the Group confirmed the treatment of certain previously unresolved tax matters with the PRC tax authority during the year ended 31 December 2023. Income tax expenses for the year ended 31 December 2024 was approximately RMB57,000 (2023: income tax credit of approximately RMB15,122,000). Such turnaround was mainly due to the reversal income tax provided in prior years was on one-off item. No such reversal of income tax was for the year ended 31 December 2024.

### Total comprehensive loss for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2024 was approximately RMB77,993,000, as compared to the audited total comprehensive loss of the Group of approximately RMB99,233,000 for the year ended 31 December 2023.

### Net current (liabilities) assets

As of 31 December 2024, the Group's net current liabilities amounted to approximately RMB15,358,000, as compared to net current assets of approximately RMB18,868,000 as of 31 December 2023. The change from net current assets to net current liabilities was primarily attributable to the fact that, the increase in the Group's contract liabilities as of 31 December 2024 as compared to 31 December 2023 was higher than the increase in prepayment deposits and other receivables, which made current liabilities greater than current assets, resulting in net current liabilities.

### Capital expenditure

The Group incurred capital expenditure for the purchase of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products and other administrative uses. Capital expenditure during the years ended 31 December 2024 and 2023 were primarily related to the purchase of property, plant and equipment.

The following table sets forth the capital expenditure of the Group:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Purchase of property, plant and equipment | **15,435** | 13,355 |

## Indebtedness

### *Borrowings*

As at 31 December 2024, the borrowings of the Group amounted to approximately RMB309,836,000 (2023: approximately RMB329,567,000).

The following table sets forth information of the loans of the Group:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Loans: | | |
| Bank loans — Secured | **276,040** | 280,800 |
| Other loans — Unsecured | **33,796** | 48,767 |
| | **309,836** | 329,567 |

The amount of loans of approximately RMB203,866,000 shall be repayable within one year. The following table sets forth the annual interest rates of the Group's bank loans:

| | 2024<br>% | 2023<br>% |
|---|---|---|
| Effective interest rate per annum | **3.40 to 4.38** | 3.97 to 4.38 |

The other loans carried a fixed annual interest rate of 5% during the year ended 31 December 2024.

The following discussion should be read in conjunction with the Group's financial information and its notes, which are included in this report.

### *Financial management and fiscal policy*

During the Year under Review, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign exchange fluctuations and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Wei Jun**, aged 56, has been our executive Director and chairman of the Board since 1 January 2025, responsible for international trade business of the Group. He served as our non-executive Director and the chairman of the Board from January 2019 to December 2024. He serves as the general manager of Beijing Zhenhong Xingye Trading Co., Ltd.* (北京臻鴻興業商貿有限公司) from November 2003 to March 2025, responsible for its overall management and international trading. Mr. Wei was the assistant to the director of operating department and the head of external economics department in Central Iron & Steel Research Institute (as defined below) from 1995 to 1999, and the standing deputy general manager of Beijing Jinggang International Trading Limited Company* (北京京鋼國際貿易有限公司), i.e. the department of international trading business of Advanced Technology & Materials Co., Ltd.* (安泰科技股份有限公司) ("Advanced Technology* (安泰科技)"), the shares of which are listed on the Shenzhen Stock Exchange, from 1999 to 2003.

Mr. Wei graduated from Chongqing University with a bachelors' degree in Bachelor of Engineering in 1990, majoring in iron and steel metallurgy, and obtained a degree in Master of Engineering from China Iron & Steel Research Institute Group* (中國鋼研科技集團公司) (formerly known as the Ministry of Metallurgical Industry of Central Iron & Steel Research Institute* (冶金工業部鋼鐵研究總院) ("Central Iron & Steel Research Institute* (鋼鐵研究總院)") in 1993. He is a senior engineer in the PRC.

**Mr. Zhang Bizhuang**, aged 57, has been our executive Director since July 2009, the chief executive officer from July 2009 to June 2021, the co-chief executive officer from June 2021 to March 2024 and serves as the chief executive officer with effect from 24 March 2024. Mr. Zhang is responsible for the overall management of our Group's business operations, and had been the chairman of the Board from August 2012 to April 2016. Mr. Zhang currently serves as a director of 10 subsidiaries of the Group. Mr. Zhang worked in Shengli Steel Pipe Co., Ltd.* (勝利鋼管有限公司) ("Shengli Steel Pipe", known as Shengli Administration of Petroleum Steel Pipe Factory* (勝利石油管理局鋼管廠) and Shengli Oilfield Zibo Pipe Co., Ltd.* (勝利油田淄博制管有限公司) before reconstruction of state-owned enterprises) from July 1990 to December 2008, serving various positions including as the department head of technical supervision department and quality control inspection department, the deputy general manager and the general manager, with his last position as the chairman. He also served in various positions in Shandong Shengli Steel Pipe including as the executive director and the general manager between December 2007 and June 2013, and served as chairman from December 2008 to December 2024. He served as the general manager of Shengguan Group* (勝管集團) from July 2013 to December 2024.

Mr. Zhang graduated from Chongqing University with a bachelor's degree in Bachelor of Engineering in 1990, majoring in Metal Materials and Heat Treatment and obtained his master's degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. He is a senior engineer in the PRC, and holds the Chinese Career Manager qualification.

**Mr. Wang Kunxian**, aged 56, has been our vice president since October 2010, and our executive Director since August 2014, responsible for the technology development, quality control and production management of the Group. Mr. Wang currently serves as a director of five subsidiaries of the Group. Mr. Wang served various positions in Shengli Steel Pipe from July 1990 to December 2008, including as a factory officer and the deputy chief engineer, with his last position as the deputy general manager. He was the deputy general manager of Shandong Shengli Steel Pipe between December 2007 and June 2013 and has been its director since December 2008. Since July 2013, Mr. Wang served in various positions in Shengguan Group* (勝管集團), including as the deputy general manager and the technical director of quality production, and currently holds the position of deputy general manager, responsible for technology development, quality control and production management.

Mr. Wang graduated from Chongqing University with a bachelor's degree in Bachelor of Engineering in 1990, majoring in metal pressure processing and obtained his master's degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. He is a senior engineer in the PRC.

**Ms. Han Aizhi**, aged 57, has been our executive Director since July 2009, and has been serving as a vice president of the Company since March 2011, responsible for the Group's external investment business and operational supervision, listing compliance, investor and public relation matters and finance management. Ms. Han currently serves as a director of eight subsidiaries and a supervisor of an associate of the Group. Ms. Han served various positions in Shengli Steel Pipe from July 1988 to December 2008, including as the head of the technology supervision division, an officer of corporate management department, an officer of the general manager's office, an assistant to the general manager, the deputy general manager and a management representative. She served as the deputy general manager of Shandong Shengli Steel Pipe from December 2007 to June 2013, and has been its director since December 2008. Since July 2013, Ms. Han served various positions in Shengguan Group* (勝管集團), including as the deputy general manager and a director of securities investment, and currently holds the position of deputy general manager, responsible for overseeing quality management, environment, occupational health and safety system management, investor relations, listing compliance, public relations, external investment business, operational supervision and finance management.

Ms. Han graduated from Chengde Petroleum College in 1988 with a major in welding technology and graduated from the Party School of the Shandong Province Committee of CPC in 2002 with a major in economic management. Ms. Han obtained a master's degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. She is a engineer in the PRC, and holds the PRC Registered Quality Professional Technician Qualification (middle tier).

**Mr. Zhang Bangcheng**, aged 53, served as our executive Director from March 2021 to June 2024, responsible for the overall sales of steel pipes of the Group during his term. Mr. Zhang served as the investment director of Beijing Beirong International Investment Co., Ltd.* (北京北融國際投資有限公司) from July 2005 to December 2007, the vice president of Sino-Singapore Lion Investment Pte Ltd.* (新加坡中獅投資私人有限公司) from May 2008 to September 2010, the managing director of Magic Group (HK) International Holdings Co., Limited (神奇集團(香港)國際控股有限公司) from June 2013 to March 2017, the chairman of the board of directors of Hami Tianzhi New Energy Technology Co., Ltd.* (哈密天智新能源科技有限公司) from April 2017 to December 2018 and the risk control manager of Beijing X&H Investment Management Co., Ltd.* (北京蕭何投資管理有限公司) from July 2019 to January 2021.

Mr. Zhang graduated from China Agricultural University (中國農業大學) in 2006 and obtained a master's degree in agricultural economics management; and obtained the fund practicing qualification from the Securities Association of China in 2019.

## NON-EXECUTIVE DIRECTOR

**Mr. Huang Xingwang**, aged 55, has been our non-executive Director since July 2024. Mr. Huang worked at The People's Procuratorate of Zhejiang Province (浙江省人民檢察院) from July 1992 to August 1996, where he was assigned to The People's Procuratorate of Wenling City, Zhejiang Province* (浙江省溫嶺縣人民檢察院) from September 1992 to August 1994. He served as a research trainee of the Institute of Law of the Sichuan Academy of Social Sciences* (四川省社會科學院法學研究所) from July 1999 to December 2000. Mr. Huang successively served as a lawyer, partner, executive director, and director of Zhonghao Law Firm (Sichuan) Office* (中豪律師集團(四川)事務所) from February 2001 to January 2011. He served as a partner and principal lawyer of Beijing Kaiwen Law Firm, Chengdu Office* (北京凱文(成都)律師事務所) from February 2011 to April 2012. He also served as a partner and principal lawyer of Beijing Grandway Law Offices, Chengdu Office* (北京國楓凱文(成都)律師事務所) from May 2012 to April 2014. Since May 2014, Mr. Huang has served as the partner, person-in-charge and principal lawyer of Beijing Grandway Law Offices, Chengdu Office* (北京國楓(成都)律師事務所). Currently, Mr. Huang serves as a permanent legal counsel for The List Company Association of Sichuan (四川省上市公司協會), a member of the Professional Committee of Independent Directors* (獨立董事專業委員會) for the Sichuan Association of Listed Companies, and a Deputy Director of the Professional Committee of Intermediaries* (中介機構專業委員會) for the Sichuan Association of Listed Companies.

Mr. Huang, graduated from Southwest University of Political Science & Law (西南政法大學) (previously known as 西南政法學院) and obtained a bachelor's degree in law in 1992. In July 1999, he obtained a master's degree specializing in economic law from the Sichuan Academy of Social Sciences (四川省社會科學院). In 1998, Mr. Huang was qualified as a lawyer in the People's Republic of China.

**Mr. Zhang Danyu**, aged 57, served as our non-executive Director from April 2024 to May 2024. He served as our executive Director from January 2023 to April 2024, responsible for the formulation and execution of strategies for corporate development and financing schemes of the Group during his term as our executive Director. Mr. Zhang was a cadre of Nam Kwong (Group) Company Limited (南光(集團)有限公司) in Macau from May 1989 to December 1995, the general manager of Shanghai Danli International Trade Co., Ltd.* (上海丹力國際貿易有限公司) from May 1996 to May 1998, the general manager of Shanghai Sanle Industrial Development Co., Ltd.* (上海三樂實業發展有限公司) from May 1998 to May 2001, the assistant to general manager and the deputy general manager of Hangzhou TianMuShan Pharmaceutical Enterprise Co., Ltd.* (杭州天目山藥業股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600671) from May 2001 to July 2006, the legal representative and general manager of Shanghai Tianmu Import and Export Co., Ltd.* (上海天目進出口公司) from February 2007 to April 2021 and the vice president of Crown International Corporation Limited (皇冠環球集團有限公司) (a company listed on the Main Board of the Stock Exchange with stock code: 727) from May 2015 to May 2016.

Mr. Zhang graduated from the Guangdong University of Foreign Studies* (廣東外語外貿大學) (previously known as Guangzhou Institute of Foreign Trade* (廣州對外貿易學院)) with a bachelor's degree in economics in 1989. He served as a member of the Economic Research Institute of Maritime Silk Road (Shenzhen)* (海上絲路經濟研究院(深圳)) from June 2016 to October 2022.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chen Junzhu**, aged 49, has been our independent non-executive Director since May 2013. He currently serves as the general manager of Shenzhen Junyuan Capital Management Co., Ltd* (深圳市浚源資本管理有限公司). Mr. Chen served as a certified public accountant and senior auditor for Deloitte Touche Tohmatsu CPA Ltd from August 2001 to August 2004. He was an audit manager of the internal audit department in Wal-Mart (China) Investment Co., Ltd. from September 2004 to June 2006. From July 2006 to June 2007, Mr. Chen was a certified public accountant and a manager of the M&A transaction department in Ernst & Young Certified Public Accountants. He was a partner of Guangdong Zheng Yuan Public Accountants* (廣東正源會計師事務所) from July 2007 to January 2022. He served as a director and the chief financial officer of Huakang Insurance Agency Co., Ltd.* (華康保險代理有限公司) from September 2011 to September 2014, an independent director and the chairman of the audit committee of Guangdong Tapai Group Co. Ltd.* (廣東塔牌集團股份有限公司), a company listed on the Shenzhen Stock Exchange, from May 2013 to June 2019, an independent director of Shenzhen Genvict Technologies Co., Ltd.* (深圳市金溢科技股份有限公司), a company listed on the Shenzhen Stock Exchange since March 2020, an independent director of Guangdong PAK Corporation Co., Ltd.* (廣東三雄極光照明股份有限公司) since May 2021, and an independent director of Telepower Communication Co., Ltd.* (廣東天波信息技術股份有限公司), a company listed on the National Equities Exchange and Quotations since September 2021.

Mr. Chen graduated from China Foreign Affairs University with a bachelor's degree in arts in 1998, and graduated from Southwest University of Political Science & Law with a master's degree in law in 2003. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

**Mr. Qi Defu**, aged 46, has been our independent non-executive Director since April 2024. Since May 2020, Mr. Qi serves as the vice president of Orient Securities International Financial Group Limited* (東證國際金融集團有限公司) and Orient Capital (Hong Kong) Limited* (東方融資(香港)有限公司). Mr. Qi served as the managing director and investment director of Shanghai Fuyun Investment Management Co., Ltd.* (上海複雲投資管理有限公司) and Shanghai Yingfei Chuangfu Investment Management Co., Ltd.* (上海英飛創複投資管理有限公司) from October 2014 to May 2020. Mr. Qi served as the senior vice president from December 2012 to October 2014 of Shenyin & Wanguo Investment Co., Ltd. (申銀萬國投資有限公司). Mr. Qi was the senior investment manager of Ping An Asset Management Co., Ltd.* (平安資產管理有限責任公司) from December 2009 to July 2012. From July 2006 to December 2009, Mr. Qi served as the investment manager of Daojie Capital Co., Ltd.* (道杰資本有限公司).

Mr. Qi graduated from Chongqing University majoring in industrial automation, and obtained bachelor's degree in engineering in 2000. In 2007, he obtained a master's degree in business administration from Shanghai University of Finance and Economics. He also obtained a Master of Arts degree in cultural and heritage tourism from Hong Kong Metropolitan University in October 2019. He is also a responsible officer licensed to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and holds qualifications for type 6 (advising on corporate finance).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Qiao Jianmin**, aged 64, has been our independent non-executive Director since April 2016. He is currently serving as the general manager of Hangzhou Hanyu Technology Company Limited*（杭州漢宇科技有限公司）. Mr. Qiao has profound experience in advanced technology and new energy. Mr. Qiao held tutorship in the materials faculty of Zhejiang University from 1989 to 1991, became a postdoctoral researcher in Santa Clara University in the United States from 1991 to 1994, a senior engineer and the engineering manager in Applied Materials, Inc. in the United States from 1994 to 1997, the research and development engineer in chief in Cypress Semiconductor Corp. in the United States from 1998 to 2000, the international affair director in the International Technological University in the United States from 1992 to 2002, worked on technological research and development, and production management in Advanced Optical Solutions, LLC in the United States from 2000 to 2001, became a general manager in HQ Technologies, Inc. in the United States from 2002 to 2003, a senior technical officer in Piconetics, Inc. in the United States from 2004 to 2005, the deputy president in Hanli International Microelectronics (Hangzhou) Company Limited* (漢力國際微電子（杭州）有限公司) from 2005 to 2008, the general manager and a legal representative in Hangzhou Hanyu Technology Company Limited* (杭州漢宇科技有限公司) from 2008 to 2014 and a technical director in China Seven Star New Energy Holdings Limited from 2014 to 2016.

Mr. Qiao graduated from Zhejiang University, majoring in silicate engineering with a bachelor's degree of engineering in 1982 and obtained a doctorate degree in materials engineering from Zhejiang University and the Sapienza University of Rome in 1989. Mr. Qiao has been committed to conducting researches on advanced technology and possesses over 20 invention patents. Mr. Qiao was authorised as a senior engineer at professor level and expert consultant by the Ministry of Human Resources and Social Security of Zhejiang in 2013. He was elected as one of the outstanding overseas entrepreneurs by the People's Government of Xiaoshan, Hangzhou in 2011. In 2010, he was granted the Outstanding Overseas Chinese Professional Entrepreneur Award* (海外華僑華人專業人士傑出創業獎) by the Overseas Chinese Office of the People's Government of Zhejiang. He was recognised as a preeminent scientist by the government of the United States and founded International Technology University (國際科技大學) which was engaged in hi-tech education for postgraduates in the United States in 1994.

**Mr. Wu Geng**, aged 52, served as our independent non-executive Director from March 2015 to April 2024. Mr. Wu currently serves as the director of Drew & Napier LLC in Singapore, an independent non-executive director, a member of the nomination and remuneration committee and a member of the audit and risk committee of Sasseur Asset Management Pte. Ltd, the manager of Sasseur Real Estate Investment Trust, the securities of which are listed on the main board of the Singapore Exchange Securities Trading Limited, and an independent non-executive Director of Southern Packaging Group Limited. From July 1999 to December 1999, Mr. Wu was a legal adviser and foreign trade assistant at Pan-Commercial Pte Ltd. in Singapore. From January 2000 to January 2002, Mr. Wu had been a graduate assistant at the department of political science and international relations of University of Delaware, and studied for a master's degree at the same time. Mr. Wu successively served as a Chinese law adviser and foreign consultant both at Hoh Law Corporation and Colin Ng & Partners in Singapore, from January 2002 to October 2003. From October 2003 to April 2008, Mr. Wu served as the legal director of the PRC business at Hoh Law Corporation in Singapore.

Mr. Wu graduated from Peking University in 1995 with a bachelor's degree in law, majoring in economic law and international economic law. He graduated from the National University of Singapore with a master's degree in comparative law in 1999, and graduated from University of Delaware with a master's degree in political science and international relations in 2002. Mr. Wu is a practicing advocate and solicitor in Singapore.

## SENIOR MANAGEMENT

**Mr. Zhang Feng**, aged 35, has served as the company secretary and authorised representative of the Company with effect from June 2021 and has been the vice president of the Company since April 2024, primarily responsible for the listing compliance and corporate governance of the Company as well as the routine work at the Company's Hong Kong office. He concurrently serves as a director of two subsidiaries of the Group. He has extensive accounting experience and company secretarial practices in respect of listed companies in Hong Kong.

Mr. Zhang Feng obtained a bachelor's degree of business from James Cook University in 2012 and a master's degree of science in marketing and international business from Lingnan University in 2016. Mr. Zhang Feng is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. Zhang Feng is the nephew of Mr. Zhang Bizhuang, an executive Director.

# REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2024.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding during the year ended 31 December 2024. The principal activities and other particulars of the subsidiaries and associates of the Company are set out in notes 17 and 18 to the consolidated financial statements, respectively.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 of the Companies Ordinance, including a review of the Group's business and an indication of likely development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 9 to 15 of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Business Risk and Uncertainties

The Group's principal business activity is pipes business, whose principal risks include the quality of the pipes and the safety during production. The Group has taken comprehensive measures to ensure that both quality and safety will meet the industry standards. Fluctuations in the construction schedule of cross-border and domestic large-scale oil and gas pipeline projects had a significant impact on the performance of the Group's pipes business during the Year under Review. For further details on the discussion of business risks and our measures to manage such risks, please refer to the Chief Executive Officer's Statement set out on pages 4 to 8 of this annual report.

### Financial Risk

The Group's main risks arising from its financial instruments are credit risk, liquidity risk, interest rate risk and price risk. Details of the financial risk management objectives and policies are set out in note 6 to the consolidated financial statements.

## TAX RELIEF AND EXEMPTION

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and the development of the society. Shandong Shengli Steel Pipe, a major subsidiary of the Group has received certification of the ISO 14001 environmental management system, which indicates the Group's remarkable environmental management performance. The Group will keep reviewing and improving the internal environmental protection system from time to time.

Details of the Group's development, performance and operation in the environmental aspect are set out in the Environmental, Social and Governance Report on pages 52 to 99 of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted internal control and risk management policies to monitor the on-going compliance with the relevant laws and regulations. As far as the Board is concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries in all material aspects.

## DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

## EVENTS AFTER THE YEAR UNDER REVIEW

No other important events which have an impact on the Group took place after the end of the year ended 31 December 2024.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following period:

The register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 16 June 2025. During the period mentioned above, no transfer of shares will be registered.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 80.8% (2023: 64.2%) of the total sales and the top five suppliers accounted for approximately 76.0% (2023: 78.6%) of the total purchases for the Year under Review. In addition, the Group's largest customer accounted for approximately 65.9% (2023: 33.8%) of the total sales and the Group's largest supplier accounted for approximately 33.7% (2023: 45.3%) of the total purchases for the Year under Review.

To the best knowledge of the Directors, at no time during the Year under Review, the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in these major customers and suppliers.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is in good relationship with its employees and we have policies in place to ensure competitive remuneration, well-developed welfare package and continuous professional training for our employees.

The Group also maintains a good relationship with its customers and suppliers to ensure production and operations.

## FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2024 and the financial positions of the Company and the Group for the year ended 31 December 2024 are set out in the consolidated financial statements on pages 107 to 187.

## DISTRIBUTABLE RESERVES

The Company's reserves available for distribution under the laws of the Cayman Islands and the Company's Articles of Association represent the share premium, contributed surplus and profit which in aggregate amounted to RMB95 million for the year ended 31 December 2024 (2023: RMB146 million). Details of the reserves of the Company for the year ended 31 December 2024 are set out in note 32 to the consolidated financial statements.

## FIXED ASSETS

Details of movements in fixed assets during the current financial year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

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

## DIRECTORS

The Directors in financial year 2024 and up to the date of this report were:

### Executive Directors

Mr. Wei Jun *(Chairman) (redesignated from a non-executive Director to an executive Director on 1 January 2025)*
Mr. Zhang Bizhuang *(Chief Executive Officer)*
Mr. Wang Kunxian *(Vice President)*
Ms. Han Aizhi *(Vice President)*
Mr. Zhang Bangcheng *(retired on 21 June 2024)*

### Non-executive Directors

Mr. Huang Xingwang *(appointed on 1 July 2024)*
Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)*

### Independent non-executive Directors

Mr. Chen Junzhu, *ACCA*, *CICPA*
Mr. Qi Defu *(appointed on 24 April 2024)*
Mr. Qiao Jianmin
Mr. Wu Geng *(resigned on 24 April 2024)*

Pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. Pursuant to the articles of association of the Company, Ms. Han Aizhi, Mr. Wang Kunxian and Mr. Qiao Jianmin shall retire and Ms. Han Aizhi, Mr. Wang Kunxian and Mr. Qiao Jianmin are eligible and will stand for re-election at the forthcoming annual general meeting of the Company.

Pursuant to article 83(3) of the articles of association of the Company, Mr. Huang Xingwang, appointed as a non-executive Director on 1 July 2024, shall hold office only until the forthcoming annual general meeting, and who, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors to be independent. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Directors appointed during the Year under Review have each confirmed that he understood his obligations as a Director and have each obtained the legal advice referred to in Rule 3.09D of the Listing Rules on the date set out below:

| Name of Director | Date |
|---|---|
| Qi Defu | 22 April 2024 |
| Huang Xingwang | 27 June 2024 |
| Wei Jun | 30 December 2024 |
| Zhang Danyu *(resigned on 22 May 2024)* | 22 April 2024 |

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

As at 31 December 2024, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

| Name of Director | Capacity | Long position/ Short position | Number of issued ordinary shares held | Number of shares subject to options granted under the Share Option Scheme | Percentage of shareholding in the issued share capital of the Company as at 31 December 2024 |
|---|---|---|---|---|---|
| Wei Jun | Interest in controlled corporation[1] | Long position | 620,000,000 | N/A | 16.003% |
| Zhang Bizhuang | Interest in controlled corporation[2] | Long position | 153,130,224 | N/A | 3.952% |
| | Beneficial owner | Long position | 79,800,000[3] | N/A | 2.06% |
| Wang Kunxian | Interest in controlled corporation[4] | Long position | 26,708,760 | N/A | 0.689% |
| Han Aizhi | Interest in controlled corporation[5] | Long position | 26,708,760 | N/A | 0.689% |

Notes:

(1) Mefun Group Limited holds 620,000,000 shares of the Company (representing 16.003% of the issued shares of the Company) and is the single largest shareholder of the Company. Mefun Group Limited is held as to 65.97% and 34.03% by Mr. Wei Jun and HZJ Holding Limited, respectively. Mr. Wei Jun is the chairman and an executive Director of the Company. Therefore, Mr. Wei Jun is deemed to be interested in the shares of the Company held by Mefun Group Limited by virtue of the SFO.

(2) Goldmics Investments Limited ("Goldmics Investments") holds 153,130,224 shares of the Company, representing 3.952% of the issued shares of the Company. Mr. Zhang Bizhuang holds 40% interest of the issued share capital of Goldmics Investments, and Ms. Du Jichun, his spouse, holds the remaining 60% interest. Therefore, Mr. Zhang Bizhuang is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO.

(3) Mr. Zhang Bizhuang holds 79,800,000 shares of the Company, representing 2.06% of the issued shares of the Company.

(4) Glad Sharp Limited ("Glad Sharp") holds 26,708,760 shares of the Company, representing 0.689% of the issued shares of the Company. Mr. Wang Kunxian owns the entire issued share capital of Glad Sharp and is therefore deemed to be interested in the shares of the Company held by Glad Sharp by virtue of the SFO.

(5) Crownova Limited ("Crownova") holds 26,708,760 shares of the Company, representing 0.689% of the issued shares of the Company. Ms. Han Aizhi owns the entire issued share capital of Crownova and is therefore deemed to be interested in the shares of the Company held by Crownova by virtue of the SFO.

Save as disclosed above, as at 31 December 2024, none of the Directors, the chief executive, the chairman of the Company or their respective associates had registered an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Year under Review was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

## SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 May 2016, the shareholders of the Company approved and adopted a new share option scheme (the "New Scheme") and terminated the then share option scheme (the "Old Scheme") (the Old Scheme and New Scheme are collectively referred to as the "Share Option Scheme"). The Old Scheme was adopted on 21 November 2009, which was valid for a period of 10 years from the date of adoption. The Company has granted all share options under the Old Scheme, and all outstanding share options granted prior to the termination of the Old Scheme have expired and become invalid.

The purpose of the New Scheme is to give the Eligible Persons (as defined in the New Scheme) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Participants referred to below are the "Eligible Persons" under the New Scheme, which include:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("Executive"), any full-time or part-time employee, or any person for the time being seconded to work full-time or part-time for any member of the Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate (as defined under the Listing Rules) of any of the persons referred to in paragraphs (a) to (c) above.

The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 20 May 2016 and will remain in force until 19 May 2026. The Company may at any time terminate the operation of the New Scheme by resolution in general meeting. Upon termination of the New Scheme as aforesaid, no further options shall be granted but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with and subject to the New Scheme. An offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.0 in total by the grantee. The exercise period of the share options granted is determined by the Directors, and commences after a three-year vesting period and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price in respect of any particular share option shall be such price as the Board may in its discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Group shall not in aggregate exceed 327,436,560 shares, being 10% of the shares in issue as of the date of adoption (the "Scheme Mandate Limit"), provided that:

(a) The Company may at any time as the Board may think fit seek approval from the shareholders of the Company to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Company shall not exceed 10% of the shares in issue as of the date of approval by shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our shareholders a circular containing the details and information required under the Listing Rules.

(b) The Company may seek separate approval from its shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Person(s) specified by the Company before such approval is obtained. The Company shall send to our shareholders a circular containing the details and information required under the Listing Rules.

(c) The maximum number of shares which may be issued upon full exercise of outstanding options granted under the New Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the New Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of options to such Eligible Person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his/her/its associate(s) abstaining from voting. The Company shall send a circular to our shareholders disclosing the identity of the Eligible Person, the number and terms of the options to be granted (and options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such Eligible Person must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those options.

On 22 June 2020, the Board granted 77,100,000 share options to 40 management members and key staff of the Company and its subsidiaries at an exercise price of HK$0.10 per share under the New Scheme. 1,800,000 share options held by four employees were lapsed following their departure in 2020. 900,000 share options held by two employees were lapsed following their departure in 2021. 450,000 share options held by an employee were lapsed following his departure in 2023. 60,450,000 share options held by three employees were lapsed following their departure in 2024.

After taking into account of the shares available for issue after deducting those which have been exercised or lapsed under the Share Option Scheme, as at 1 January 2024 and 31 December 2024, the total number of shares available for grant under the scheme limit of the Share Option Scheme were 139,443,060 and 78,993,060, representing approximately 3.5991% and 2.0387% of the weighted average number of ordinary shares of the Company for the Year under Review, respectively, and approximately 3.5991% and 2.0387% of the issued shares of the Company of 3,874,365,600 shares as at the date of this report, respectively.

As at 31 December 2024, movements of options granted under the Share Option Scheme are set out below:

| Name | Capacity | Exercise price | Outstanding as at 1 January 2024 | Granted during the Year under Review | Exercised during the Year under Review | Cancelled during the Year under Review | Lapsed during the Year under Review | Outstanding as at 31 December 2024 | Approximate percentage of the issued share capital of the Company as at 31 December 2024 | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employees** | | | | | | | | | | |
| Employees | Beneficial owner | HK$0.10 | 73,950,000 | 0 | 0 | 0 | 60,450,000 | 13,500,000 | 0.3484% | (1) |
| Total | | | 73,950,000 | 0 | 0 | 0 | 60,450,000 | 13,500,000 | 0.3484% | |

Note:

(1) The share options granted by the Company are exercisable for 5 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 22 June 2020), respectively. These share options are exercisable at HK$0.10 each according to the rules of the New Scheme during the period from 22 June 2020 to 21 June 2025.

Further details in respect of the Share Option Scheme are disclosed in note 33 to the consolidated financial statements.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at 31 December 2024, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

| Name of shareholder | Capacity | Long position/ Short position | Number of issued ordinary shares/ underlying shares held | Percentage of shareholdings in the issued share capital of the Company |
|---|---|---|---|---|
| Mefun Group Limited | Beneficial owner[1] | Long position | 620,000,000 | 16.003% |
| HZJ Holding Limited | Interest in controlled corporation[2] | Long position | 620,000,000 | 16.003% |
| Chen Haili | Interest in controlled corporation[2] | Long position | 620,000,000 | 16.003% |
| Yang Zhihui | Interest of spouse[2] | Long position | 620,000,000 | 16.003% |
| LM Global Asset LP | Beneficial owner[3] | Long position | 600,000,000 | 15.486% |
| LMT International Corporation Limited (魯民投國際有限公司) | Interest in controlled corporation[3] | Long position | 600,000,000 | 15.486% |
| Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司) | Interest in controlled corporation[3] | Long position | 600,000,000 | 15.486% |
| LM Asset Management Corp | Interest in controlled corporation[3] | Long position | 600,000,000 | 15.486% |
| Huang Guang | Interest in controlled corporation[3] | Long position | 600,000,000 | 15.486% |
| Du Jichun | Interest of spouse[4] | Long position | 79,800,000 | 2.06% |
| | Interest in controlled corporation[5] | Long position | 153,130,224 | 3.952% |

Notes:

(1) Mefun Group Limited holds 620,000,000 shares of the Company (representing 16.003% of the issued shares of the Company), which is in turn owned as to 65.97% by Mr. Wei Jun. Mr. Wei Jun also acts as the director of Mefun Group Limited. Please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" for details.

(2) HZJ Holding Limited holds 34.03% of the issued share capital of Mefun Group Limited and HZJ Holding Limited is held as to 100% by Ms. Chen Haili. Mr. Yang Zhihui is the spouse of Ms. Chen Haili. Therefore, HZJ Holding Limited, Ms. Chen Haili and Mr. Yang Zhihui are deemed to be interested in the shares of the Company held by Mefun Group Limited by virtue of the SFO.

(3) LM Global Asset LP is a limited partnership registered under the laws of the British Virgin Islands and holds 600,000,000 shares of the Company, representing 15.486% of the issued shares of the Company. LMT International Corporation Limited is a limited partner of LM Global Asset LP and holds approximately 49.18% of the partnership interest in LM Global Asset LP. LMT International Corporation Limited is wholly owned by Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司). The general partner of LM Global Asset LP is LM Asset Management Corp, which is in turn owned as to approximately 70% by Mr. Huang Guang. Therefore, each of Mr. Huang Guang, LM Asset Management Corp, LMT International Corporation Limited and Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司) is deemed to be interested in the shares of the Company held by LM Global Asset LP by virtue of the SFO.

(4) Ms. Du Jichun is the spouse of Mr. Zhang Bizhuang. Therefore, by virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Du Jichun is deemed to be interested in all the shares held by Mr. Zhang Bizhuang. Please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" for details.

(5) Goldmics Investments holds 153,130,224 shares of the Company, representing 3.952% of the issued shares of the Company. Ms. Du Jichun holds 60% interest of the issued share capital of Goldmics Investments, and Mr. Zhang Bizhuang, her spouse, holds the remaining 40% interest. Therefore, Ms. Du Jichun is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO. Mr. Zhang Bizhuang is the director of Goldmics Investments.

Save as disclosed above, as at 31 December 2024, as far as the Company is aware, no other persons had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders (or their subsidiaries, if any) for the year ended 31 December 2024.

## COMPETING BUSINESS

During the Year under Review and up to the date of this report, none of the Directors and controlling shareholders of the Company has any interest in business which competes, either directly or indirectly, with the business of the Group under the Listing Rules.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained a public float of not less than 25% as required under the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as the service contracts of the Directors as disclosed above, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at the end of the year or at any time during the year ended 31 December 2024.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, cash and cash equivalents of the Group amounted to approximately RMB127,720,000 (2023: approximately RMB137,318,000). As at 31 December 2024, the Group had borrowings of approximately RMB309,836,000 (2023: approximately RMB329,567,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables, contract liabilities and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by total equity plus net debt. As at 31 December 2024, the gearing ratio of the Group was 54.3% (2023: 46.0%).

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2024, the Group secured bank loans of RMB276,040,000 (31 December 2023: approximately RMB280,800,000) by pledge of certain of the property and plant amounting to approximately RMB117,868,000 (31 December 2023: approximately RMB101,501,000) and certain of the land use rights amounting to approximately RMB68,111,000 (31 December 2023: approximately RMB70,046,000).

## CONTINGENT LIABILITIES

For the year ended 31 December 2024, the Group did not have any material contingent liabilities (2023: Nil).

## CAPITAL COMMITMENTS

The Group has a capital commitment of approximately RMB175,000 (2023: approximately RMB242,000) in respect of acquisition of property, plant and equipment as at 31 December 2024.

## FOREIGN EXCHANGE RISK

During the Year under Review, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, so the Group has had minimal exposure to foreign exchange risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

## HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As of 31 December 2024, the Group's workforce comprised of 461 employees (including the Directors) (31 December 2023: 513 employees). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB56,765,000 (2023: approximately RMB68,522,000). Such decrease in the total salaries and related costs was mainly due to the optimisation of the Group's employment during the Year under Review, as well as the decrease in the production volume of pipes business, which led to the decrease in overtime pay and floating wages payable by the Group to its employees.

The long-term incentive scheme includes share options scheme and other incentive scheme as adopted by the Company from time to time to incentivise employees of the Company.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years is set out on page 188. This summary does not form part of the audited consolidated financial statements.

## RETIREMENT SCHEMES

During the Year under Review, the Group did not have any payments or benefits in relation to termination of service of Directors. Particulars of employee retirement schemes of the Group are set out in note 2 to the consolidated financial statements.

## CONNECTED TRANSACTIONS

Apart from certain related party transactions as disclosed in note 36 to the consolidated financial statements, during the Year under Review, the Group did not have any connected transactions under Chapter 14A of the Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of their respective securities during the year ended 31 December 2024.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year under Review.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

## SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Year under Review.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 31 December 2024, the Group has completed the disposal of 2% of equity interests in Zhejiang Shengguan Industrial Co., Ltd* (浙江勝管實業有限公司) ("Zhejiang Shengguan"), a subsidiary of the Group, to an independent third party at a cash consideration of approximately RMB1,890,000 (the "Consideration") (the "Disposal"). The Consideration has been subsequently settled. After the completion of the Disposal, the Group continues to hold 98% of equity interests in Zhejiang Shengguan and the Disposal did not result in a loss of control over Zhejiang Shengguan. Details are set out in note 17 to the consolidated financial statements.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Year under Review, and the Company does not have any future plan for material investments or capital assets as at the date of this report.

## AUDITORS

On 15 November 2022, Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), Certified Public Accountants, was appointed as the auditor of the Company to fill the casual vacancy occasioned by the resignation of ZHONGHUI ANDA CPA Limited. For further details, please refer to the announcement of the Company dated 15 November 2022.

At the annual general meeting held on 16 June 2023, the Company re-appointed Forvis Mazars CPA Limited as auditor of the Company for the year ended 31 December 2023.

At the annual general meeting held on 21 June 2024, the Company re-appointed Forvis Mazars CPA Limited as auditor of the Company for the year ended 31 December 2024.

By order of the Board
**Zhang Bizhuang**
*Executive Director & Chief Executive Officer*

24 March 2025

* *For identification purposes only*

# CORPORATE GOVERNANCE REPORT

## OVERVIEW

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole and enable shareholders' evaluation of such application. The Board continues to strive to uphold good corporate governance and adopts sound corporate governance practices. During the period from 1 January 2024 to 31 December 2024, the Company has applied the principles and code provisions of the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules and has complied with all the code provisions and the recommended best practices, as appropriate.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirmed that during the year ended 31 December 2024, they have complied with the required standards set out in the Model Code regarding directors' securities transactions.

## BOARD OF DIRECTORS

### Composition of the Board

The Board comprises of four executive Directors, one non-executive Director and three independent non-executive Directors. The current Board members of the Company are:

### Executive Directors

Mr. Wei Jun *(Chairman) (redesignated from a non-executive Director to an executive Director on 1 January 2025)*
Mr. Zhang Bizhuang *(Chief Executive Officer)*
Mr. Wang Kunxian *(Vice President)*
Ms. Han Aizhi *(Vice President)*
Mr. Zhang Bangcheng (retired on 21 June 2024)

### Non-executive Director

Mr. Huang Xingwang *(appointed on 1 July 2024)*
Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)*

### Independent non-executive Directors

Mr. Chen Junzhu, *ACCA*, *CICPA*
Mr. Qi Defu *(appointed on 24 April 2024)*
Mr. Qiao Jianmin
Mr. Wu Geng *(resigned on 24 April 2024)*

The biographical details of all Directors and senior management are set out on pages 16 to 21 of this report. Save as those disclosed in this report, there are not any other financial, business, family or other material or relevant relationships among the members of the Board and the senior management.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experience and expertise to the Company.

### Functions of the Board

The principal functions of the Board are to consider and approve the overall strategies, financial objectives, annual budget and investment proposals of the Group, and assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and senior management, and certain specific responsibilities to the Board committees.

### Board Meetings and Board Practices

Except for the Board meetings held in March and August 2024, respectively for the purpose of considering the Company's financial results, the Board held a total of ten meetings in 2024.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, notice would be given for a regular meeting of the Company at least 14 days in advance. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. All Directors are able to include matters in the agenda upon request to the Company Secretary. The Company Secretary is responsible for distributing detailed documents (including those provided by the management) to each of the Directors prior to the meetings of the Board to ensure that the Directors may receive accurate, timely and clear information to make informed decisions regarding the matters to be discussed in the meetings. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of Board meetings. All minutes of Board meetings (including board committee meetings) will be recorded in sufficient details, including the matters considered by the Board and the decisions reached, and are kept by the Company Secretary. The minutes are sent to all Directors for comment and records, and are open for inspection at any reasonable time on reasonable notice by any Director.

For the year ended 31 December 2024, twelve Board meetings were held by the Company. Details of the attendance of each Director are as follows:

| Name of Director | Attendance |
|---|---|
| ***Executive Directors*** | |
| Mr. Wei Jun *(Chairman) (redesignated from a non-executive Director to an executive Director on 1 January 2025)* | 12/12 |
| Mr. Zhang Bizhuang *(Chief Executive Officer)* | 12/12 |
| Mr. Wang Kunxian *(Vice President)* | 12/12 |
| Ms. Han Aizhi *(Vice President)* | 12/12 |
| Mr. Zhang Bangcheng *(retired on 21 June 2024)* | 6/6 |
| ***Non-executive Directors*** | |
| Mr. Huang Xingwang *(appointed on 1 July 2024)* | 4/4 |
| Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)* | 5/5 |
| ***Independent non-executive Directors*** | |
| Mr. Chen Junzhu | 12/12 |
| Mr. Qi Defu *(appointed on 24 April 2024)* | 7/7 |
| Mr. Qiao Jianmin | 12/12 |
| Mr. Wu Geng *(resigned on 24 April 2024)* | 4/4 |

In addition, the Chairman of the Board of the Company maintains good communication with each of the independent non-executive Directors and holds regular meetings with them without the presence of other Directors.

## Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. The service contracts or appointment letters are subject to termination in accordance with the provisions contained therein by either party giving the other not less than 3-month prior written notice for executive Directors or 1-month prior written notice for non-executive Directors.

In accordance with the articles of association of the Company, one-third of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall retire from office by rotation. Pursuant to the code provision B.2.2, all Directors are subject to retirement by rotation at least once every three years.

### Independent non-executive Directors

In compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules, the Company has three independent non-executive Directors, representing one-third of the members of the Board. Out of the three independent non-executive Directors, one of them is required to possess appropriate professional qualification in accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the relevant confirmation, the Company considers Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin to be independent from the Company.

Notwithstanding that Mr. Chen Junzhu has served as an independent non-executive Director for more than nine years, while he has not been involved in the daily management of the Company nor in any relationships or circumstances which would impair his independent judgment. He has consistently demonstrated his abilities to provide independent, balanced and objective advice and insight on the Company's affairs and has made positive contributions to the Company to achieve high standard of corporate governance and diversity on the Board. In particular, Mr. Chen Junzhu possesses ample experience in the accounting field, and was a partner of a PRC accounting firm and a qualified accountant with extensive knowledge and experiences. Accordingly, the Board is of the view that Mr. Chen Junzhu is capable of continuing to perform the required duties and also meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

### Company Secretary

Mr. Zhang Feng is a full-time employee of the Company and is familiar with the day-to-day affairs of the Company. He reports to the Chairman. For the year ended 31 December 2024, Mr. Zhang Feng has received professional trainings as required under Rule 3.29 of the Listing Rules. Biographical details of Mr. Zhang Feng are set out in the section headed "Biographical Details of Directors and Senior Management — Senior Management" on page 24 of this report.

### Continuous Professional Development

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong. All Directors are requested to provide the Company with their respective training records pursuant to the code provision.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2024, all Directors have participated in appropriate continuous professional development in compliance with code C.1.4 and refreshed their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. Such professional development was completed by way of attending briefings, conferences, courses, forums, seminars and lectures which are relevant to the business or Directors' duties, as well as reading relevant information and participating in business-related research. The Board is informed of all amendments to the Listing Rules and other applicable legal requirements on a monthly basis. The Company also sends out news, regulatory enquiries and case studies from regulators to all Directors on a monthly basis.

During the year ended 31 December 2024, the Directors have participated in the following professional development activities:

| Name of Director | Professional development activities involved (Note) |
|---|---|
| ***Executive Directors*** | |
| Mr. Wei Jun *(Chairman) (redesignated from a non-executive Director to an executive Director on 1 January 2025)* | (a) and (b) |
| Mr. Zhang Bizhuang *(Chief Executive Officer)* | (a) |
| Mr. Wang Kunxian *(Vice President)* | (a) |
| Ms. Han Aizhi *(Vice President)* | (a) |
| Mr. Zhang Bangcheng *(retired on 21 June 2024)* | (a) |
| ***Non-executive Directors*** | |
| Mr. Huang Xingwang *(appointed on 1 July 2024)* | (a) and (b) |
| Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)* | (a) and (b) |
| ***Independent non-executive Directors*** | |
| Mr. Chen Junzhu, *ACCA, CICPA* | (a) |
| Mr. Qi Defu *(appointed on 24 April 2024)* | (a) and (b) |
| Mr. Qiao Jianmin | (a) |
| Mr. Wu Geng *(resigned on 24 April 2024)* | (a) |

Notes:

(a) reading up-to-date regulatory information, Listing Rules, cases, corporate governance content and other business and financial related materials;

(b) attending training related to directors' duties provided by the compliance advisor.

### Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/duties, while reserving strategic decisions on certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it gives clear directions as to the powers of the management, in particular, with respect to the circumstances where the management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The management provides the Board with monthly updates on the Company's performance.

Meanwhile, the Board also regularly reviews the relevant functions, authorisation matters and day-to-day business operations of the management of the Company at the annual and/or half-yearly Board meetings.

## BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee, and (iii) a nomination committee, with defined terms of reference which are in line with the code provisions of the Code. For the purpose of complying with the principles and code provisions as set out in the Code, the Board has adopted (i) revised terms of reference for the audit committee on 1 January 2019, (ii) revised terms of reference for the remuneration committee on 10 March 2012 (revised on 28 December 2022); and (iii) revised terms of reference for the nomination committee on 11 November 2013. The terms of reference of the committees which explain their respective functions and the authority delegated to them by the Board have been made available on the websites of the Company and the Stock Exchange. The committees are required to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

## Audit Committee

### *Composition*

The audit committee of the Company (the "Audit Committee") was established on 21 November 2009 in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, to approve the remuneration and terms of engagement of the external auditor, any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process to develop and implement policy on engaging an external auditor to supply non-audit services; and to review and supervise the financial reporting process (particularly the integrity) and internal control system of the Group. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of three independent non-executive Directors of the Company, namely, Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin. Mr. Chen Junzhu serves as the chairman. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2024.

During the year ended 31 December 2024, the Audit Committee held four meetings. Details of the attendance of each member are as follows:

| Name of Audit Committee Member | Attendance |
|---|---|
| Mr. Chen Junzhu *(Chairman)* | 4/4 |
| Mr. Qi Defu *(appointed on 24 April 2024)* | 2/2 |
| Mr. Qiao Jianmin | 4/4 |
| Mr. Wu Geng *(resigned on 24 April 2024)* | 2/2 |

During the year ended 31 December 2024, the Audit Committee had performed, among others, the following functions: approving the audit proposal for the 2023 annual results of the auditors, reviewing the 2023 annual results, approving the 2024 Interim AUP ("agreed-upon-procedures") proposal of the auditors, reviewing the 2024 Interim AUP report of the auditors, reviewing the internal audit report summary for 2023 and reviewing the internal audit report for the first half of 2024.

The Audit Committee did not have any disagreement with the Board regarding the selection, appointment, resignation or removal of the external auditors.

## Remuneration Committee

### *Composition*

The remuneration committee of the Company (the "Remuneration Committee") was established on 21 November 2009 in compliance with the requirements of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, review and approve proposals for the management's remuneration, and make recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Qi Defu and Mr. Chen Junzhu, and one executive Director, namely Mr. Wei Jun and Mr. Qi Defu serves as the chairman.

During the year ended 31 December 2024, the Remuneration Committee held four meetings. Details of the attendance of each member are as follows:

| Name of Remuneration Committee Member | Attendance |
|---|---|
| Mr. Qi Defu *(Chairman) (appointed on 24 April 2024)* | 2/2 |
| Mr. Chen Junzhu | 4/4 |
| Mr. Wei Jun | 4/4 |
| Mr. Wu Geng *(resigned on 24 April 2024)* | 1/1 |

During the year ended 31 December 2024, the Remuneration Committee had formulated the remuneration policy of Directors, approved the terms in service contracts of Directors, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and reviewed the distribution of bonus for the year based on assessment on performances of the executive Directors and senior management. The term of non-executive Directors is generally three years from the date of appointment.

## Remuneration Policies for Directors and Senior Management

The remuneration policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics information. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, subject to the approval by the Remuneration Committee. As at 31 December 2024, no Directors has waived or agreed to waive any emoluments.

The Company has adopted the new share option scheme on 20 May 2016. The purpose of the New Scheme is to give the Eligible Persons (as mentioned on pages 27 to 29 of this report) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing cooperation and relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Pursuant to E.1.5 of the Code, the remuneration paid by the Group to members of senior management by bands for the year ended 31 December 2024 is set out below:

| Remuneration band | Number of individuals |
|---|---|
| HK$–HK$700,000 | 11 |
| HK$700,001–HK$900,000 | 3 |
| HK$900,001 or above | 1 |

## Nomination Committee

### *Composition*

The nomination committee of the Company (the "Nomination Committee") was established on 21 November 2009 in compliance with the requirements of the Listing Rules, to ensure continuous satisfaction of the needs of the Company and compliance with the Code. The principal duties of the Nomination Committee of the Company include: (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of independent non-executive Directors of the Company; (d) making recommendations to the Board on the appointment or reappointment of Directors of the Company and reviewing the succession planning for the chairman, the chief executive officer of the Group as well as the senior management, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate; (e) reviewing the board diversity policy as appropriate but at least once per year, and reviewing the measurable objectives that the Board has set for implementing the board diversity policy and the progress on achieving the objectives; (f) attending annual general meetings of the Company and answering questions raised in the annual general meetings. The Nomination Committee will recommend qualified candidates to the Board for approval.

The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Qiao Jianmin and Mr. Qi Defu, and one executive Director, namely, Mr. Zhang Bizhuang, and Mr. Qiao Jianmin serves as the chairman. During the year ended 31 December 2024, the Nomination Committee held four meetings. Details of the attendance of each member are as follows:

| Name of Nomination Committee Member | Attendance |
|---|---|
| Mr. Qiao Jianmin *(Chairman)* | 4/4 |
| Mr. Zhang Bizhuang | 4/4 |
| Mr. Qi Defu *(appointed on 24 April 2024)* | 2/2 |
| Mr. Wu Geng *(resigned on 24 April 2024)* | 1/1 |

During the year ended 31 December 2024, the Nomination Committee had reviewed the structure, size and composition of the Board, and conducted full review on the professional qualifications and career background of all candidates to directorships and members of each Board committee as well as the independence of the independent Directors.

### Board Diversity Policy

The Nomination Committee has adopted the board diversity policy in compliance with the Code during the Year under Review. The Company recognises and embraces the benefits of diversity in the Board to the performance enhancement of the Company.

To achieve a sustainable and balanced development, the Company sees increasing diversity in the composition of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Therefore, the Board has set measurable objectives for the implementation of the board diversity policy. Selection of candidates to directorships will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board. For the purpose of implementing the board diversity policy, the Company has adopted measurable objectives as follows:

1. at least one-third of the Board members shall be independent non-executive Directors;

2. at least one of the Board members shall have obtained accounting or other professional qualifications;

3. at least one of the Board members shall be female;

4. at least 75% of the Board members shall have more than ten years of experience in the industry he/she specialises in; and

5. at least one-third (or above) of the Board members shall have more than five years of working experience in the industry the Company is engaged in.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. The Board would ensure that an appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender diversity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic backgrounds and reflecting the Group's values and purposes.

The Company is also committed to a work environment that is both diverse and inclusive, where all colleagues feel respected and empowered to bring their authentic selves to work every day. Similar considerations are applied when recruiting and selecting Senior Management and other personnel across the Group's operations. As of 31 December 2024, 24.1% of our colleagues are female. For details, please refer to our ESG Report.

As of the date of this report, the Board has one female Director out of eight Directors. The Board targets to maintain at the least the current level of female representation on the Board, and in any event not less than the requirements under the Listing Rules. The Board is committed to further improving gender diversity as and when suitable candidates are identified. One of the responsibilities of the Nomination Committee is to review the diversity of the Board at least annually, including but not limited to gender, age, cultural and educational background, and make recommendations to the Board to meet the diversity strategy of the Company. For further details, please refer to our ESG Report.

With reference to the above measurable objectives, the Nomination Committee is satisfied with the successful implementation of the board diversity policy. For the year ended 31 December 2024, the Company had achieved all of the five measurable objectives of the board diversity policy listed above. The Nomination Committee will continue to monitor the implementation of the board diversity policy and review the policy as appropriate to ensure its effectiveness.

## CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision A.2.1 of the Code, which includes (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 the Directors and senior management of the Group; (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 of the Group and the Directors; and (e) to review the Company's compliance with the Code and make disclosure in the corporate governance report.

### Dividend Policy

The memorandum of association and articles of association of the Company expressly set out the relevant dividend policy. Major dividend policy includes (a) the Company in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board; (b) dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the law; (c) the Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

## ACCOUNTABILITY AND AUDIT

### Directors' and Auditors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the financial position, results and cash flows of the Group for the period. In preparing the financial statements for the year ended 31 December 2024, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement of Forvis Mazars CPA Limited, the external auditors of the Company, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" in this annual report.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the remuneration paid or payable to Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited) ("Forvis Mazars"), the current auditors of the Company, in respect of their audit and non-audit services were as follows:

| **Type of Services** | **Total**<br>HK$'000 |
|---|---|
| Audit Services | 1,790 |
| Non-audit Services | |
| — Agreed-upon procedures on interim report | 250 |
| — Others | 110 |
| Total | 2,150 |

## NATURE OF NON-AUDIT SERVICES

The non-audit services provided by the auditor of the Company for the year ended 31 December 2024 included agreed-upon procedures on interim report, attending the annual general meeting of the Company and the agreed-upon procedures on preliminary announcement of annual results for the year ended 31 December 2024.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established the Administrative Measure of Information Disclosure* (《信息披露管理辦法》), the Administrative Measure for Internal Audit* (《內部審計管理辦法》), the Administrative Measure for Connected Transactions* (《關連交易管理辦法》), the Planning Procedure for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制策劃程序》), the Energy and Resource Control Procedure* (《能源、資源控制程序》), the Production Process Control and Environmental and Occupational Health and Safety Operation Control Procedure* (《生產過程控制及環境職業健康安全運行控制程序》), the Internal Reporting System for Contingency Matters* (《應急事件內部通報預案》) and other systems to identify, assess and manage material risks of the Group. The risk management and internal control systems of the Group are characterised by distinct division between power and authority, clear procedures, high transparency and efficiency.

The Board is responsible for maintaining reliable and effective risk management and internal control systems to safeguard the interests of shareholders and the assets of the Group. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has set up strict internal audit functions, including organising internal audit every half year, conducting supervision and examination on financial management, contract management, human resources management, significant investment projects, environmental, social and governance issues etc., identifying problems and overseeing the rectification and correction of these problems, and reporting to the Audit Committee and the Board any material issues identified in the internal audit and the rectification and correction thereof for their review. The Board holds meetings to review the effectiveness of the risk management and internal control systems of the Group in terms of financial, operation and compliance controls through the Audit Committee twice a year and ensures the adequacy of resources, staff qualifications and experience, training programmes for employees and budget of the accounting, internal audit and financial reporting functions. In addition, the Company's external independent auditors communicate with the Board about the risk management and internal control issues identified in the audit every year.

In order to ensure the truthfulness, accuracy, completeness and timeliness of information disclosure and safeguard the legal interests of shareholders, the Company has formulated the Administrative Measure of Information Disclosure* (《信息披露管理辦法》) in strict compliance with the related requirements of the Listing Rules, the SFO and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The Company discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the inside information is fully disclosed to the public, the Company ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached at any time, the Company would immediately disclose the information to the public. The Company has notified related personnel of the implementation of the Administrative Measure of Information Disclosure and provided related trainings, so as to ensure such personnel understand the procedures of handling and disclosing inside information.

The Board is of the view that the Company's risk management and internal control systems during the Year under Review were efficient and adequate. No significant risks which would affect the operation of the Group have been identified.

## INVESTORS AND SHAREHOLDERS RELATIONS

The Board is well aware of the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognises that an effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency, in order to ensure that the investors and the shareholders of the Company can receive accurate, clear, comprehensive and timely information of the Group via the issue of annual reports, interim reports, announcements and circulars. The Company also publishes all such documents on the Company's website at www.slogp.com. In accordance with the Listing Rules, the Company adopted a Shareholders Communication Policy, which sets out, among other things, how shareholders can communicate their views on various matters affecting the Company and how the Company solicits and understand the views of shareholders and stakeholders.

We promptly respond to investors' enquiries. We also organise and plan exchange activities on a regular basis, such as investor conferences, seminars and presentations. These initiatives can help us extend an in-depth reach of our business strengths and competitive advantages into the market, which is ultimately reflected in the market value of the Company.

The investor relations team regularly informs the Board of the latest market perceptions and developments of the Company, for the Board to keep abreast of the concerns of investors in a timely manner, to get deeper understanding of the prevailing policies, and to make better efforts in the Company's own investor relations with reference to the best international standards. The Directors and members of the Board committees will attend annual general meetings and extraordinary general meetings to answer questions. Separate resolutions on each distinct issue would be proposed at the general meetings. During the year ended 31 December 2024, the Company considers that the Shareholders Communication Policy was effectively implemented with the above measures in place.

During the year ended 31 December 2024, one general meeting was held by the Company. Details of the attendance of each Director are as follows:

| Name of Director | Attendance |
|---|---|
| ***Executive Directors*** | |
| Mr. Wei Jun *(Chairman) (redesignated from a non-executive Director to an executive Director on 1 January 2025)* | 1/1 |
| Mr. Zhang Bizhuang *(Chief Executive Officer)* | 1/1 |
| Mr. Wang Kunxian *(Vice President)* | 1/1 |
| Ms. Han Aizhi *(Vice President)* | 1/1 |
| Mr. Zhang Bangcheng *(retired on 21 June 2024)* | 1/1 |
| ***Non-executive Directors*** | |
| Mr. Huang Xingwang *(appointed on 1 July 2024)* | 0/0 |
| Mr. Zhang Danyu *(redesignated from an executive Director to a non-executive Director on 24 April 2024; resigned on 22 May 2024)* | 0/0 |
| ***Independent non-executive Directors*** | |
| Mr. Chen Junzhu, *ACCA*, *CICPA* | 1/1 |
| Mr. Qi Defu *(appointed on 24 April 2024)* | 1/1 |
| Mr. Qiao Jianmin | 1/1 |
| Mr. Wu Geng *(resigned on 24 April 2024)* | 0/0 |

## Shareholders' Rights

### *Procedures by which shareholders may convene extraordinary general meetings and putting forward proposals at general meetings*

Pursuant to the articles of association of the Company, any one or more shareholder(s) 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 to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board (by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com), to require an extraordinary general meeting to be called by the Board for the handling of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days after 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.

If shareholders wish to put forward proposal(s) at a general meeting and request the Company to give notice to its shareholders on the resolution(s) intended to be moved at the general meeting, they shall send a signed written notice with their contact information by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com.

### *Procedures by which Enquiries May be Put to the Board*

Shareholders may send their enquiries and concerns to the Board by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com. The Company will forward communications relating to matters within the Board's direct responsibilities to the Directors and communications relating to ordinary business matters, such as suggestions, enquiries and customer complaints, to the Chief Executive Officer of the Company.

## Significant Change in Constitutional Documents

For the year ended 31 December 2024, there was no other significant change in the constitutional documents of the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

The Environmental, Social and Governance ("ESG") Report of the Group (the "Report") mainly illustrates how the Group had complied with all the mandatory disclosure requirements and the "comply or explain" provisions as set out in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules in the environmental, social and governance aspect for the year ended 31 December 2024, and discloses the Group's ESG performances to such stakeholders as shareholders, employees, the government, customers, suppliers and the community.

### Reporting Scope

The Report sets out the information and data of the principal businesses of the Group during the Reporting Period, including the information regarding manufacturing, sales and supporting anti-corrosion processing and insulation processing of SAWH pipes, as well as manufacturing facilities and ancillary office premises. The Report covers manufacturing bases in Zibo of Shandong Province and Urumqi of Xinjiang Uygur Autonomous Region in China, and offices located in Shanghai, Jinhua of Zhejiang Province and Hong Kong S.A.R. The scope of the Report is basically the same as last year.

### Reporting Principles

The Report has been prepared based on the following principles:

- Materiality: to determine the materiality of each issue with reference to the materiality assessment involving internal and external stakeholders
- Quantitative: to update key performance indicators to furnish explanations for the quantitative information, and provide comparisons where applicable
- Balance: to give a fair and impartial view of the performance of an enterprise, and avoid affecting decision or judgement by readers by means of improper reporting
- Consistency: to use consistent statistical approach for meaningful comparison to multiple trends

## Adoption of Standards

The Report was prepared pursuant to the requirements of the Appendix C2 Guide to the Listing Rules. In preparing the Report, the Group also adopted and made reference to the following standards or requirements, including the People's Republic of China (the "PRC") National Standard for Environmental Management Systems — Requirements with Guidance for Use* (《中華人民共和國國家標準環境管理體系要求及使用指南》) (GB/T24001 idt ISO14001), the PRC National Standard for Occupational Health and Safety Management Systems — Requirements with Guidance for Use* (《中華人民共和國國家標準職業健康安全管理體系要求及使用指南》) (GB/T45001 idt ISO45001) and the PRC National Standard for Quality Management Systems — Requirements* (《中華人民共和國國家標準質量管理體系要求》) (GB/T19001 idt ISO9001), the License Rules for Special Equipment Production and Filling Units* (《特種設備生產和充裝單位許可規則》) (TSG07) issued by the State Administration of Market Supervision of the PRC and the Quality Management System Specification for Manufacturing Organizations to the Petroleum and Natural Gas Industry* (《石油天然氣行業製造企業質量管制體系規範》) (API Spec Q1) issued by the American Petroleum Institute, and has established related manuals, procedures, management systems and operating guidelines.

Currently, the Group's manufacturing base in Zibo of Shandong has established management systems for quality, environment and occupational health and safety. Continuous improvements are made to these systems to maintain their effectiveness, while product quality is assured by the implementation of environmental, health, safe and civilised production. Other offices have also set up their own systems with reference to the above management systems for environment, occupational health and safety and the legal and regulatory requirements of their respective place of incorporation with an aim to step up environmental and social management as well as governance standards.

## Forward-looking Statements

Forward-looking statements contained herein are based on the estimates, forecasts and assumptions of the current and future business development of the Group and market environment where the Group operates, and are no guarantee of the future performance of the Group. The performance of the Group as set out herein may be subject to changes in the market environment, uncertainties and factors beyond control of the Group. As a result, actual results and operating performance may be different from the assumptions and statements made in the Report.

## Review and Approval

The Report was reviewed and approved by the Board in March 2025.

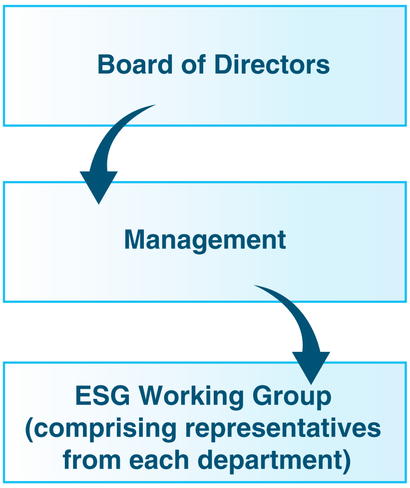
## Contact and Respond

We believe that maintaining extensive communication with stakeholders will facilitate the Group to make continuous progress in environmental, social and governance aspects. The Group welcomes valuable advice from stakeholders on the Report. If you have any advice or feedback, please contact us (by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com).

## SUSTAINABLE DEVELOPMENT GOVERNANCE

In recent years, the public has been more concerned about the issue of sustainability and their expectations towards businesses on this issue have also increased. The Group attaches great importance to sustainability, and the Board strategically reviews the relevant issues from the Group-level. To expedite the sustainable development of the Group, the Group has established a sustainable development governance structure:

### Sustainable Development Governance Structure




The Board oversees the Group's environmental, social and governance risks and opportunities to develop sustainable development strategies and targets for the Group. Meanwhile, it supervises the Group's sustainability performance and progress. The management formulates corresponding policies and measures based on the strategies made by the Board and facilitates and monitors the implementation progress.

The ESG Working Group comprises representatives from relevant business departments, including, among others, the Human Resources Department, Finance Department and Production Department, and is responsible for implementing policies in day-to-day operation, and collecting data to oversee operating performances and provide assistance in the preparation of ESG reports.

The Board is fully accountable for the ESG strategies and reporting of the Group. For relevant information regarding the Board structure of the Group, please refer to the section headed "Corporate Governance Function" in the Corporate Governance Report.

### Directors' Trainings and Development

To achieve sustainable and balanced development, the Group regards Board composition diversity as the key for the Group to meet strategic goals and maintain sustainable development. The Directors are also briefed on the latest updates of the Listing Rules and other applicable laws and regulations on a regular basis, so as to ensure that they comply with and maintain sound corporate governance practices.

All of the Directors undertook appropriate continuous professional development trainings during the Reporting Period to keep their knowledge and skills up to date and ensure that they are fully informed and stay relevant when they are serving the Board. The Directors may complete professional development trainings through multiple channels, including attending briefings, meetings, courses, forums, seminars and lectures on business development or directorships, reading relevant materials and joining business-related research.

## ESG RISK MANAGEMENT

The Group has maintained in place a well-established risk management and internal control structure to address potential risks arising from business operations, and the internal audit department conducts an internal audit twice a year concerning ESG-related risks. In addition, the ESG Working Group also keeps a close eye on the ESG-related risks in operating activities, formulates counter measures and reports major risks to the management or the Board as and when appropriate.

For information regarding the Group's risk management and internal control, please refer to the section headed "Risk Management and Internal Control" in the Corporate Governance Report.

## STAKEHOLDER ENGAGEMENT

The Group values the opinions of our stakeholders while formulating sustainable development strategies. Stakeholders of the Group primarily fall into seven categories, who either affect or are affected by the business operations of the Group. The Group maintains communication with our stakeholders through multiple channels:

| Categories of stakeholders | Channels for engagement |
|---|---|
| Employees | Internal e-mails and publications<br>Meetings and briefings<br>Trainings<br>Employee activities<br>Performance appraisal |
| Customers | Corporate website<br>Customer conference |
| Investors and shareholders | Annual general meetings<br>Annual and interim reports<br>Newsletters and announcements |
| Suppliers and business partners | Business conference<br>Performance appraisal |
| Government and regulators | E-mails and telephone calls and conferences |
| Social organizations and the public | E-mails and telephone calls |
| Media | Press releases |

## MATERIALITY ASSESSMENT

As the issues of stakeholders' concern may change over time, the Group meticulously conducts the materiality assessment to determine the priority of the ESG issues and make timely adjustments to the sustainable development policies and resource allocation. The materiality assessment involves four steps:

**Identifying issues**
A total of 26 ESG issues were identified with reference to international standards and disclosures made by peers

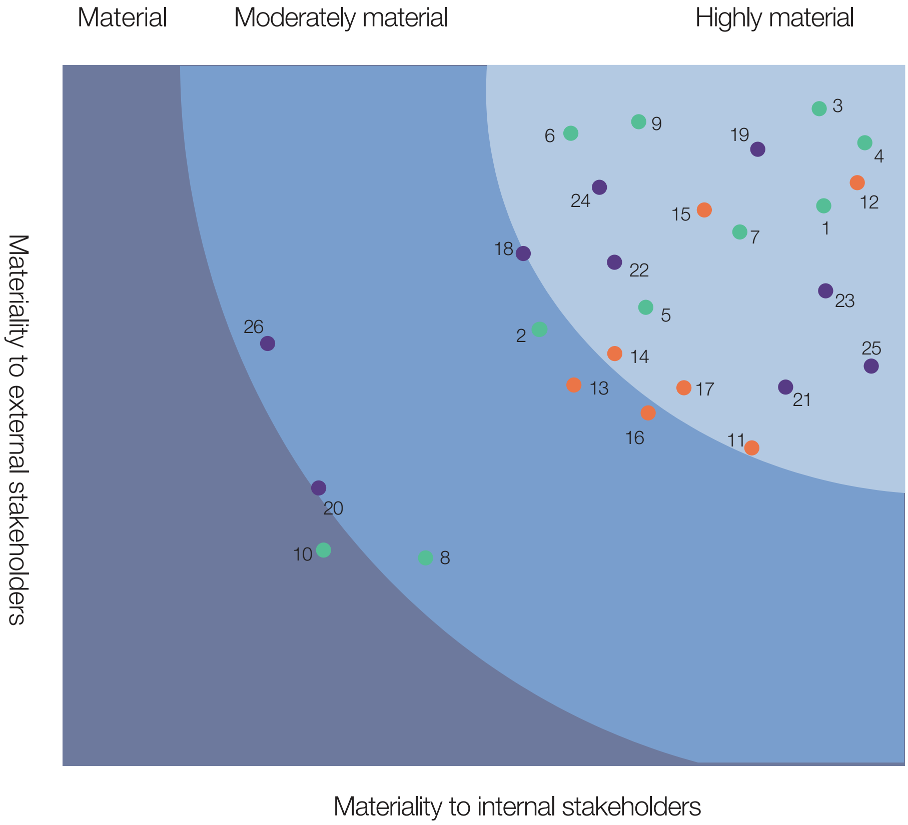
**Collecting opinions**
Collecting opinions from internal and external stakeholders on the issues identified via questionnaire survey

**Assessing priority**
Determining the priority of issues based on results of the questionnaire survey and drawing the materiality matrix

**Confirming results**
Submitting the results of the materiality assessment to the Board for review and confirmation

Of the 26 issues identified, 18 were assessed to be highly material, 7 were assessed to be moderately material and 1 was assessed to be material. The results are demonstrated in the materiality matrix below:

**Materiality Matrix**




**Environmental protection**

1. Exhaust emissions
2. Greenhouse gas emissions
3. Sewage discharge
4. Hazardous waste management
5. Non-hazardous waste management
6. Energy consumption and efficiency
7. Water consumption and efficiency
8. Use of packaging materials
9. Other impact on the environment and natural resources
10. Climate change

**Care for employees**

11. Recruitment, promotion and dismissal
12. Salary and benefits
13. Working hours and holidays
14. Equal opportunity, diversity and anti-discrimination
15. Occupational health and safety
16. Development and training
17. Prevention of child or forced labour

**Social welfare**

18. Environmental and social risks of supply chain
19. Health and safety of products and services
20. Responsible advertising and labelling
21. Private data protection
22. Customer service and complaint handling
23. Intellectual property rights protection
24. Product quality verification and re-call procedures
25. Prevention of bribery, corruption and money laundering
26. Community involvement and public welfare

## Environmental Protection

The Group recognizes the importance of environmental protection to local development. It follows laws and regulations as well as industry practices in China and the place where it operates, and formulates the "Preventing Pollution and Creating a Clean Environment" policy, striving to foster a clean environment and protect natural resources. The Group strictly supervises and urges members to earnestly implement such policy, and identify and control environmental factors in production and office processes, in a bid to constantly mitigate environmental impact and improve environmental performance.

As a responsible enterprise, the Group has developed compliance targets and performance targets in the environmental aspect.

### *Compliance targets*

- The discharge of contaminated wastes entirely conforms with the required standards;
- The consumption of raw materials is controlled within contractually standards;
- No complaints are lodged by related parties in respect of environmental control; and
- There are no material environmental accidents.

### *Performance targets*

| Category | Total targets from 2021 to 2030 | Expected achievement time |
|---|---|---|
| Greenhouse gases[1] | Reducing gross emissions by 10% as compared with those of finished products per unit in 2021 | 2030 |
| Waste | Reducing waste by 5% as compared with that of finished products per unit in 2021 | 2030 |
| Use of resources | Reducing consumption by 5% as compared with that of finished products per unit in 2021 | 2030 |
| Water consumption | Reducing consumption by 5% as compared with that of finished products per unit in 2021 | 2030 |

(1) As defined in the section headed "Greenhouse gas emissions and exhaust gas emissions" in this Report

The Group and its members delegate the environmental targets to its frontline production teams and management departments. Departmental environmental targets are set up and monitored on a monthly basis, while environmental management is included as part of the performance assessment of each department, which is monitored and overseen by designated department on a regular and ad hoc basis. To incessantly strengthen environmental management and mitigate the impact of our activities on the environment and natural resources, identification and assessment, routine inspection, joint patrol, compliance assessment, internal audit, external audit and management evaluation to the environment are carried out to identify, rectify and take precautions to potential issues, and make on-going improvements.

## Waste Management

The Group acts in strict compliance with the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the Law of the PRC on 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》), the Law of the PRC on Promoting Clean Production* (《中華人民共和國清潔生產促進法》), the National Catalogue of Hazardous Wastes* (《國家危險廢物名錄》), the Regulations on the Safety Administration of Dangerous Chemicals* (《危險化學品安全管理條例》), the Technological Policies on Prevention and Control of Pollution by Waste Batteries* (《廢電池污染防治技術政策》) and other laws and regulations. The Group did not identify any case of incompliance during the Reporting Period.

The Group has introduced corresponding procedures and systems, for example, the Planning Procedures for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制策劃程序》), the Control on Production Process and Control Procedures for Environmental, the Controlling Procedures for Occupational Health and Safety Operation* (《生產過程控制及環境職業健康安全運行控制程序》), the Procedures for Administration of Pollutants* (《污染物管理程序》), the Procedures for Administration of Dangerous Chemicals* (《危險化學品管理程序》), and the Rules on Handling Chemical Drug Wastes* (《化學藥品廢棄物處理規定》), which stipulate the control requirements for emissions of offices and production plants of the Company. The aim of such procedures and systems is to impose effective control on emissions, thus improving the environmental conditions at the office premises and production plants.

### *Hazardous waste management*

The Group generates waste primarily from production and office processes. Hazardous waste is mainly generated from production, including waste mineral oil, waste acid, waste fixing/developer solutions, waste ink cartridges, waste toner cartridges, waste oil drums, waste paint buckets, waste paint, waste activated carbon, waste acetone, waste xylene, waste UV lamp tubes, waste philtre cotton, waste isocyanate packaging drums, industrial wastes, etc.

Hazardous waste is also generated from office work, but to a lesser extent, including waste ink cartridges, waste toner cartridges, waste rechargeable/disposable batteries and waste mercury lamps. Total hazardous waste generated during the Reporting Period is set out below:

| **Hazardous waste** | **2024** | 2023 |
|---|---|---|
| Total (tonne) | **206** | 190 |
| Intensity (kg/per tonne of products) | **2.15** | 1.36 |

During the Reporting Period, the total amount and intensity of hazardous waste slightly increased as compared with that in 2023, mainly due to an increase in waste paint generation, as a result of an increase in anti-corrosion output in 2024 as compared to that in 2023.

The Group pays serious attention towards management and disposal of hazardous waste, so as to prevent environment pollution and minimize hazardous waste generation. Set out below are the approaches adopted by the Group in disposal of hazardous waste:

- In the collection, storage, transportation and disposal of polluting wastes, measures must be taken to prevent scattering, draining, leakage or other types of environmental pollution; and dumping, stacking, discarding or scattering without authorisation is prohibited;

- Setting up specific rubbish bins for a variety of wastes including scrap iron, industrial wastes, domestic wastes, oil-bearing wastes and recyclable metal in production plants, storing collected wastes by category and delivering them to qualified waste treatment institutions for waste disposal or recycling;

- The polluting wastes generated should be stored by classification; and waste mineral oil and oil-bearing waste must be sealed and stored in a special container which shall be far away from the fire source and marked with fire prohibition sign and equipped with fire-fighting equipment to prevent fire accidents. Machine oil leaking from the equipment should be cleaned in time, and measures such as the oil drip pan should be taken to prevent land pollution;

- For acidic reagents that require neutralisation, the resulting pH value of the reagents after neutralisation should reach 6–9 before being discharged with appropriate amount of water; and

- Strengthening management over certain polluting waste through “returning used materials to get new ones” or delivering such waste to qualified unit for disposal, so as to reduce waste generation.

The Group disposed of hazardous waste according to regulations during the Reporting Period, and did not cause environment pollution or receive relevant complaints.

### *Non-hazardous waste management*

Non-hazardous waste is primarily generated from office and production process, including domestic waste, canteen waste, green garbage and waste materials. Total non-hazardous waste generated during the Reporting Period is set out below:

| **Non-hazardous waste** | **2024** | 2023 |
|---|---|---|
| Total (tonne) | **100** | 102 |
| Intensity (kg/per tonne of products) | **1.04** | 0.72 |

During the Reporting Period, the total amount of non-hazardous waste remained flat in general, but the intensity of non-hazardous waste increased in 2024 due to a decrease of 31% in the production output of welded steel pipes in 2024 compared to that in 2023.

Although such category of waste does not result in material environment pollution, the Group is still committed to proper treatment and disposal of non-hazardous waste, and adopts measures to reduce its generation. For instance, the Group set up several trash bins designated for different kinds of waste in production plants for secure storage, and handed over such waste to qualified unit for disposal or recycling. Besides, it strengthened skills trainings for employees to enhance their expertise and competence. The Group also increased assessment on consumables and energy consumption indicators without prejudicing product quality to reduce waste generation.

### *Greenhouse gas emissions and exhaust gas emissions*

During production, carbon dioxide, methane, nitrous oxide and other greenhouse gases will be directly emitted during the operation of production vehicles such as forklifts, cranes and pipe grabbers, as well as from the plasma and oxyacetylene cutting process. Moreover, greenhouse gases will also be generated indirectly from water and electricity consumption.

During office work, carbon dioxide, methane, nitrous oxide and other greenhouse gases will be directly generated from running vehicles and natural gas used in the canteen, and indirectly from water and electricity consumption.

Total greenhouse gas emissions of the Group during the Reporting Period are set out below:

| **Greenhouse gas emissions** | **2024** | 2023 |
|---|---|---|
| Scope 1 (tonnes of carbon dioxide equivalent) | **280** | 392 |
| Intensity (kg of carbon dioxide equivalent/per tonne of products) | **2.9** | 2.8 |
| Scope 2 (tonnes of carbon dioxide equivalent) | **5,578** | 5,832 |
| Intensity (kg of carbon dioxide equivalent/per tonne of products) | **58** | 41.6 |

The greenhouse gases emissions in the Report are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "2019 China Regional Power Grid Baseline Emission Factors For Emission Reduction Project" issued by the Ministry of Ecology and Environment of the PRC, the "Greenhouse gas reporting: conversion factors 2021" issued by the Department for Business, Energy & Industrial Strategy of the UK Government and research reports issued by other institutions.

Scope 1 greenhouse gas emissions during the Reporting Period were primarily generated from natural gas, acetylene, diesel oil and gasoline; and scope 2 greenhouse gas emissions were primarily generated from power consumption. Scope 3 greenhouse gas emissions were not applicable. Overall, the greenhouse gas emission slightly decreased compared to that in 2023, and its intensity increased due to a decrease of 31% in the production output of welded steel pipes in 2024 compared to that in 2023. The Group does not apply a carbon price in decision-making.

The major measures taken to mitigate emissions were reducing energy consumption, the details of which are set out in the section headed "Energy Consumption and Efficiency" in the Report.

### *Sewage discharge*

The Group discharges sewage into water and land during production and office-work processes, including industrial wastewater, domestic sewage and canteen sewage. Water consumed in the production process will generally be recycled, and sewage will be treated in the sedimentation tank before being discharged, so as to comply with local regulations on sewage discharge, and avoid polluting local drinking water. In addition, the Group also entrusts qualified third party testing institutions to conduct tests for sewage generated and treated by the Group on an annual basis, in order to ensure that the water quality is up to standard.

## Efficient Use of Resources

The Group formulated the Procedures for Control of Energy and Resources* (《能源、資源控制程序》), which stipulates the administrative measures for the general use of energy and resources to enhance energy and resources management. Corporate management department is responsible for setting up annual targets based on production needs, monitoring and performing assessments.

### *Energy consumption and efficiency*

The Group consumes primarily electricity, gasoline, diesel oil and natural gas in production and office work. Total energy consumption of the Group during the Reporting Period is set out below:

| **Energy consumption** | **2024** | 2023 |
|---|---|---|
| Electricity (kWh) | **9,462,360** | 9,892,212 |
| Diesel oil (kWh) | **63,584** | 1,121,630 |
| Gasoline (kWh) | **15,344** | 298,537 |
| Natural gas (kWh) | **6,858** | 102,731 |
| Total energy consumption (kWh) | **9,548,146** | 11,415,110 |
| Intensity (kWh/per tonne of products) | **0.09** | 0.08 |

During the Reporting Period, the total energy consumption decreased as compared with 2023, mainly due to the decrease in production output of welded steel pipes in 2024. The intensity was generally stable.

The Group's effort to boost energy use efficiency by way of upgrading the assessment mechanism, adopting new approaches and conducting staff trainings:

- Further optimisation of the assessment mechanism for material consumption and enhancement of incentives on cost reduction and efficiency enhancement of production units to raise energy efficiency during the production process;

- Reasonable layout for lighting system in the production process, use of energy efficient lighting products; and raise employees' awareness on energy saving through trainings, putting up slogans,etc.;

- Cooperate closely with power companies to apply for capacity reduction based on planned electricity consumption when necessary. Adjustment of the Group's basic electricity billing method at the production bases as and when appropriate based on the Group's actual production condition and power consumption policy to ensure that its electricity bill is at the minimum method at the production bases;

- Conduct production activities during off-peak power consumption periods taking advantage of the period-by-period tariff policies of power companies. The Company launches non-continuous productions during off-peak periods or normal charging periods, and imposes strict control on power consumption during production suspension. It will immediately notify relevant departments upon identifying abnormalities and will take corresponding countermeasures; and

- Strengthening energy control and supervision by joining hands with the technology department to check equipment power consumption in each production factory, identifying the equipment with the most power consumption and informing each factory of high power consumption equipment, focusing on energy efficiency management and delivering better management results.

### *Water consumption and efficiency*

The Group primarily consumes water in office and canteen, as well as during production such as the hydrotest, the ultrasonic test and anti-corrosive rinsing booth. Total water consumption of the Group during the Reporting Period is set out below:

| **Water consumption** | **2024** | 2023 |
|---|---|---|
| Water (cubic meter) | **70,918** | 68,476 |
| Intensity (cubic meter/per tonne of products) | **0.73** | 0.46 |

During the Reporting Period, the total water consumption and intensity both increased compared with that in 2023, mainly due to the increase in anti-corrosion output in 2024 compared with that in 2023, leading to increased water consumption from anti-corrosive rinsing booth. Though the output of spiral welded pipe decreased compared with that in 2023, the total water consumption still increased due to more mechanical equipment overhaul in 2024 compared to that in 2023.

The Group adopted multiple measures to enhance water efficiency, including reusing water for production; promoting the use of water-saving taps and sanitary wares with sensors; raising employees' awareness on water saving through trainings, putting up slogans, etc.; and implementing various measures such as organizing water-saving corporate activities. The water source that is fit for purpose of the Group is the running water supplied by the government, which guarantees its reliable quality and ample supply. There has been no suspension of water supply without any reason.

### *Use of packaging materials*

Pipe-end protectors, pipe-end seals and nylon separation ropes are used in simple packaging of our pipes according to clients' needs. Relevant consumption data during the Reporting Period is set out below:

| **Consumption of packaging materials** | **2024** | 2023 |
|---|---|---|
| Pipe-end protectors (article) | **40,875** | 54,100 |
| Pipe-end seals (piece) | **26,563** | 38,025 |
| Nylon separation rope (strip) | **40,680** | 60,110 |

Consumption of packing materials is determined by sales volume of pipes and customer requirements. The Group vigorously controls consumption indicators to minimize waste of packaging materials.

## Climate Change

Climate change may intensify in the coming decades, so the Group has been committed to mitigating the risk of climate change. The Group strives to reduce greenhouse gas emissions, various wastes and consumption of energy resources, so as to reduce the financial risks caused by climate change.

To enhance control over risks arising from climate change, the Group identified physical risks relevant to the business operations of the Group (being risks relating to the physical impact of climate change) and transitional risks (being risks relating to transition to the low carbon economy) with reference to suggestions from the Task Force on Climate-Related Financial Disclosures. The risks are concentrated in mainland China. The Group has set up a safety director and a production safety department to pay close attention to various directives and policy changes of government departments, and is responsible for formulating and supervising the implementation of various risk response measures. Details of such risks, their potential impact and counter measures of the Group are set out below:

| No. | Risk identification | | Potential impact | Countermeasures |
|---|---|---|---|---|
| 1 | Physical risks | Acute risk — extreme weather such as typhoon, sandstorm, flood, extreme temperature difference, heavy air pollution, etc. | Causing short-term damage to plants, products and other physical assets, interrupting supply chain and threatening lives. | Due to the geographical conditions of the places where members of the Group are domiciled, extreme weather such as typhoon, sandstorm, flood and extreme temperature difference rarely occur.<br><br>Establish emergency response mechanism for heavy air pollution, improve employees' capability to prevent, alert against and respond to heavy air pollution, activate corresponding levels of emergency response according to the heavy pollution weather level warning issued by government departments, limit production and stop production, timely and effectively implement emergency response to heavy air pollution, minimise air pollution and create a good environment. |
| 2 | | Chronic risk — prolonged high temperature | Causing short-term damage to production facilities and employees' health, and increasing work-related accidents. | The office is equipped with air conditioning, and the production site is equipped with fans to reduce temperature. Employees will be granted cooling supplies and bonuses from June to September each year, and outdoor work during high temperature period will be reduced or shifted to night work. Emergency plans for heatstroke are formulated and exercised on a regular basis. |

Short term: current and up to 5 years Medium term: 5 to 10 years Long term: beyond 10 years

| No. | Risk identification | | Potential impact | Countermeasures |
|---|---|---|---|---|
| 3 | Transitional risks | Policy and legal risks — changes in climate-related policies and laws (such as implementation of the carbon-pricing regime) | Restricting operating activities and escalating operating and compliance cost for a short to medium term. | The Group keeps a close eye on changes in laws and regulations and actively responds to local government actions. There were no changes in climate-related laws and policies during the Reporting Period. |
| 4 | | Technology risk — development of new low carbon technologies (such as renewable energy and energy efficiency) | Lagging behind in application and development of new technologies may cripple short to medium-term competitiveness, while applying and developing new technologies may incur higher short to medium-term investment and equipment replacement rate. | The Group will make various evaluations on new technologies and new products to ensure that the principal business of the Group will not be affected and the competitiveness of the Group will not be weakened. |
| 5 | | Market risk — the market increasingly heightens awareness on issues concerning climate change and any change in market preference may impact the supply and demand of products and services | Increase in short to medium-term price of environmental friendly materials driven by higher demand will boost cost. | The Group will keep close track of market trends and make timely adjustments to production and sales strategies. |
| 6 | | Reputation risk — opinions of customers or society on contributions made to transit to the low-carbon economy | Falling-short-of expectation achievements in transition to the low-carbon economy may affect the Company's reputation. | The Group will maintain communication with stakeholders from all circles of society to understand their view and suggestions to the Group and respond to them whenever appropriate. |

Short term: current and up to 5 years Medium term: 5 to 10 years Long term: beyond 10 years

### *Opportunity*

While climate change poses various physical and transformational risks to the Group's operations and markets, it also presents opportunities for our strategy, operations and assets. Shandong Shengli Steel Pipe utilizes photovoltaic power generation projects on factory roofs and rooftops, which actively contributes to the completion of the dual-carbon target of the National "14th Five-Year Plan" while reducing the cost of electricity consumption. In June 2024, Shandong Shengli Steel Pipe successfully passed the carbon footprint and Type III environmental statement evaluation certification for submerged-arc helical welded pipes and anti-corrosion pipes, which more clearly defines the carbon footprint information of each link in the production process of the Group's products, laying a foundation for the Group to further explore energy saving and emission reduction, and providing strong information support for the Group to participate in the bidding of important pipelines at the same time.

Climate-related risks and opportunities currently have no impact on the Group's financial position, financial performance and cash flow.

### *Climate Resilience*

Enhancing climate resilience is at the heart of the Group's efforts to address the risks of climate change and achieve sustainable development.

#### *Developing Climate Strategy*

- Develop environmental compliance and performance goals, see the section headed "Environmental Protection" of the Report.

- Establish a climate risk management committee led by the production director and supervised by the safety production department, to constantly monitor climate risks and initiate response measures.

#### *Strengthening infrastructure construction*

The Group invests a certain amount of money every year to overhaul and renovate its equipment, improve its equipment capacity, and actively implement automation and safety protection renovation to enhance efficiency, operational safety and environmental protection through technology. The Group also reasonably arranges its production schedule, and staggers the peaks and valleys of its production and electricity consumption in order to achieve energy-saving and emission reduction effects.

#### *Optimising the energy structure*

Developing renewable energy, utilizing factory roofs and rooftops for photovoltaic power generation to reduce greenhouse gas emissions.

#### *Improving policies and management systems*

- To formulate climate resilience planning and clarify the responsibilities and tasks of various departments in coping with climate change.

- To establish a climate risk alert system, release disaster alert information in a timely manner, and improve the emergency response capability of employees.

- Through carbon footprint and Type III environmental statement evaluation certification, the "cradle-to-gate" full life cycle evaluation.

*Facilitating full participation*

- Strengthen staff training and education to enhance their understanding of climate change and their awareness of how to cope with it.

- Encourage employees to fulfill their social responsibilities, actively participate in climate action, and promote green and low-carbon development.

### Management over Impact on the Environment and Natural Resources

The Group has formulated the Planning Procedures for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制策劃程序》) and the Procedures for Control of Energy and Resources* (《能源、資源控制程序》), which set out policies on minimising the impact on the environment and natural resources. These policies also designate control requirements for identifying, evaluating and updating environmental factors and administrative measures for the general use of energy and resources, so as to promote clean production.

The Group considers environmental factors resulted from the production process that have global influence, cause deep concern of the community, receive reasonable complaints from related parties, affect corporate image, and are included in the National Catalogue of Hazardous Wastes* (《國家危險廢物名錄》) as significant environmental factors. These factors comprise of four aspects, namely consumption of energy and resources, emission of hazardous wastes, fire smoke and noise. The following measures have been taken to control the relevant impacts:

- Enhancing maintenance and ensuring proper functioning of equipment with the installation of devices for sewage treatment, smoke recovery and noise elimination to reduce environmental impact;

- Handing hazardous waste over to qualified institutions for disposal or recycling;

- Increasing trainings and conducting regular supervisions and inspections to prevent any adverse impact caused by improper operation on the environment;

- Enhancing skill levels and competence of employees, setting up assessment criteria and promoting the awareness of energy saving and consumption reduction;

- Planting grass lawn and trees in the surroundings of production bases and roadsides and designating specific personnel to conduct green management in a bid to reduce environmental impact caused in the production process and create a green environment at production bases; and

- Formulating corresponding contingency plans for environmental accidents and conducting regular drills.

## CARE FOR EMPLOYEES

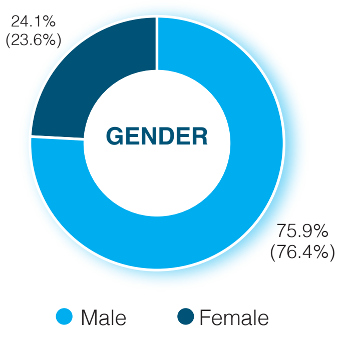
The Group regards employees as its valuable resources, and affirms their contributions to the business development of the Group. Accordingly, the Group dedicates itself to providing a desirable working environment for employees, allowing them to tap into their expertise and gain sense of achievement from work. Meanwhile, the Group attaches significant importance to employees' health and safety, and has established the following targets:

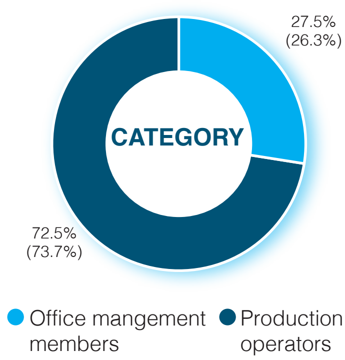
- Zero incident of general accidents, major accidents and serious accidents throughout the year;
- Zero incident of occupational diseases throughout the year;
- Minor accident rate of less than 5‰ throughout the year;
- No material fires, major equipment accidents, explosions or poisoning accidents throughout the year;
- 100% intact rate for safety facilities, occupational health facilities and fire-fighting facilities;
- 100% rectification rate for potential dangers;
- 100% coverage rate for employee safety trainings and 100% training coverage for principals and safety management personnel;
- 100% registration rate for special equipment, 100% inspection rate for special equipment and 100% inspection rate for accessories;
- 100% qualification rate for occupational safety trainings and 100% certified rate for special operation personnel; and
- Over 98% inspection acceptance rate for occupational hazard factors in worksites and workplaces.

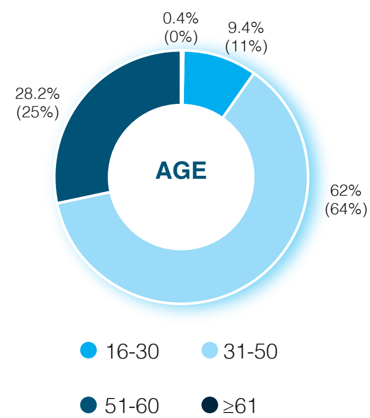
## EMPLOYMENT

The Group has set up the Provisions on Administration of Staff Recruitment* (《員工招聘管理規定》), the Provisions on Administration of Labour Contracts* (《勞動合同管理規定》), the Provisions on Administration of Staff Leave* (《員工請假管理規定》), the Provisions on Administration of Labour Discipline* (《勞動紀律管理規定》), the Administrative System for Staff Rewards and Punishments* (《員工獎懲管理制度》), the Ranking Measure for Operating Positions* (《操作崗位分級辦法》), the Ranking Measure for Professional Technical Positions* (《專業技術崗位分級辦法》), the Ranking Measure for General Management Positions* (《一般管理崗位分級辦法》), the Administrative and Assessment Measures for Intermediate and Senior Management* (《中高層管理人員管理考核辦法》) and other systems in accordance with the Constitution of the PRC* (《中華人民共和國憲法》), the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Rights and Interests of Women* (《中華人民共和國婦女權益保障法》), the Administrative Rules for Training and Assessment of Special Equipment Operators* (《特種設備作業人員培訓考核管理規則》) and other laws and regulations. These systems set out express requirements in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare of employees. Comprehensive promotion mechanism, reasonable remuneration structure and good benefits and welfare are also offered to attract, motivate and retain talents. No case of noncompliance was identified by the Group during the Reporting Period.

For the year ended 31 December 2024, the Group had a total of 461 employees (senior management inclusive) (2023: 513 employees), the majority of whom were in mainland China. Set out below is a breakdown:

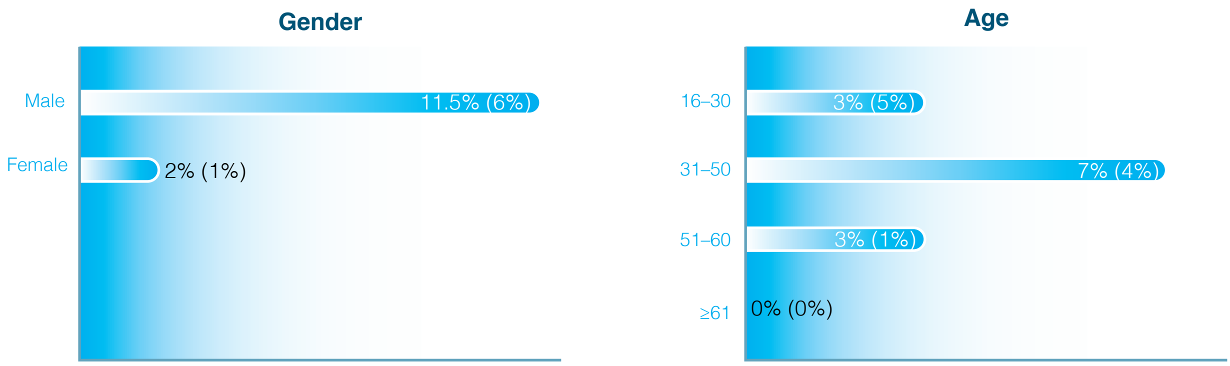



Percentages in the brackets represent employee information in 2023

A total of 64 employees (2023: 36 employees) left the Group during the Reporting Period, all of whom were in mainland China. The turnover rate fell in the normal range. Set out below is a breakdown of employee turnover rate by gender and age:




Percentages in the brackets represent employee information in 2023

## Equal Opportunity, Diversity and Anti-Discrimination

The Group pays respect to the individual and cultural backgrounds of each employee and believes that discrepancies in background may offer an opportunity for them to learn from each other, and help to improve creativity. Therefore, the Group opposes discrimination and does not discriminate against employees because of, among others, gender, disability, pregnancy, family status, race and religion. Employees are provided with equal and diversified development opportunities to foster a harmonious working environment.

## Recruitment, Promotion and Dismissal

The Group has established administrative systems such as the Procedures for Administration of Human Resources* (《人力資源管理程序》) and the Provisions on Administration of Labour Contracts* (《勞動合同管理規定》), which provide express requirements for recruitment. Such systems are amended and finalized by the human resources department to ensure compliance with the applicable laws and regulations. The Group prepares the annual recruitment plan based on annual demand forecast. Meanwhile, the Group organises recruitment programmes according to the Provisions on Administration of Staff Recruitment* (《員工招聘管理規定》) by setting up selection, interview and overall evaluation process to ensure recruited personnel conform to the Company's requirements.

Employees of the Group are categorized on the basis of their position types, including operating, technical and management positions, with each position divided into different grades. Smooth career progression is offered to employees who are capable to compete for senior positions when they fulfil the criteria of seniority and performance.

The Group encouraged employees to strive for promotion opportunities. Pursuant to the Measures for Selection of Senior Technicians in Operating Posts* (《操作崗位高級技術工選拔辦法》), in August 2024, Shandong Shengli Steel Pipe launched registration by employees from different posts. After theoretical/practical examination, unit evaluation and final approval by the review penal of Shandong Shengli Steel Pipe, 49 employees were selected as senior technicians, who come from 10 different technical posts. Employees qualified as senior technicians are entitled to senior technician allowance from 1 September 2024. In October, Shandong Shengli Steel Pipe selected 19 internal technicians from the senior technicians pursuant to the Administrative Measures for Internal Technicians* (《內聘技師管理辦法》), and expected them to capitalize on their skill advantages, discharge their responsibilities with diligence, motivate other employees to effectively perform duties and spare no effort to improve posts kills, thereby contributing to the development of the Group.

**2024 senior technicians selection**


Pursuant to the Administrative Measures for Qualifications and Remunerations of General Management Post, Finance Post and Technical Post* (《一般管理崗位、財務崗位、技術崗位任職資格及薪酬管理辦法》), Shandong Shengli Steel Pipe launched classification of personnel in general management post, finance post and technical post in July 2024, and staff competed for posts commensurate to their competence after duty performance appraisal, English test and qualification verification with reference to their annual comprehensive assessment scores and experience, which fully mobilized employees, enhanced corporate cohesion and facilitated better corporate development.

**English test**

In May 2024, Shandong Shengli Steel Pipe held a Recognition Ceremony for Star Performers, Minor Reforms and Rational Suggestions, awarding the honorary title of "Star Performers (崗位之星)" to five employees, commending 4 employees for their rational suggestions, and commending 4 employees for their outstanding results in minor reforms.

**Recognition Ceremony for Star Performers, Rational Suggestions and Minor Reforms**




In order to enhance the overall organizational cohesion, execution, and team spirit of the Company, and to improve the vitality and innovation capabilities of the entire management and technical teams, Shandong Shengli Steel Pipe organized a five-day outdoor development training programme in September 2024. Such training programme was conducted for the middle and senior management team and the technical team in batches. During such outdoor development training, programmes were set based on the characteristics of the Company's middle and senior management teams as well as the technical team, with a focus on team building and centering around decision-making, communication and execution, which aimed to test and temper the younger workforce, inspire and cultivate more talents with a sense of responsibility and strong leadership, thereby laying a more solid foundation for the Group's development.

**Outdoor development training**


In order to strengthen the training of newly recruited technicians and accelerate the improvement of their professional skills and career qualities, Shandong Shengli Steel Pipe held a kickoff meeting for the Enterprise Mentorship Special Programme in June 2024, launching a special enterprise mentorship initiative under the one-on-one mentorship model. Through provision of guidance by middle and senior management personnel to newly recruited technicians on a pairing-up basis, such initiative aimed to help newly recruited technicians transform academic knowledge into productivity, enhance their overall work efficiency, and develop into key contributors of the Company as quickly as possible.

**Special programme on pairing-up training for mentors and newly recruited technicians**

### Salary and Benefits, Working Hours and Holidays

The Group offers competitive remuneration packages depending on the nature, responsibilities, levels of skills required for the positions as well as other factors such as working environment, working hours, post requirements and rewards and punishments, which includes incentives such as share options. The Group has established a comprehensive management system comprising: "Management Regulations on Remuneration and Benefits", "Management System on Employee Rewards and Punishments", "Management Regulations on Sales Commission", "Management Regulations on External Revenue Generation", "Measures for Rewarding Rationalization Suggestions and Small Improvements", "Measures for the Assessment and Cashing-in of Middle Management Personnel", "Measures for Supervising and Assessing the Performances of Duties" and other management systems, and has included the risk of climate change in its remuneration policy, including greenhouse gas emissions, emissions of various types of waste and energy It has also incorporated climate change risks into the remuneration policy, including greenhouse gas emissions, various waste emissions and energy and resource consumption into the assessment.

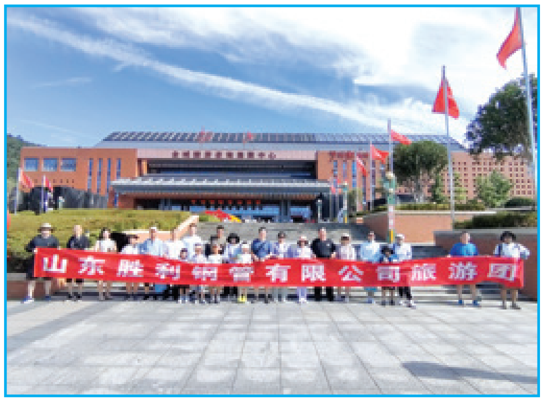
The Group has complied with the laws and regulations and industry practices with regard to working hours and rest periods. Some employees are required to work in non-working hours or statutory holidays out of work demands, to which end the Group has formulated various compensation systems such as overtime pay and rotating days-off.

The Group operates canteens and bachelor's quarters in production bases, providing catering services and accommodation to employees with reasonable price, and also arranges commuting shuttle buses for employees for free. In summer, the Company distributes cooling products to employees and grants cooling bonuses, and conducts regular occupational health checks for staff in specific positions, while during traditional festivals like Lunar New Year and Mid-Autumn Festival, festive benefits are distributed.

**On 8 March 2024, gifts for Women's Day activities were distributed to female employees**

To thoroughly implement the Group's "people-oriented" development philosophy and further enrich the leisure life of employees while enhancing team cohesion and sense of belonging, Shandong Shengli Steel Pipe planned and organized a leisure and travel activity for employees in July. This event not only served as a reward for the employees' hard work but also represented a vivid practice of the Company's cultural development.

**Travel activity**





## Occupational Health and Safety

The Group considers safety as the bottom line that cannot be treaded upon. Upholding the people first and life foremost principle, it gives top priority to protecting people's life safety, persists in the safe development concept and remains committed to the safety policies, so as to preclude and mitigate material safety issues at the source. Major health and safety measures include:

- Setting up a safety production committee to ensure the Company's safety production, occupational health, double prevention system, fire safety, radiation safety, emergency rescue, environmental protection and hazardous waste disposal.

- Each subsidiary conscientiously implements the safety management principle of "Complying with Laws and Regulations to Ensure Health and Safety" of the Group, identifies and controls the sources of dangers in production and office activities, and determines responsible units to reduce the safety impact and improve the safety performance.

- Each subsidiary observes relevant laws and regulations, delegates the environmental and safety objectives to the production frontline and relevant management departments, establishes departmental environmental and safety objectives and maintains supervision on a monthly basis, and incorporates environmental and safety management into the performance appraisal of each department, which is monitored and overseen by particular department on a regular and ad hoc basis.

- The environmental and safety aspect is emphasised in the supervision and management measures carried out by the Group, including daily check, joint inspection, identification and assessment of hazardous environmental factors, compliance assessment, internal audit, external audit and management evaluation, so that any matters of concern can be identified, rectified and continuously improved with precaution measures. Incessant effort has been made to strengthen environmental management and mitigate the impact on environment and natural resources.

- Strengthening the management over on-site violations, implementing the safety production responsibility system for all employees, and strictly cracking down on on-site violations. Management at all levels are required to perform their job responsibilities, enhance management and service awareness, and effectively discharge supervision responsibilities while completing their post tasks. Control measures must be formulated for material risks with executives of the Company taking the lead and frontline employees to implement, so as to develop the control model of "executives of branch factories taking the lead + instructions by the functional departments + implementation by frontline employees" to ensure effective risk control.

- Carrying out special production safety rectification activities, conducting targeted special inspections based on the actual situation of the subsidiaries of the Company, and initiating regular or irregular safety inspections by way of random inspection, special inspection, self-inspection and mutual inspection. Proactively conducting regular inspection over the special equipment, fire control facilities, etc. of the subsidiaries, and preventing operations with illness. Effectively managing the safety operation of hand-held electric tools and slings of each subsidiary, so as to avoid potential safety hazards and accidents.

- Launching the "Safety Production Month" activity. Head of each department shall be the safety production first responsible person in the department under his/her charge, and shall take the lead in strictly complying with safety production laws and regulations, fulfilling safety responsibilities, investigating hidden dangers and proceeding with rectification, effectively implementing the accountability system for persons in charge and resolutely keeping the bottom line of safety production. Pressing ahead with safety production inspection, and strictly and effectively materializing inspection and rectification of potential safety hazards. Earnestly conducting safety production propaganda and education, fostering a strong consensus of "everyone pays attention to, gets involved in and takes responsibility for safety production" within the Company, and promoting the penetration of the Company's "Safety Production Month" activity.

In February 2024, Shandong Shengli Steel Pipe organised all employees to carry out the safety training and education activity named "First Lesson after Back to Work" upon 2024 Spring Festival holiday. Zhao Zengqiang, its main person in charge, gave lectures to all employees, and the director of the Safety Supervision Office under the Industry, Information Technology and Commerce Bureau in the High-tech District of Zibo attended the lesson, which aims to call on all employees to enhance safety awareness before starting work. Upon completion of the training, each employee can transform the ideas from "I need to be safe" to "I want to be safe" to "I will be safe" to "I can be safe" and raise their awareness. Safety management was strictly implemented through tight control over, thorough investigation into and severe punishment for three violations such that safety production was put in practice and deeply rooted in the mind of each employee.

**First lesson after back to work upon the Spring Festival**

In May 2024, Shandong Shengli Steel Pipe held the launch ceremony of the 23rd National "Safety Production Month" activity, which was presided over by its chief safety officer, and its managers, department heads and employee representatives attended the launch ceremony.

**Launch ceremony of "Safety Production Month" activity**

In March and October 2024, the Safety Department of Shandong Shengli Steel Pipe organized and conducted two special emergency response drills on poisoning and asphyxiation accidents in confined spaces based on the annual emergency drill plan and according to the relevant provisions of Decree No. 13 of the Ministry of Emergency Management of the PRC — Regulations on Safety of Confined Space Operations for Industrial and Commercial Enterprises (《工貿企業有限空間作業安全規定》).

**Special emergency response drills on poisoning and asphyxiation accidents**

In November 2024, Shandong Shengli Steel Pipe conducted a revision and review of the Operating Procedures for Safety Production (《安全生產操作規程》). The revised and improved job safety operating procedures are a series of guiding documents developed by the Company to ensure the safety of employees' lives and the working environment. These procedures aim to standardize employees' work behaviors, improve their work efficiency, and reduce the risk of accidents. The purpose of revising and improving the job safety operating procedures is to further refine work processes and operational methods, ensure employee safety, and enhance the overall production efficiency and work quality of the Company.

**Revision and review of the Operating Procedures for Safety Production**

Set out below is the information regarding the work-related injuries and casualties of the Group for the last three years:

| **Year** | **Work-related injuries** (individual) | **Work-related casualties** (individual) | **Proportion** (%) | **Working days lost** (day) |
|---|---|---|---|---|
| 2022 | 1 | 1 | 0.3 | 6,104 |
| 2023 | 4 | 0 | 0.77 | 395 |
| 2024 | 3 | 0 | 0.7 | 135 |

In the Report, working days lost are calculated with reference to the national standards of the People's Republic of China on Classification of Work-related Injuries and Casualties of Employees (GB6441–86).

The Group has conducted research into the three work-related injuries during the Reporting Period in accordance with the regulations and launched safety education for the responsible personnel. Employees who suffered from work-related injuries are required to receive the safety awareness assessment before getting back to work after recovery, and only those passing the assessment are permitted to return to their posts. Detailed inspection and resolution reports have been prepared for all the accidents pursuant to accident treatment requirements, and the Company has settled compensations and paid penalties according to relevant regulations.

Save as measures disclosed above, Shandong Shengli Steel Pipe also purchased the "Shandong Inclusive and Preferential Insurance* (齊惠保)" issued in Zibo City for its employees for five consecutive years, which extended the medical coverage provided to employees beyond the basic medical insurance.

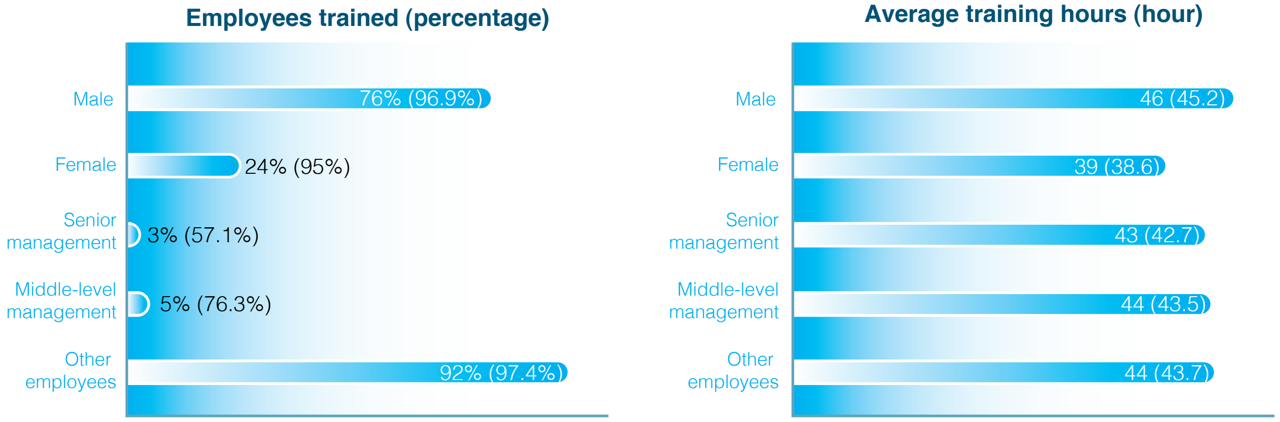
The Group has formulated provisions on the administration of occupational health and safety including the Planning Procedures for Identification of Origin of Hazards and Evaluation and Control of Risks* (《危險源辨識與風險評價和控制策劃程序》), the Control on Production Process and Control Procedures for Environmental, Occupational Health and Safety Operation* (《生產過程控制及環境職業健康安全運行控制程序》), the Procedures for Administration of On-site Safety Protection* (《現場安全防護管理程序》), the Procedures for Administration of Labour Protection* (《員工勞動保護管理程序》), and the Provisions on Administration of Fire Protection* (《消防安全管理規定》) in compliance with the Law of the PRC on Safe Production* (《中華人民共和國安全生產法》), the Fire Protection Law of the PRC* (《中華人民共和國消防法》), the Law of the PRC on Prevention and Control of Radioactive Pollution* (《中華人民共和國放射性污染防治法》), the Measures for Regular Supervision and Administration of Hazardous Factors of Occupational Diseases of Employers* (《用人單位職業病危害因素定期監測管理規範》), the Provisions on Administration of Labour Protection Articles* (《勞動防護用品管理規定》), the Administrative Measures for Occupational Health of Radiological Personnel* (《放射工作人員職業健康管理辦法》), the Administrative Measures for Occupational Health Surveillance* (《職業健康監護管理辦法》), the Regulation on Work-Related Injury Insurances* (《工傷保險條例》) and other laws and regulations. The purpose of these provisions is to prevent the occurrence of safety issues/accidents by strengthening the control over origin of hazards, fostering the enhancement of occupational health and safety conditions and raising the occupational health and safety awareness of employees. No case of violation was identified during the Reporting Period.

### Development and Training

Pursuant to relevant requirements, the Group compares the knowledge and competence necessary for its staff at positions of different levels and functions with those possessed by its existing employees, and determines the training needs for its employees according to the difference between the former and the latter.

The Group enhances the competence of its employees by a combination of internal trainings and external trainings. The implementation rate of training programmes during the Reporting Period was 100% (2023: 100%). Internal trainings carried out during the Reporting Period include safety education training (level 3), position skills training, trainings regarding rules on safe operation and trainings on awareness of the quality, environment, and occupational health and safety management system; and external trainings carried out include training for special equipment operating personnel, product standard training, physical and chemical employee training, safety management personnel training, and induction training for administrator of hazardous chemical substances.

A total of 434 employees received trainings provided by the Group during the Reporting Period. Set out below is a breakdown of percentage of employees trained and average trainings hours:




Percentages/data in the brackets represent employee information in 2023

### Prevention of Child or Forced Labour

The Group has formulated labour systems such as the Provisions on Administration of Staff Recruitment* (《員工招聘管理規定》) and the Provisions on Administration of Labour Contracts* (《勞動合同管理規定》), which specify staff recruitment procedures to avoid the recruitment of child labour and ensure the fulfilment of entry requirements by recruited staff through examining their identification cards and graduation certificate. The Group is required to enter into written labour contracts with employees upon their entry, which can be terminated upon mutual agreement between subsidiaries of the Company and the employees in accordance with the provisions on termination of contracts. There is no forced labour within the Group.

The Group acts in strict compliance with the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Minors* (《中華人民共和國未成年人保護法》), the Provisions on the Prohibition of Using Child Labour* (《禁止使用童工規定》) and other laws and regulations. No case of violation was identified during the Reporting Period.

## SUPPLY CHAIN MANAGEMENT

The Group is committed to satisfying the needs of customers with quality products and services. As in the production process, the Group uses products and services from different suppliers, supply chain management is therefore a crucial component of the Group's operation. The Group expects to exert a positive influence on the customers and suppliers through business operations and promote local harmony, so as to ultimately share the economic benefits with them.

The Group has formulated the Procedures for Control of Suppliers* (《供方控制程序》), which sets out the requirements for the evaluation, selection, re-evaluation and control over suppliers to ensure the products procured meet the procurement requirements. Based on the degree of impact of products or services rendered by suppliers on product quality, environment and health and safety, the Group distinguishes between essential suppliers and general suppliers and conducts evaluation, selection and control accordingly. The suppliers of the Group provide raw materials, equipment, accessories, labour protection articles and transportation services. During the Reporting Period, a total of 195 (2023: 319) suppliers conducted transactions with the Group, the majority of which are located in the PRC. The Group's practices relating to engaging suppliers are applied to all such suppliers. The decrease in the number of suppliers was mainly due to a decrease in the number of general suppliers for minor procurement and maintenance who are selected and evaluated once every three years. Essential suppliers of raw materials and transportation services were basically the same as those in 2023.

The Group primarily selects and evaluates suppliers from the following aspects:

- Evaluating their technology and management foundation;
- Comparing the historical level and test results of similar products and the experience of other users;
- Evaluating the standards of their products;
- Evaluating their production capacity, delivery quality, reputation, product price and services;
- Implementing First Article Inspection to ensure that the purchased products meet the specified requirements;
- Whether the products supplied by them meet the specific requirements under the restrictions of patents, laws and regulations and/or contract terms;
- Evaluating their product samples, which may be conducted through experimental activities; and
- Adopting on-site review where necessary.

### Managing Environmental and Social Risks of Supply Chain

The Group selects suppliers which are able to provide premium products and services and observe the Group's ESG standards. With regard to suppliers in possession of administrative licences of regulations and safety technical guidelines, the Group not only examines the quality, environment, health and safety certification and its validity of the suppliers, but also confirms the qualification of them.

In addition to the above-mentioned considerations concerning qualifications, quality and economy, the Group also pays attention to the environmental and social performance of suppliers, which is one of the criteria of the Group in selecting suppliers. The Group rejects suppliers who use child or forced labour, and gives priority to more environmental-friendly products provided that they have reasonable technology and cost. The Group has established a win-win cooperation relationship with suppliers, and expects to exert positive influence on their environment, health and safety performance, and urges them to make improvements, so as to facilitate the Group to manage potential environmental and social risks.

## PRODUCT RESPONSIBILITY

The Group strictly abides by the Law of the PRC on Product Quality* (《中華人民共和國產品質量法》), the Law of the PRC on the Safety of Special Equipment* (《中華人民共和國特種設備安全法》), the Trademark Law of the PRC* (《中華人民共和國商標法》), the Patent Law of the PRC* (《中華人民共和國專利法》), the Basic Requirements of Quality Assurance System for Manufacture, Installation, Alteration and Repair of Special Equipment* (《特種設備製造、安裝、改造、維修質量保證體系基本要求》), the Provisions on the Supervision and Inspection on Pressure Pipe Units Manufacturing* (《壓力管道元件製造監督檢驗規則》) and other laws and regulations to strengthen the control over production process and the control over environmental, health and safety operation. No case of violation was identified during the Reporting Period.

The GB/T9711–2023 standard for "Steel Pipes for Pipeline Transportation Systems in Petroleum and Natural Gas Industries" (《石油天然氣工業管線輸送系統用鋼管》), was be implemented on 1 March 2024. To understand the impact of the changes in the new version of the standard on the Company's subsequent production and inspection processes, Shandong Shengli Steel Pipe organized a training and dissemination session on the new standard in February 2024.

**Training on GB/T9711–2023 Standard**

The SY/T5037–2023 standard for "Submerged Arc Welded Pipes for General Fluid Transmission Pipelines" (《普通流體輸送管道用埋弧焊鋼管》), was implemented on 11 April 2024. To understand the impact of the changes in the new version of the standard on the Company's subsequent production and inspection processes, Shandong Shengli Steel Pipe organized a training and dissemination session on the new standard in April 2024.

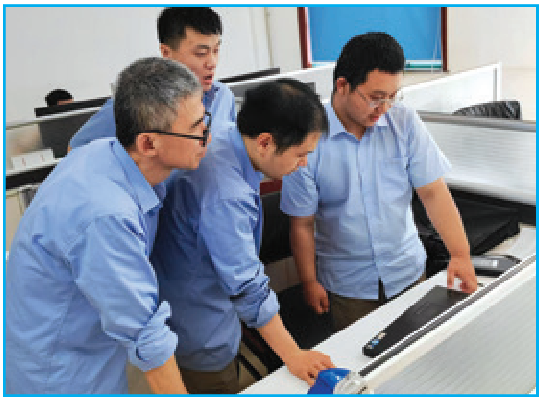
**Training on SY/T5037–2023 Standard**

From 13 to 15 April 2024, the Construction Project Management Branch of China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) entrusted four audit experts to conduct a three-day unannounced inspection at Shandong Shengli Steel Pipe. The inspection team primarily audited the bidding documents and the fulfillment of bidding commitments for the Hulin-Changchun Natural Gas Pipeline Project, as well as production and inspection records, the implementation of processes at each stage, and product protection measures. Special emphasis was placed on verifying the compliance of various process parameters for finished steel pipes and anti-corrosion pipes through item-by-item checks.

**Unannounced inspection**

To further enhance the technical expertise of professionals and improve technical services, Shandong Shengli Steel Pipe Process Technology Research Centre (山東勝利鋼管工藝技術研究中心) conducted specialized training on electrical and mechanical engineering from 15 to 19 July 2024. During this programme, electrical technicians engaged in study and discussion sessions on PLC programming for the pre-welding branch factories, while mechanical technicians learned hydraulic transmission technologies and supporting hardware knowledge. Upon completion of such training, electrical and mechanical professionals improved their technical level, which established a solid theoretical foundation for their future equipment repair and maintenance operations.

**Technical training**



In September 2024, Shandong Shengli Steel Pipe organized the "Quality Month" activity with the theme of "Enhancing Quality Support and Co-building a Strong Enterprise with High Quality (加強質量支撐　共建質量強企)". The contents of such activity included holding a special issue for the "Quality Month" activity, activity promotion and slogan display, organizing a "Job Quality Knowledge Quiz", conducting learning and discussion sessions on technologies and standards, and organizing the "Experience Exchange for Welding Rods and Molding Posts", etc.

**Experience Exchange for Welding Rods and Molding Posts**

### Health and Safety of Products and Services, Product Quality Verification and Re-Call Procedures

The Group currently owns a provincial research centre for steel pipe engineering technology for the transmission of oil and natural gas and a nationally recognised quality testing laboratory, equipped with skillful production inspection teams and state-of-the-art production inspection facilities and devices. Solid quality assurance systems such as the Planning Procedures for Product Realisation* (《產品實現策劃程序》), the Procedures for Product Surveillance and Survey Control* (《產品監視和測量控制程序》) and the Procedures for Control of Defective Goods* (《不合格品控制程序》), as well as systems for safety management and position duties have also been established. Leveraging on its advantages in respect of production, technology, economics and management and its strength, the Group provides customers with premium, healthy and safe products.

The Group has formulated the non-destructive testing review and re-examination system to avoid the testing omission of defects through the implementation of review of radiographic testing drawing by non-destructive testing technicians, re-examination of qualified steel pipes via ultrasonic testing by designated personnel with metal detectors, and review of radiographic testing drawing by a third party. In case any suspected defects are identified during the review and re-examination process, the defective steel pipes are required to be returned to the branch factories for inspection and treatment. Any steel pipes that miss testing will be withheld in strict accordance with the steel pipe withholding process to prevent the defective pipes from being delivered to the construction sites of customers. Meanwhile, the relevant responsible personnel shall be strictly assessed and handled.

By optimising and upgrading the radiographic testing equipment, the Group increased the proportion of radiographic testing shooting to improve the sensitivity of radiographic inspection. In order to reduce misjudgment, the submerged-arc helical welded pipe branches were required to at least achieve shooting at the pipe joints and ends of the preceding and succeeding pipes. The Group also strengthened the management of key testing processes such as radiographic testing and non-destructive testing to prevent defective products from leaving the factory.

During the Reporting Period, the Group did not experience any return of products sold or delivered out of safety and health reasons.

### Customer Service and Complaint Handling

The Group attaches great importance to product quality and customer opinions. To handle customer complaints with effectiveness and standardization, the Group has formulated the Procedures for Control of Customer-Related Process* (《與顧客有關過程的控制程序》), the Procedures for Control of Defective Goods* (《不合格品控制程序》) and the Contingency Plan for Quality Risks* (《質量風險應急預案》), which set out expressly the procedures and time limit for handling product complaints and product returns.

The Group has set up a localised after-sales service office for important pipelines. Before the products are transported to the construction site, the service personnel shall arrive first to assist the customers in accepting the products, and deal with the possible product quality problems that may be caused during transportation and possible problems involving the products during on-site construction as soon as possible, so as to meet the needs of customers with high-quality after-sales services.

After receiving product complaints, the Group will take the initiative to communicate with customers and negotiate about the ways to deal with the complaints. For on-site product quality issues, responsible staff will be assigned to the construction site to identify, evaluate and record the matter of concern of products within 24 hours. Complaints in other aspects will be investigated and handled in three days, and the outcome of investigation will be reported back to the complaining customers.

The Group did not receive any product or service complaints during the Reporting Period.

### Responsible Advertising and Labeling

The Group acts in good faith and is dedicated to establishing long-term and mutually beneficial relations with customers. Therefore, the Group resolutely safeguards the interests of customers, and requires accurate, true and objective information release and product labeling. To this end, the Group has formulated the Measures for the Administration of Information Disclosure* (《信息披露管理辦法》), the Regulations for the Administration of Publicity and Reporting* (《宣傳報道管理規定》), the Regulations for the Administration of Publicity of Enterprise Information* (《企業信息公示管理規定》), the Administrative System for Trademark* (《商標管理制度》) and the Regulations for the Administration of Product Labels* (《產品標識管理規定》) to regulate the process of releasing advertisements and labeling.

The Group observed Measures for the Administration of Commercial Franchise Information Disclosure* (《商業特許經營信息披露管理辦法》), Interim Regulations on Enterprise Information Publicity* (《企業信息公示暫行條例》), Interim Measures for Spot Check of Enterprise Publicity* (《企業公示抽查暫行辦法》) of the PRC, Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and other regulations. No case of violation was identified during the Reporting Period.

### Protection of Private Data and Intellectual Property Rights

The Group has formulated the Administrative System for Technology* (《科技管理制度》), the Provisions on Administration of Computer* (《計算機管理規定》), the Provisions on Administration of Corporate Email* (《企業郵箱管理規定》) and the Provisions on Administration of Network Information System* (《網管信息系統管理規定》), etc. to determine the management requirements for privacy matters such as consumer data, intellectual property rights and information security.

The Group values intellectual property rights, and strictly prohibits employees from using images, designs and other forms of intellectual property rights that do not belong to the Group or themselves without authorisation. Meanwhile, the Group encourages employees to apply for patents and publish papers, and resolutely protects the intellectual property rights in the Group's possession. During the Reporting Period, 12 technical papers were published by technical staff from the Group in domestic professional magazines and industry annual conferences. Three authorized utility model patents and one invention patent have been obtained. No complaints or proceedings regarding the infringement of intellectual property rights were received or brought against the Group.

The Group formulated the Incentive Measures for Rational Suggestions and Minor Reforms* (《合理化建議與小改小革獎勵辦法》), aiming to tap on the ingenuity of employees through brainstorming, and enhance their mobility to take the initiative to propose rational suggestions and minor reforms to the Company, so as to effectively promote the Company's rapid development, and achieve the goals of improving the economic benefits and management capabilities of the Company.

From 21 to 22 November 2024, the 2024 National Welding Pipe Academic Annual Conference was held in Jiangyin of Jiansu Province. Wang Kunxian (王坤顯), Li Guosong (李國松) and Wu Yusheng (吳禹勝) of Shandong Shengli Steel Pipe were invited to attend the conference, of which Wu Yusheng (吳禹勝) was also awarded the title of distinguished expert in the Steel Rolling Committee of the Chinese Society for Metals (中國金屬學會軋鋼分會).

**Pipe academic annual conference**


In June 2024, Shandong Shengli Steel Pipe conducted the Carbon Footprint and Type III Environmental Statement assessment for spiral submerged arc welded steel pipes and anti-corrosive steel pipes. The system boundary of this evaluation was a "cradle-to-gate" full life cycle evaluation, covering the entire process from the acquisition of raw and auxiliary materials to the completion and delivery of products. In mid-June, the Company had obtained the carbon footprint assessment and environmental declaration certificates. This assessment more clearly defined the carbon footprint data for each stage of the Company's production process. Excluding the impact of raw material factors, the Company is required to explore the feasibility for further energy savings and emission reductions based on the corresponding data. Additionally, this assessment provides strong data support for the Company's future participation in major pipeline bidding projects.

中国船级社质量认证有限公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION CO., LTD.

Ⅲ型环境声明证书

委托方：山东胜利钢管有限公司

GB/T24025-2009/ISO 14025:2006

功能单位：1kg

中国船级社质量认证有限公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION CO., LTD.

碳足迹评价证书
CERTIFICATE OF CARBON FOOTPRINT

兹证明 / This is to certify that:

防腐钢管
Anticorrosive Steel Pipe

Commissioner: Shandong Sheng Li Steel Pipe Co., Ltd.
Manufacturer: Shandong Sheng Li Steel Pipe Co., Ltd.
Production company: Shandong Sheng Li Steel Pipe Co., Ltd.
Address of the production company: No.8 Shengli Road Zhengbu Town Zhangdian District Zibo, Shan Dong Province, P.R. China

Evaluation Criteria: ISO 14067:2018, PAS 2050:2011 and related standards
Time Period: 01/01/2023 to 31/12/2023
Accounting Boundary: Cradle to gate
Function Unit: 1 Kilogram of Anticorrosive steel pipe
Carbon Emission per Function Unit: 3.96kgCO₂e
Valid Until: two years after issuance date

中国船级社质量认证有限公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION CO., LTD.

碳足迹评价证书
CERTIFICATE OF CARBON FOOTPRINT

兹证明 / This is to certify that:

Submerged-arc welded Helical pipe

Commissioner: SHANDONG SHENG LI STEEL PIPE CO., LTD.
Manufacture: SHANDONG SHENG LI STEEL PIPE CO., LTD.
Production company: SHANDONG SHENG LI STEEL PIPE CO., LTD.
Address of the production company: No.8 Shengli Road, Zhengbu Town, Zhangdian District, Zibo, Shandong Province, P.R. China

Evaluation Criteria: ISO 14067:2018, PAS 2050:2011 and related standards
Time Period: 1/1/2023 to 31/12/2023
Accounting Boundary: From Raw and auxiliary materials obtained to product production and leaving the factory(cradle to gate)
Function Unit: 1 kilogram of Submerged-arc welded Helical pipe
Carbon Emission per Function Unit: 2.96 kgCO₂e
Valid Until: two years after issuance date

中国船级社质量认证有限公司
CHINA CLASSIFICATION SOCIETY CERTIFICATION CO., LTD.

Ⅲ型环境声明证书

委托方：山东胜利钢管有限公司

GB/T24025-2009/ISO 14025:2006

To guarantee information security, the Group has standardized the processes of collecting, storing and using information. For example, the Group only collects information for legal and commercial operation purposes, and only grants relevant employees access to such information. In addition, full-time or part-time staff is deployed to perform centralized management of computer systems and networks, and through enhancing the management of labor discipline and standardizing work procedures, the risk of leakage of corporate information is kept to minimal.

The Group observed Patent Law of the People's Republic of China (revised in 2020)* (《中華人民共和國專利法(2020修正)》), Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (revised in 2010)* (《中華人民共和國專利法實施細則(2010修訂)》), Regulations of Shandong Province on Science and Technology Progress* (《山東省科學技術進步條例》), Regulations on the Promotion of Intellectual Property Rights of Shandong Province* (《山東省知識產權促進條例》), Patent Labelling and Marking Method* (《專利標識標注辦法》), Patent Compulsory Licensing Method* (《專利實施強制許可辦法》) and other regulations. No case of violation was identified during the Reporting Period.

### Prevention of Bribery, Extortion, Fraud and Money Laundering

The Group has established the Administrative System for Staff Awards and Punishments* (《員工獎懲管理制度》), which sets out the types, measures and procedures of awards and punishments, in strict compliance with the Criminal Law of the PRC* (《中華人民共和國刑法》), the Law of the PRC on Tenders and Bids* (《中華人民共和國招標投標法》), the Contract Law of the PRC* (《中華人民共和國合同法》) and other laws and regulations, with an aim to avoid bribery, extortion, fraud and money laundering. Severe punishment will be imposed on those who violate the laws and discipline for their own benefit, while lenient punishment or mitigation or remission of punishment will be administered to those who make voluntary confession or blow the whistle on others to avoid losses.

The Group conducts stringent management on procurement and tender process, where corruption is likely to take place. Approaches which enable multi-participant and multi-stage approval such as contract review and tender meetings are adopted, reviewed and monitored on a regular basis, so as to prevent bribery, extortion, fraud and money laundering. Meanwhile, various channels to report instances of corruption and non-compliance to senior management of the Group by the employees and other relevant parties have been established, including via phone call, mail, letter and the General Manager's Mailbox. The Group is concerned about each case of corruption and non-compliance, so as to conduct fair and rigorous investigation, and keeps the identity of whistle-blowers confidential to protect their interests.

The Group attaches importance to strengthening the anti-corruption awareness and capability of our employees and external parties, carries out regular inspection over acts in violation of laws and regulations among Group members, and updates and timely popularizes the knowledge system concerning anti-corruption, aiming to enhance the awareness of all employees and parties against corruption.

During the Reporting Period, the Group and its employees did not encounter any corruption proceedings or cases.

## COMMUNITY INVOLVEMENT AND PUBLIC WELFARE

### Trade Union of Shandong Shengli provided assistance to an employee whose family suffered a sudden misfortune

In July 2024, the Trade Union of Shandong Shengli Steel Pipe visited an employee whose family had suffered a significant misfortune, and delivered the Company's care, greeting and comfort both emotionally and materially by offering RMB5,000 of consolation money to help alleviate his/her financial pressure caused by the sudden hardship. This assistance effort is a concrete manifestation of the Company's and its Trade Union's commitment to "helping those in distress and supporting each other in times of need (扶危濟困、守望相助)", as well as a specific implementation of the Company's care and responsibility towards its employees.

### Love Zibo, Walk Together (愛淄博　益起走)

On 28 September 2024, the Love 100 Charity Fleet of FM100 Zibo Transport Voice Broadcasting organized the "Love Zibo, Walk Together (愛淄博、益起走)" public welfare event. Shi Xiujun (石秀軍) and Zhang Zhipeng (張志鵬) from Shandong Shengli Steel Pipe participated in this event.


Shi Xiujun (石秀軍) from Shandong Shengli Steel Pipe was awarded the title of "Charity Star" at the 10th anniversary public welfare ceremony of "Volunteer Zibo Love 100 Charity Fleet" on 27 December 2024.

Zhang Zhipeng (張志鵬) from Shandong Shengli Steel Pile was awarded the title of "Outstanding Member" at the 10th anniversary public welfare ceremony of "Volunteer Zibo Love 100 Charity Fleet" on 27 December 2024.

The Group not only provided mental support for employees to take part in social and welfare activities, but also rewarded them with physical assistance and incentives, so as to pass the spirit of devotion of remaining true to original aspiration and pressing ahead to each employee and let them feel the love and care around.

**Inheriting the spirit of Lei Feng and pooling the power of passion**

Shi Xiujun (石秀軍), a driver at Shandong Shengli Steel Pipe Logistics Centre, has participated in blood donation activities multiple times, bringing the light of life to patients awaiting blood treatments. This act is not only a gesture of kindness but also a fulfillment of responsibility and duty. Through his warm blood, he conveys love, fulfills his vows, and shoulders his mission with practical actions to illuminate the light of life. To promote the spirit of public welfare, he practices the original intention of learning from Lei Feng with his actions, spreading positive energy for life.

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* For identification purpose only

# INDEPENDENT AUDITOR'S REPORT

AT 31 DECEMBER 2024

**Forvis Mazars CPA Limited**
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Website 網址 : www.forvismazars.com

**TO THE MEMBERS OF SHENGLI OIL & GAS PIPE HOLDINGS LIMITED**

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

## OPINION

We have audited the consolidated financial statements of Shengli Oil & Gas Pipe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 187, which comprise the consolidated statement of financial position at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements 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, we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of property, plant and equipment and right-of-use assets*** | |
| At 31 December 2024, the Group has property, plant and equipment and right-of-use assets relating to the pipe business with aggregate net carrying amounts of approximately RMB360,258,000.<br><br>The Group identified two cash generating units in relation to the pipe business, namely "Shandong CGU" and "Xinjiang CGU". The Group's management engaged independent professional valuers to assess the recoverable amounts of Shandong CGU and Xinjiang CGU using the value-in-use calculation based on cash flow projections and the fair value less cost of disposal calculation, respectively, for the purpose of impairment assessment of property, plant and equipment and right-of-use assets relating to the pipe business.<br><br>We have identified the impairment assessment of pipe-business-related property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the carrying amounts to the consolidated financial statements and significant estimates made by the Group's management in determining the recoverable amounts of Shandong CGU and Xinjiang CGU.<br><br>Related disclosures are included in Notes 4(i), 16 and 20 to the consolidated financial statements. | Our procedures, among others, included:<br><br>• Evaluating the competence, capabilities and objectivity of the independent professional valuers;<br><br>• Assessing the appropriateness of the methodologies used by the independent professional valuers;<br><br>• Assessing the appropriateness of using the value-in-use calculation for Shandong CGU and the fair value less cost of disposal calculation for Xinjiang CGU in determining the respective recoverable amounts;<br><br>• Evaluating the reasonableness of key assumptions based on our knowledge of the industry and market of Shandong CGU and Xinjiang CGU;<br><br>• Checking, on a sample basis, the accuracy and relevance of the input data provided by the Group's management to the independent professional valuers; and<br><br>• Checking arithmetical accuracy of the valuation calculation and recognition and disclosure of impairment loss (if any) of Shandong CGU and Xinjiang CGU. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Expected credit losses ("ECL") assessment of trade receivables*** | |
| At 31 December 2024, the gross carrying amounts of trade receivables and the related allowance for ECL amounted to approximately RMB49,668,000 and RMB539,000, respectively.<br><br>At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables.<br><br>The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.<br><br>We have identified ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty.<br><br>Related disclosures are included in Notes 4(iii), 6 and 23 to the consolidated financial statements. | Our procedures, among others, included:<br><br>• Understanding the Group's credit risk management and practices and assessing the Group's ECL policy in accordance with the requirements of applicable accounting standards;<br><br>• Evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL;<br><br>• Checking the aging profile of the trade receivables at the end of reporting period and the post period-end subsequent settlement from customers, on a sample basis, to underlying accounting records and supporting documents;<br><br>• Understanding and evaluating the management's process in identifying the relevant forward-looking information for the ECL assessment; and<br><br>• Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk of the Group in the consolidated financial statements. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of equity investment designated at fair value through other comprehensive income ("Equity Investment — Designated FVOCI")*** | |
| At 31 December 2024, the Group's Equity Investment — Designated FVOCI of approximately RMB62,619,000 is stated at fair value based on the valuation carried out by an independent professional valuer.<br><br>We have identified the valuation of Equity Investment — Designated FVOCI as a key audit matter because the carrying amount of Equity Investment — Designated FVOCI was significant to the consolidated financial statements and the valuation required significant judgement and involved high level of uncertainty.<br><br>Related disclosures are included in Notes 4(vi), 6 and 19 to the consolidated financial statements. | Our procedures, among others, included:<br><br>• Evaluating the competence, capabilities and objectivity of the independent professional valuer;<br><br>• Assessing the appropriateness of the methodology used by the independent professional valuer;<br><br>• Evaluating the reasonableness of key assumptions based on our knowledge of the business and industry;<br><br>• Checking, on a sample basis, the accuracy and relevance of the input data provided by management to independent professional valuer;<br><br>• Checking arithmetical accuracy of the valuation calculation; and<br><br>• Checking the disclosure in relation to the fair value measurement of Equity Investment — Designated FVOCI according to the applicable accounting standards. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2024 Annual Report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

**Forvis Mazars CPA Limited**
*Certified Public Accountants*
Hong Kong, 24 March 2025

The engagement director on the audit resulting in this independent auditor's report is:
**She Shing Pang**
Practising Certificate number: P05510

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2024

| | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 8 | **570,069** | 591,885 |
| Cost of sales and services | | **(510,933)** | (558,422) |
| Gross profit | | **59,136** | 33,463 |
| Other income and gains | 9 | **7,657** | 17,838 |
| Selling and distribution expenses | | **(32,487)** | (27,730) |
| Administrative expenses | | **(78,334)** | (94,281) |
| Other expenses | | **(800)** | (1,658) |
| Share of results of an associate | 18 | **14,588** | 10,214 |
| Share of results of a former associate | 18 | **—** | 1,559 |
| Gain on disposal of equity interests in a former associate | | **—** | 1,029 |
| Impairment loss on investment in a former associate | | **—** | (39,044) |
| Reversal of (Provision for) impairment loss on trade receivables, net | 23(a) | **821** | (1,242) |
| Finance costs | 10 | **(13,872)** | (14,503) |
| **Loss before tax** | 11 | **(43,291)** | (114,355) |
| Income tax (expenses) credit | 13 | **(57)** | 15,122 |
| **Loss for the year** | | **(43,348)** | (99,233) |
| **Other comprehensive loss:** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Changes in fair value of Equity Investment — Designated FVOCI | 19 | **(34,645)** | — |
| **Total comprehensive loss for the year** | | **(77,993)** | (99,233) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2024

| | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(42,564)** | (98,414) |
| Non-controlling interests | 17 | **(784)** | (819) |
| | | **(43,348)** | (99,233) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(77,209)** | (98,414) |
| Non-controlling interests | 17 | **(784)** | (819) |
| | | **(77,993)** | (99,233) |
| **Loss per share** | 14 | | |
| Basic (RMB cents) | | **(1.10)** | (2.54) |
| Diluted (RMB cents) | | **(1.10)** | (2.54) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **211,882** | 215,951 |
| Right-of-use assets | 20 | **167,506** | 172,715 |
| Investment in an associate | 18 | **107,366** | 92,778 |
| Equity Investment — Designated FVOCI | 19 | **62,619** | 97,264 |
| Deposits paid for acquisition of property, plant and equipment | | **75** | 289 |
| Deferred tax assets | 21 | **285** | 358 |
| | | **549,733** | 579,355 |
| **Current assets** | | | |
| Inventories | 22 | **127,993** | 122,395 |
| Trade and bills receivables | 23 | **49,129** | 61,926 |
| Contract assets | 24 | **36,317** | 42,159 |
| Prepayments, deposits and other receivables | 25 | **173,362** | 129,243 |
| Restricted deposits | 26 | **243** | 11,183 |
| Cash and cash equivalents | 26 | **127,720** | 137,318 |
| | | **514,764** | 504,224 |
| **Current liabilities** | | | |
| Trade payables | 27 | **46,104** | 44,497 |
| Other payables and accruals | 28 | **19,756** | 20,956 |
| Contract liabilities | 24 | **259,063** | 181,490 |
| Lease liabilities | 20 | **1,041** | 954 |
| Borrowings | 29 | **203,866** | 237,167 |
| Deferred income | 30 | **292** | 292 |
| | | **530,122** | 485,356 |
| **Net current (liabilities) assets** | | **(15,358)** | 18,868 |
| **Total assets less current liabilities** | | **534,375** | 598,223 |
| **Non-current liabilities** | | | |
| Lease liabilities | 20 | **—** | 1,007 |
| Borrowings | 29 | **105,970** | 92,400 |
| Deferred income | 30 | **848** | 1,140 |
| Deferred tax liabilities | 21 | **228** | 244 |
| | | **107,046** | 94,791 |
| **NET ASSETS** | | **427,329** | 503,432 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Issued capital | 31 | **334,409** | 334,409 |
| Reserves | 32 | **83,773** | 160,790 |
| **Equity attributable to owners of the Company** | | **418,182** | 495,199 |
| **Non-controlling interests** | 17 | **9,147** | 8,233 |
| **TOTAL EQUITY** | | **427,329** | 503,432 |

The consolidated financial statements on pages 107 to 187 were approved and authorised for issue by the Board of Directors on 24 March 2025 and signed on its behalf by

**Zhang Bizhuang**
*Director*

**Han Aizhi**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2024

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 (Note 31) | Share premium RMB'000 (Note 32(a)) | Statutory surplus reserve RMB'000 (Note 32(b)) | Share option reserve RMB'000 (Note 32(c)) | FVOCI reserve RMB'000 (Note 32(d)) | Capital reserve RMB'000 (Note 32(e)) | Other reserve RMB'000 (Note 32(f)) | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2023 | 334,409 | 1,230,106 | 62,484 | 1,031 | – | – | (9) | (1,034,483) | 593,538 | 9,052 | 602,590 |
| Loss for the year and total comprehensive loss for the year | – | – | – | – | – | – | – | (98,414) | (98,414) | (819) | (99,233) |
| **Transactions with owners** | | | | | | | | | | | |
| *Contributions and distributions* | | | | | | | | | | | |
| Equity-settled share-based payments expenses (Note 33) | – | – | – | 75 | – | – | – | – | 75 | – | 75 |
| Forfeited share options (Note 33) | – | – | – | (6) | – | – | – | 6 | – | – | – |
| **Total transactions with owners** | – | – | – | 69 | – | – | – | 6 | 75 | – | 75 |
| At 31 December 2023 | 334,409 | 1,230,106 | 62,484 | 1,100 | – | – | (9) | (1,132,891) | 495,199 | 8,233 | 503,432 |

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 (Note 31) | Share premium RMB'000 (Note 32(a)) | Statutory surplus reserve RMB'000 (Note 32(b)) | Share option reserve RMB'000 (Note 32(c)) | FVOCI reserve RMB'000 (Note 32(d)) | Capital reserve RMB'000 (Note 32(e)) | Other reserve RMB'000 (Note 32(f)) | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2024 | 334,409 | 1,230,106 | 62,484 | 1,100 | – | – | (9) | (1,132,891) | 495,199 | 8,233 | 503,432 |
| Loss for the year | – | – | – | – | – | – | – | (42,564) | (42,564) | (784) | (43,348) |
| **Other comprehensive loss** | | | | | | | | | | | |
| *Item that will not be reclassified to profit or loss:* | | | | | | | | | | | |
| Changes in fair value of Equity Investment – Designated FVOCI (Note 19) | – | – | – | – | (34,645) | – | – | – | (34,645) | – | (34,645) |
| **Total other comprehensive loss for the year** | – | – | – | – | (34,645) | – | – | – | (34,645) | – | (34,645) |
| **Total comprehensive loss for the year** | – | – | – | – | (34,645) | – | – | (42,564) | (77,209) | (784) | (77,993) |
| **Transactions with owners** | | | | | | | | | | | |
| *Contributions and distributions* | | | | | | | | | | | |
| Forfeited share options (Note 33) | – | – | – | (899) | – | – | – | 899 | – | – | – |
| *Changes in ownership interests* | | | | | | | | | | | |
| Changes in ownership interests in a subsidiary that do not result in a loss of control (Note 17) | – | – | – | – | – | 192 | – | – | 192 | 1,698 | 1,890 |
| **Total transactions with owners** | – | – | – | (899) | – | 192 | – | 899 | 192 | 1,698 | 1,890 |
| **At 31 December 2024** | 334,409 | 1,230,106 | 62,484 | 201 | (34,645) | 192 | (9) | (1,174,556) | 418,182 | 9,147 | 427,329 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2024

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before tax | **(43,291)** | (114,355) |
| Adjustments for: | | |
| Finance costs | **13,872** | 14,503 |
| Interest income | **(1,126)** | (558) |
| Share of results of associates | **(14,588)** | (11,773) |
| Depreciation of property, plant and equipment | **19,381** | 18,185 |
| Depreciation of right-of-use assets | **5,209** | 5,223 |
| Loss (Gain) on disposal of property, plant and equipment, net | **55** | (3) |
| (Reversal of) Provision for impairment loss on trade receivables, net | **(821)** | 1,242 |
| Impairment loss on investment in a former associate | **–** | 39,044 |
| Gain on disposal of equity interests in a former associate | **–** | (1,029) |
| Reversal of write-down of inventories | **(1,471)** | (1,976) |
| Equity-settled share-based payments expenses | **–** | 75 |
| Recognition of deferred income | **(292)** | (807) |
| **Operating cash flows before changes in working capital** | **(23,072)** | (52,229) |
| Changes in working capital: | | |
| Inventories | **(4,127)** | (9,154) |
| Trade and bills receivables | **13,618** | 32,362 |
| Contract assets | **5,842** | 10,751 |
| Prepayments, deposits and other receivables | **(55,422)** | (44,560) |
| Trade payables | **1,607** | (7,763) |
| Other payables and accruals | **223** | (7,903) |
| Contract liabilities | **77,573** | 51,799 |
| **Cash generated from (used in) operations and net cash from (used in) operating activities** | **16,242** | (26,697) |

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Payment for purchase of property, plant and equipment | | **(3,135)** | (8,011) |
| Proceeds from disposal of property, plant and equipment | | **68** | 45 |
| Proceeds from disposal of a former associate | | **—** | 10,780 |
| Changes in restricted deposits | | **10,940** | 8,660 |
| Interest received | | **1,126** | 558 |
| **Net cash from investing activities** | | **8,999** | 12,032 |
| **FINANCING ACTIVITIES** | 34(b) | | |
| Inception of borrowings | | **183,650** | 401,177 |
| Repayment of borrowings | | **(203,381)** | (392,920) |
| Repayment of lease liabilities | | **(1,003)** | (934) |
| Interest paid | | **(14,105)** | (14,116) |
| **Net cash used in financing activities** | | **(34,839)** | (6,793) |
| **Net decrease in cash and cash equivalents** | | **(9,598)** | (21,458) |
| **Cash and cash equivalents at the beginning of the reporting period** | | **137,318** | 158,776 |
| **Cash and cash equivalents at the end of the reporting period** | 26 | **127,720** | 137,318 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

## 1. GENERAL INFORMATION

Shengli Oil & Gas Pipe Holdings Limited (the "Company" together with its subsidiaries collectively referred to as the "Group") is a limited liability company incorporated in the Caymans Islands on 3 July 2009. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2009. The address of the Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business of the Company in Hong Kong and the People's Republic of China (the "PRC") are located at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and Zhongbu Town, Zhangdian District, Zibo City, Shandong Province 255082, the PRC, respectively.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in Notes 17 and 18 to the consolidated financial statements, respectively.

## 2. MATERIAL ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements are presented in Renminbi ("RMB") which is also the Company's functional currency and all amounts have been rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the new/revised IFRS Accounting Standards and effective from the current year as set out below.

### Going concern

At 31 December 2024, the current liabilities of the Group exceeded its current assets by approximately RMB15,358,000.

The directors of the Company have prepared the Group's cash flow projections covering a period of not less than twelve months from 31 December 2024. Based on the cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2024.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Going concern (Continued)

The directors of the Company are of the opinion that, taking into account of (i) the cash flow projections of the Group; and (ii) confirmed credit commitments from financial institutions, the Group has sufficient working capital for its present requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

### Changes in accounting policies

The Group has applied, for the first time, the following new/revised IFRS Accounting Standards:

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

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

#### *Amendments to IAS 1: Non-current Liabilities with Covenants*

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

#### *Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements*

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Changes in accounting policies (Continued)

#### *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

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

A summary of the material accounting policies adopted by the Group is set out below.

### Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for an equity investment at fair value through other comprehensive income ("Equity Investment — Designated FVOCI") which is measured at fair value as explained in the material accounting policies set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to the end of each reporting period. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment loss. The carrying amounts of the investments are reduced to their respective recoverable amount on an individual basis, if it is higher than the recoverable amount.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Consolidation (Continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### Associates

An associate is entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Associates (Continued)

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Group and principal operating subsidiaries.

#### *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### *Transactions and balances in each entity's financial statements (Continued)*

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Property, plant and equipment

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

Depreciation is provided to write-off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 20–60 years or over the terms of the leases |
| Plant and machinery | 10 years |
| Motor vehicles | 6 years |
| Electronic equipment and others | 4–5 years |

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.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents plant and machinery, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

### Leases

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Land use rights | 2% |
| Office premises | 33%–50% |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as lessee (Continued)*

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below RMB30,000.

#### *The Group as lessor*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets*

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the time frame established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

*(i) Financial assets at amortised cost*

Financial assets are classified under this category if they satisfy both of the following conditions:

(a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

The Group's financial assets at amortised cost include trade and bills receivables, deposits and other receivables, restricted deposits and cash and cash equivalents.

*(ii) Equity investments measured at fair value through other comprehensive income ("Designated FVOCI")*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group's financial assets at Designated FVOCI include an unlisted equity investment in a private entity incorporated in the PRC.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Loss allowances for expected credit losses*

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("life time expected credit losses") for trade receivables and contract assets or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of life time expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

The Group's financial liabilities include trade payables, other payables and accrual, lease liabilities and borrowings. All financial liabilities, except for financial liabilities at fair value through profit or loss ("FVPL"), are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the consolidated statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

### Revenue recognition

***Revenue from contracts with customers within IFRS 15***

*Nature of goods or services*

The nature of the goods or services provided by the Group is as follows:

(a) Sale of pipe;

(b) Rendering of services related to pipe business; and

(c) Trading of commodities.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### *Revenue from contracts with customers within IFRS 15 (Continued)*

*Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

*Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

***Revenue from contracts with customers within IFRS 15 (Continued)***

*Timing of revenue recognition (Continued)*

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of pipe and trading of commodities are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered and title has been passed.

Revenue from rendering of services related to pipe business is recognised at a point in time at which the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the Group's pipe business, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Revenue from other sources

#### *Rental income*

Rental income is recognised on a straight-line basis over the lease term.

#### *Interest income*

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

#### *Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been established.

### Employee benefits

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

#### *Employee leave entitlement*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *Defined contribution plans*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of Hong Kong dollars ("HK$") 30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Employee benefits (Continued)

#### *Defined contribution plans (Continued)*

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme.

No forfeited contributions of the Group may be used by the employers to reduce the existing level of contributions.

#### *Termination benefits*

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

### Share-based payments

#### *Equity-settled transactions*

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits/losses.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Segment reporting

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

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

### Related parties

A related party is a person or entity that is related to the Group:

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

## 2. MATERIAL ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (except investments, deferred tax assets, inventories and receivables) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions and contingent liabilities

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

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

## 3. FUTURE CHANGES IN IFRS ACCOUNTING STANDARDS

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the current year, which the Group has not early adopted.

| | |
|---|---|
| Amendments to IAS 21 | Lack of Exchangeability(1) |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments(2) |
| Annual Improvements to IFRS Accounting Standards | Volume 11(2) |
| Amendments to IFRS 9 and IFRS 7 | Contracts Referencing Nature-dependent Electricity(2) |
| IFRS 18 | Presentation and Disclosure in Financial Statements(3) |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures(3) |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4) |

(1) Effective for annual periods beginning on or after 1 January 2025

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

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

(4) The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the consolidated financial statements of the Group.

## 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES

Estimates and assumptions concerning the future and judgements are made by the directors of the Company in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

### Key sources of estimation uncertainty

The followings are 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 reporting period.

## 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

#### *(i) Impairment loss on non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets, including property, plant and equipment and right-of-use assets, at the end of each reporting period in accordance with the material accounting policies as disclosed in Note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value-in-use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

#### *(ii) Useful lives of property, plant and equipment*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### *(iii) Loss allowance for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and bills receivables and prepayments, deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

#### *(iv) Impairment loss recognised in respect of investment in an associate*

Investment in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculation is used for assessing the recoverable amount of the interests. These calculation requires use of judgments and estimates.

## 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

#### *(iv) Impairment loss recognised in respect of investment in an associate (Continued)*

Management judgment is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying amount of interests may not be recoverable; and (ii) whether the carrying amount of the investment in an associate can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and consolidated results of operations.

#### *(v) Write-down of inventories*

The Group determines the write-down for obsolescence of inventories with reference to aged inventory analyses and projections of expected future sale ability of goods. Based on this review, write-down of inventories will be made when the carrying amounts of inventories are lower than their estimated net realisable values. Due to changes in market conditions, actual sale ability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

#### *(vi) Fair value of Equity Investment — Designated FVOCI*

The fair value of Equity Investment — Designated FVOCI that is not traded in active market is determined by valuation techniques. Fair value of Equity Investment — Designated FVOCI at the reporting date is estimated by the management of the Group based on assets approach with reference to the valuation report prepared by an independent professional valuer. Valuation techniques that include inputs that are not based on observable market data and require the management of the Group to make judgement on the assumptions made in the valuation assessment which is detailed in Note 19 to the consolidated financial statements.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged during the years ended 31 December 2024 and 2023.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise restricted deposits, cash and cash equivalents, Equity Investment — Designated FVOCI and borrowings. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables, trade payables, contract assets, contract liabilities, other receivables and deposits, other payables and accruals and lease liabilities, which arise directly from its operations.

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

### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing borrowings. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 29 to the consolidated financial statements.

At 31 December 2024, if the interest rates had been 1% higher/lower while all other variables were held constant, the Group's consolidated losses before tax for the year ended 31 December 2024 would increase/decrease by approximately RMB2,760,000 *(2023: approximately RMB2,808,000)* as a result of changes in interest expenses on interest-bearing borrowings.

The above sensitivity analysis has been determined assuming that the reasonably possible changes in the interest rate has occurred at the beginning of the reporting period and has been applied to the exposure to interest rate risk in existence at the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk because the exposure at 31 December 2024 and 31 December 2023 do not reflect the exposure during the years ended 31 December 2024 and 2023.

### Price risk

At 31 December 2024, the Group is exposed to price risk arising from Equity Investment — Designated FVOCI amounted to approximately RMB62,619,000 *(2023: approximately RMB97,264,000)*. The equity investment is held for strategic rather than trading purposes. The Group does not actively trade the equity investment. The sensitivity analysis has been determined based on the exposure to price risk.

At 31 December 2024, if the fair value of Equity Investment — Designated FVOCI had been 5% higher/lower while all other variables were held constant, the Group's total other comprehensive loss would decrease/increase by approximately RMB3,131,000 *(2023: approximately RMB4,863,000)* as a result of changes in fair value of Equity Investment — Designated FVOCI.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Price risk (Continued)

The above sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of Equity Investment — Designated FVOCI had occurred at 31 December 2024 and 31 December 2023 and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investments over the next 12 months after the years ended 31 December 2024 and 2023.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at 31 December 2024 and 31 December 2023 do not reflect the exposure during the years ended 31 December 2024 and 2023.

### Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

In addition, the Group continuously monitors its trade receivable balance and insists that salespersons are responsible for cash collection, and the persons who approve sales contracts are accountable for the collection of receivables.

The Group's other financial assets include restricted deposits, cash and cash equivalents and other receivables and deposits. Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's restricted deposits and other receivables and deposits arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

At 31 December 2024, the Group had certain concentration of credit risk as approximately 29% *(2023: approximately 22%)* and approximately 73% *(2023: approximately 78%)* of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written-off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

| Category | Definition | Loss provision |
|---|---|---|
| Performing | Low risk of default and strong capacity to pay | 12 month expected losses |
| Non-performing | Significant increase in credit risk | Lifetime expected losses |

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets 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 interest-bearing borrowings and its own funding sources.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

The maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

| | Within 1 year or on demand RMB'000 | 1 to 2 years RMB'000 | 2 to 3 years RMB'000 | Total RMB'000 | Carrying amounts in the consolidated statement of financial position RMB'000 |
|---|---|---|---|---|---|
| **At 31 December 2024** | | | | | |
| Trade payables | 46,104 | – | – | 46,104 | 46,104 |
| Financial liabilities included in other payables and accruals | 18,850 | – | – | 18,850 | 18,850 |
| Lease liabilities | 1,068 | – | – | 1,068 | 1,041 |
| Borrowings | 213,508 | 107,023 | – | 320,531 | 309,836 |
| | 279,530 | 107,023 | – | 386,553 | 375,831 |

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

| | Within 1 year or on demand RMB'000 | 1 to 2 years RMB'000 | 2 to 3 years RMB'000 | Total RMB'000 | Carrying amounts in the consolidated statement of financial position RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2023 | | | | | |
| Trade payables | 44,497 | – | – | 44,497 | 44,497 |
| Financial liabilities included in other payables and accruals | 20,320 | – | – | 20,320 | 20,320 |
| Lease liabilities | 1,035 | 1,036 | – | 2,071 | 1,961 |
| Borrowings | 245,873 | 426 | 101,075 | 347,374 | 329,567 |
| | 311,725 | 1,462 | 101,075 | 414,262 | 396,345 |

### Categories of financial instruments

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Financial assets:** | | |
| Financial assets at amortised cost | | |
| Trade and bills receivables | **49,129** | 61,926 |
| Financial assets included in prepayments, deposits and other receivables | **168,164** | 111,566 |
| Restricted deposits | **243** | 11,183 |
| Cash and cash equivalents | **127,720** | 137,318 |
| | **345,256** | 321,993 |
| Financial assets at fair value | | |
| Equity Investment — Designated FVOCI | **62,619** | 97,264 |
| | **407,875** | 419,257 |

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Categories of financial instruments (Continued)

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Financial liabilities:** | | |
| Financial liabilities at amortised cost | | |
| Trade payables | **46,104** | 44,497 |
| Financial liabilities included in other payables and accruals | **18,850** | 20,320 |
| Borrowings | **309,836** | 329,567 |
| Lease liabilities | **1,041** | 1,961 |
| | **375,831** | 396,345 |

### Fair value measurement

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, *"Fair Value Measurement"*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

### *a) Financial instruments that are measured at fair value*

| **Financial assets** | **Fair value at the end of the reporting period** RMB | **Fair value hierarchy** | **Valuation techniques** | **Significant unobservable inputs** | **Relationship of unobservable inputs to fair value** | **Sensitivity of unobservable inputs** |
|---|---|---|---|---|---|---|
| **Equity Investment — Designated FVOCI** | | | | | | |
| Unlisted equity investment | 62,619,000 *(2023: 97,264,000)* | Level 3 | Adjusted asset approach | Marketability discount | The higher the discount rate, the lower the fair value. | If the discount rate increased/decreased by 1%, the fair value of the unlisted equity investment would be decreased/increased by approximately RMB3,913,000 *(2023: RMB5,783,000).* |

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair value measurement (Continued)

#### a) *Financial instruments that are measured at fair value (Continued)*

Movements in Level 3 fair value measurements is as follow:

| | RMB'000 |
|---|---|
| At 1 January 2023 | — |
| Additions (Note 19) | 97,264 |
| At 31 December 2023 and 1 January 2024 | 97,264 |
| Change in fair value recognised in other comprehensive income (Note 19) | (34,645) |
| **At 31 December 2024** | **62,619** |

During the year ended 31 December 2024, there was no transfers between Level 1 and Level 2, and no transfers into and out of Level 3.

During the year ended 31 December 2023, except for the additions of the Equity Investment — Designated FVOCI, there were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3.

#### b) *Financial instruments not measured at fair value*

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

## 7. OPERATING SEGMENT INFORMATION

During the years ended 31 December 2024 and 2023, the Group has two reportable segments which comprise of (i) production of submerged-arc helical welded pipes (the "SAWH pipes") and the related services which are mainly used for the oil and infrastructure industry (the "Pipe Business") and (ii) trading of commodities (the "Trading Business"). Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets exclude deferred tax assets, Equity Investment — Designated FVOCI, restricted deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

## 7. OPERATING SEGMENT INFORMATION (Continued)

Segment results represent the loss resulted by each segment without taking into account the allocation of interest income, rental income, finance costs, central administration costs including directors' and chief executive's fees, gain on disposal of equity interests in a former associate, impairment loss on investment in a former associate, equity-settled share-based payments expenses, share of results of a former associate and items not directly related to the core business of the segments.

### Segment revenue and results

The followings are analysis of the Group's revenue and results by reportable and operating segments:

**For the year ended 31 December 2024**

| | Pipe Business RMB'000 | Trading Business RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | **559,375** | **10,694** | **570,069** |
| **Segment results** | **(14,835)** | **(2,788)** | **(17,623)** |
| Interest income | | | **1,126** |
| Rental income | | | **984** |
| Unallocated other corporate expenses | | | **(13,906)** |
| Finance costs | | | **(13,872)** |
| Loss before tax | | | **(43,291)** |
| Income tax expenses | | | **(57)** |
| **Loss for the year** | | | **(43,348)** |

## 7. OPERATING SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

For the year ended 31 December 2023

| | Pipe Business RMB'000 | Trading Business RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | 547,827 | 44,058 | 591,885 |
| **Segment results** | (42,971) | (5,926) | (48,897) |
| Interest income | | | 558 |
| Rental income | | | 1,247 |
| Share of results of a former associate | | | 1,559 |
| Gain on disposal of equity interests in a former associate | | | 1,029 |
| Impairment loss on investment in a former associate | | | (39,044) |
| Equity-settled share-based payments expenses | | | (75) |
| Unallocated other corporate expenses | | | (16,229) |
| Finance costs | | | (14,503) |
| Loss before tax | | | (114,355) |
| Income tax credit | | | 15,122 |
| **Loss for the year** | | | (99,233) |

## 7. OPERATING SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segments is set out below:

**2024**

| | Pipe Business RMB'000 | Trading Business RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Segment assets** | **949,785** | **24,103** | **90,609** | **1,064,497** |
| **Segment liabilities** | **(324,250)** | **(8)** | **(312,910)** | **(637,168)** |
| **Other segment information:** | | | | |
| Rental income | — | — | 984 | 984 |
| Reversal of write-down of inventories | 1,471 | — | — | 1,471 |
| Reversal of impairment loss on trade receivables, net | 821 | — | — | 821 |
| Share of results of an associate | 14,588 | — | — | 14,588 |
| Loss on disposal of property, plant and equipment, net | 55 | — | — | 55 |
| Depreciation | 22,896 | — | 1,694 | 24,590 |
| Investment in an associate | 107,366 | — | — | 107,366 |
| Equity Investment — Designated FVOCI | — | — | 62,619 | 62,619 |
| Finance costs | — | — | 13,872 | 13,872 |
| Capital expenditure (Note) | 2,242 | — | 13,193 | 15,435 |

## 7. OPERATING SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

2023

| | Pipe Business RMB'000 | Trading Business RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Segment assets** | 964,376 | 4,559 | 114,644 | 1,083,579 |
| **Segment liabilities** | (245,917) | (17) | (334,213) | (580,147) |
| **Other segment information:** | | | | |
| Rental income | – | – | 1,247 | 1,247 |
| Reversal of write-down of inventories | 1,976 | – | – | 1,976 |
| Provision for impairment loss on trade receivables, net | 1,242 | – | – | 1,242 |
| Share of results of associates | 10,214 | – | 1,559 | 11,773 |
| Provision for impairment loss on investment in a former associate | – | – | 39,044 | 39,044 |
| Gain on disposal of equity interests in a former associate | – | – | 1,029 | 1,029 |
| Gain on disposal of property, plant and equipment, net | 3 | – | – | 3 |
| Depreciation | 22,311 | 104 | 993 | 23,408 |
| Investment in an associate | 92,778 | – | – | 92,778 |
| Equity Investment – Designated FVOCI | – | – | 97,264 | 97,264 |
| Finance costs | – | – | 14,503 | 14,503 |
| Capital expenditure (Note) | 9,052 | – | 4,303 | 13,355 |

Note: Amount included in the capital expenditure represented the addition of property, plant and equipment of approximately RMB15,435,000 *(2023: approximately RMB13,355,000)*.

### Geographical Information

The geographical location of the Group's revenue from external customers is presented based on the location of the customers. No geographical analysis on revenue from external customers is provided as substantially all of the Group's revenue is principally attributable to the PRC.

## 7. OPERATING SEGMENT INFORMATION (Continued)

### Geographical Information (Continued)

The geographical location of the Group's non-current assets, other than investment in an associate, Equity Investment — Designated FVOCI and deferred tax assets, is presented based on the location of the assets as follows:

### Non-current assets

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| The PRC | **378,501** | 387,097 |
| Hong Kong | **962** | 1,858 |
| | **379,463** | 388,955 |

### Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

| | **Segment** | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Customer A | Pipe Business | **375,443** | 200,100 |

## 8. REVENUE

### (i) Disaggregation of revenue from contracts with customers within IFRS 15

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Types of goods or service** | | |
| **Pipe business** | | |
| Sales of pipe | **514,921** | 510,914 |
| Rendering of services related to the Pipe Business | **44,454** | 36,913 |
| | **559,375** | 547,827 |
| **Trading business** | | |
| Trading of commodities | **10,694** | 44,058 |
| | **570,069** | 591,885 |

## 8. REVENUE (Continued)

### (i) Disaggregation of revenue from contracts with customers within IFRS 15 (Continued)

**For the year ended 31 December 2024**

| | Pipe Business RMB'000 | Trading Business RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Geographical markets** | | | |
| The PRC | **559,375** | **10,694** | **570,069** |
| **Timing of revenue recognition** | | | |
| At a point in time | **559,375** | **10,694** | **570,069** |

For the year ended 31 December 2023

| | Pipe Business RMB'000 | Trading Business RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Geographical markets** | | | |
| The PRC | 547,827 | 44,058 | 591,885 |
| **Timing of revenue recognition** | | | |
| At a point in time | 547,827 | 44,058 | 591,885 |

### (ii) Performance obligations for contracts with customers

***Sales of pipe and rendering of related services***

The Group manufactures and sells SAWH pipes and provides anti-corrosion processing service to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Warranty provision is recognised based on the management's best estimates on the Group's liabilities under the standard warranty terms granted with reference to the prior experience for the defective products. In the opinion of the directors of the Company, no warranty provision is recognised for the years ended 31 December 2024 and 2023.

## 8. REVENUE (Continued)

### (ii) Performance obligations for contracts with customers (Continued)

***Sales of pipe and rendering of related services (Continued)***

Sales to customers are normally made with credit terms up to 180 days for the years ended 31 December 2024 and 2023. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

***Trading Business***

The Group sells commodities to the customers. Sales are recognised when control of the commodities has transferred, being when the commodities are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the commodities and the customer has obtained legal titles to the commodities.

Sales to customers are normally made with credit terms of 90 to 180 days for the years ended 31 December 2024 and 2023. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the commodities are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 9. OTHER INCOME AND GAINS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Other income** | | |
| Interest income | **1,126** | 558 |
| Government grants (Note) | **292** | 807 |
| Rental income | **984** | 1,247 |
| Others | **751** | 688 |
| | **3,153** | 3,300 |
| **Other gains** | | |
| Gain on sales of materials | **4,504** | 14,535 |
| Gain on disposal of property, plant and equipment, net | **—** | 3 |
| | **4,504** | 14,538 |
| | **7,657** | 17,838 |

Note: In the opinion of the directors of the Company, there was no unfulfilled condition or contingency relating to the government grants.

## 10. FINANCE COSTS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Interest on bank loans | **11,612** | 12,284 |
| Interest on other loans | **2,177** | 2,088 |
| Interest on lease liabilities | **83** | 131 |
| | **13,872** | 14,503 |

## 11. LOSS BEFORE TAX

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Employees benefits expenses (including directors' remuneration in Note 12):** | | |
| Wages and salaries | **43,708** | 52,646 |
| Performance related bonus | **240** | 498 |
| Pension scheme contributions | **10,972** | 13,681 |
| Welfare and other expenses | **1,845** | 1,622 |
| Equity-settled share-based payments expenses (included in administrative expenses) | **—** | 75 |
| | **56,765** | 68,522 |
| **Other items** | | |
| Auditor's remuneration | | |
| — Audit services | **1,650** | 1,630 |
| — Non-audit services | **377** | 372 |
| Cost of inventories sold (Notes (i) and (ii)) | **483,265** | 533,468 |
| Cost of services | **27,668** | 24,954 |
| Depreciation of property, plant and equipment | **19,381** | 18,185 |
| Depreciation of right-of-use assets | **5,209** | 5,223 |
| Exchange losses, net | **373** | 134 |
| Loss (Gain) on disposal of property, plant and equipment, net | **55** | (3) |
| Short-term lease payments | **184** | 632 |

Notes:

(i) Included in the cost of inventories sold are amounts of approximately RMB1,471,000 *(2023: RMB1,976,000)* related to the reversal of write-down of inventories as a result of utilisation of inventories which have been written-down in prior years for the year ended 31 December 2024.

(ii) Cost of inventories sold includes approximately RMB52,212,000 *(2023: RMB58,577,000)* relating to aggregate amounts of certain staff costs, depreciation and short-term lease payments, which are included in the respective total amounts disclosed separately above for the year ended 31 December 2024.

## 12. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

### 12(a) Directors' and chief executives' emoluments

Directors' and chief executive's emoluments for the reporting period, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

**For the year ended 31 December 2024**

| | Directors' fees RMB'000 | Salaries, wages, allowances and other benefits-in-kind RMB'000 | Performance related bonus RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors:** | | | | | |
| Zhang Bizhuang (Note (i)) | 182 | 672 | 53 | 64 | 971 |
| Han Aizhi | 182 | 509 | 42 | 17 | 750 |
| Wang Kunxian | 182 | 557 | 44 | 65 | 848 |
| Zhang Bangcheng (Note (ii)) | 87 | 302 | – | 18 | 407 |
| Zhang Danyu (Note (iii)) | 79 | 200 | – | – | 279 |
| **Co-chief executive officer:** | | | | | |
| Zhang Liucheng (Note (iv)) | – | 338 | – | 41 | 379 |
| **Non-executive directors:** | | | | | |
| Wei Jun (Note (v)) | 274 | – | – | – | 274 |
| Huang Xingwang (Note (vi)) | 137 | – | – | – | 137 |
| **Independent non-executive directors:** | | | | | |
| Chen Junzhu | 260 | – | – | 14 | 274 |
| Wu Geng (Note (vii)) | 86 | – | – | – | 86 |
| Qi Defu (Note (viii)) | 188 | – | – | – | 188 |
| Qiao Jianmin | 274 | – | – | – | 274 |
| | 1,931 | 2,578 | 139 | 219 | 4,867 |

## 12. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

### 12(a) Directors' and chief executives' emoluments (Continued)

For the year ended 31 December 2023

| | Directors' fees RMB'000 | Salaries, wages, allowances and other benefits-in-kind RMB'000 | Performance related bonus RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors:** | | | | | |
| Zhang Bizhuang (Note (i)) | 180 | 666 | 48 | 113 | 1,007 |
| Han Aizhi | 180 | 518 | 40 | 16 | 754 |
| Wang Kunxian | 180 | 550 | 40 | 130 | 900 |
| Zhang Bangcheng (Note (ii)) | 180 | 632 | – | 73 | 885 |
| Zhang Danyu (Note (iii)) | 175 | 611 | – | – | 786 |
| **Co-chief executive officer:** | | | | | |
| Zhang Liucheng (Note (iv)) | – | 1,252 | 288 | 140 | 1,680 |
| **Non-executive director:** | | | | | |
| Wei Jun (Note (v)) | 270 | – | – | – | 270 |
| **Independent non-executive directors:** | | | | | |
| Chen Junzhu | 270 | – | – | – | 270 |
| Wu Geng (Note (vii)) | 270 | – | – | – | 270 |
| Qiao Jianmin | 270 | – | – | – | 270 |
| | 1,975 | 4,229 | 416 | 472 | 7,092 |

Notes:

(i) Mr. Zhang Bizhuang also acted as the chief executive officer of the Company for the years ended 31 December 2024 and 2023.

(ii) Mr. Zhang Bangcheng resigned as an executive director of the Company on 21 June 2024.

(iii) Mr. Zhang Danyu was appointed as an executive director of the Company on 13 January 2023 and was re-designated as a non-executive director of the Company on 24 April 2024. On 22 May 2024, Mr. Zhang Danyu resigned as a non-executive director of the Company.

(iv) Mr. Zhang Liucheng resigned as a co-chief executive officer of the Company on 24 March 2024.

(v) Mr. Wei Jun was redesignated as an executive director of the Company on 1 January 2025.

(vi) Mr. Huang Xingwang was appointed as a non-executive director of the Company on 1 July 2024.

(vii) Mr. Wu Geng resigned as an independent non-executive director of the Company on 24 April 2024.

(viii) Mr. Qi Defu was appointed as an independent non-executive director of the Company on 24 April 2024.

## 12. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

### 12(a) Directors' and chief executives' emoluments (Continued)

For the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the directors or chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors or chief executive of the Company waived or agreed to waive any emoluments in respect of the years ended 31 December 2024 and 2023.

### 12(b) Five highest paid individuals' emoluments

The five highest paid individuals of the Group for the year included four *(2023: four)* directors whose emoluments are reflected in the analysis presented above and one *(2023: one)* non-director individuals whose emoluments are disclosed as follows:

| | Number of individuals | |
|---|---|---|
| | **2024** | 2023 |
| Director (Remark) | **4** | 4 |
| Non-director | **1** | 1 |
| | **5** | 5 |

Remark:

It included an executive director who resigned during the year ended 31 December 2024.

Details of the remunerations of the above highest paid non-director individuals are as follow:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Salaries, allowances and other benefits-in-kind | **565** | 1,252 |
| Performance related bonus | **43** | 288 |
| Retirement benefit scheme contributions | **37** | 140 |
| | **645** | 1,680 |

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

| | **2024** | 2023 |
|---|---|---|
| Nil to HK$1,000,000 | **1** | — |
| HK$1,000,001 to HK$1,500,000 | **—** | — |
| HK$1,500,001 to HK$2,000,000 | **—** | 1 |

## 12. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

### 12(b) Five highest paid individuals' emoluments (Continued)

For the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the highest paid individuals as a payment for loss of office or as an inducement to join or upon joining the Group.

For the years ended 31 December 2024 and 2023, no highest paid individuals as set out above waived or agreed to waive any emoluments.

## 13. TAXATION

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Current tax** | | |
| PRC Enterprise Income Tax ("EIT") | | |
| Current year | – | – |
| Reversal of income tax provided in prior years (Note (i)) | – | (15,308) |
| | – | (15,308) |
| **Deferred tax** | | |
| Changes in temporary differences (Note 21) | 57 | 186 |
| **Income tax expenses (credit)** | **57** | (15,122) |

For the years ended 31 December 2024 and 2023, the assessable profits of Hong Kong incorporated subsidiaries of the Group are entitled to the two-tiered profits tax rates regime that the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax has not been provided as the Group had no assessable profits in Hong Kong for the years ended 31 December 2024 and 2023.

Singapore Corporate Income Tax ("CIT") is calculated at 17% of the assessable profits for the years ended 31 December 2024 and 2023. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the years ended 31 December 2024 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC was 25% for the years ended 31 December 2024 and 2023. PRC EIT has not been provided for the years ended 31 December 2024 and 2023 as the Group's entities in the PRC incurred a loss for taxation purposes.

## 13. TAXATION (Continued)

### Reconciliation of income tax expenses (credit)

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Loss before tax** | **(43,291)** | (114,355) |
| Tax at the applicable tax rate of companies within the Group of 25% *(2023: 25%)* | **(10,823)** | (28,589) |
| Expenses not deductible for tax | **3,517** | 14,681 |
| Income not taxable for tax | **(114)** | (265) |
| Tax losses not recognised | **10,147** | 16,639 |
| Effect of different tax rates of subsidiaries | **977** | 663 |
| Tax effect of results attributable to associates | **(3,647)** | (2,943) |
| Reversal of income tax provided in prior years | **–** | (15,308) |
| **Income tax expenses (credit)** | **57** | (15,122) |

Notes:

(i) After confirming the treatment of certain previously unresolved tax matters with the PRC tax authority during the year ended 31 December 2023, the Group has reversed income tax provision of approximately RMB15,308,000 provided in the previous years. The impact from change in this accounting estimate is accounted for prospectively during the year ended 31 December 2023.

(ii) At 31 December 2024, the Group has unused tax losses of approximately RMB350,973,000 *(2023: approximately RMB389,809,000)* available for offset against future profits. During the year ended 31 December 2024, the Group's unused tax losses of approximately RMB79,424,000 *(2023: RMB60,556,000)* was expired. No deferred tax asset has been recognised of such losses for the years ended 31 December 2024 and 2023 due to the unpredictability of future profit streams. The unused tax loss will be expired from year 2025 to 2029 *(2023: year 2024 to 2028)*.

(iii) Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable tax rate for the Group is 10% and therefore the Group is liable to 10% withholding tax on dividends distributed by subsidiaries in the PRC in respect of earnings generated from 1 January 2008 and afterwards.

## 14. LOSS PER SHARE

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Loss:** | | |
| Loss attributable to the owners of the Company, used in basic loss per share calculation | **(42,564)** | (98,414) |

| | 2024 | 2023 |
|---|---|---|
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **3,874,365,600** | 3,874,365,600 |

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company for the years ended 31 December 2024 and 2023.

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2024 and 2023.

## 15. DIVIDENDS

The Board of Directors has resolved not to declare a final dividend and an interim dividend for the years ended 31 December 2024 and 2023.

## 16. PROPERTY, PLANT AND EQUIPMENT

**Year ended 31 December 2024**

| | Buildings RMB'000 | Plant and machinery RMB'000 | Motor vehicles RMB'000 | Electronic equipment and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Costs** | | | | | | |
| At 1 January 2024 | 315,989 | 590,859 | 8,639 | 6,030 | 6,817 | 928,334 |
| Additions | 13,193 | 1,113 | 332 | 58 | 739 | 15,435 |
| Transfers | – | 2,480 | – | – | (2,480) | – |
| Disposals | – | (2,321) | (1,469) | (318) | – | (4,108) |
| **At 31 December 2024** | 329,182 | 592,131 | 7,502 | 5,770 | 5,076 | 939,661 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2024 | 130,630 | 564,920 | 6,418 | 5,339 | 5,076 | 712,383 |
| Disposals | – | (2,252) | (1,426) | (307) | – | (3,985) |
| Depreciation | 12,108 | 6,581 | 596 | 96 | – | 19,381 |
| **At 31 December 2024** | 142,738 | 569,249 | 5,588 | 5,128 | 5,076 | 727,779 |
| **Carrying amounts** | | | | | | |
| **At 31 December 2024** | 186,444 | 22,882 | 1,914 | 642 | – | 211,882 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Year ended 31 December 2023

| | Buildings RMB'000 | Plant and machinery RMB'000 | Motor vehicles RMB'000 | Electronic equipment and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Costs** | | | | | | |
| At 1 January 2023 | 311,686 | 581,988 | 8,639 | 6,020 | 8,132 | 916,465 |
| Additions | 4,303 | 8,035 | – | 30 | 987 | 13,355 |
| Transfers | – | 2,302 | – | – | (2,302) | – |
| Disposals | – | (1,466) | – | (20) | – | (1,486) |
| **At 31 December 2023** | 315,989 | 590,859 | 8,639 | 6,030 | 6,817 | 928,334 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2023 | 119,364 | 560,171 | 5,773 | 5,258 | 5,076 | 695,642 |
| Disposals | – | (1,424) | – | (20) | – | (1,444) |
| Depreciation | 11,266 | 6,173 | 645 | 101 | – | 18,185 |
| **At 31 December 2023** | 130,630 | 564,920 | 6,418 | 5,339 | 5,076 | 712,383 |
| **Carrying amounts** | | | | | | |
| **At 31 December 2023** | 185,359 | 25,939 | 2,221 | 691 | 1,741 | 215,951 |

Notes:

(a) At 31 December 2024 and 2023, the Group was in the process of applying for the title certificates of buildings with an aggregate net carrying amount of approximately RMB5,817,000 *(2023: approximately RMB6,734,000)*. The directors of the Company are of the view that the Group is entitled to lawful and valid occupy and use the abovementioned buildings in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2024 and 2023.

(b) In light of the continuous segment losses of the Group's Pipe Business over past years, the management of the Group considered that the property, plant and equipment and right-of-use assets relating to the Pipe Business might be impaired. In view of this, the management of the Group estimated the recoverable amount of the cash-generating units in relation to the Pipe Business as the higher of the fair value less costs of disposal calculation and the value-in-use calculation.

At 31 December 2024 and 2023, the Group identified two cash generating units in relation to the Pipe Business, namely "Shandong CGU" and "Xinjiang CGU".

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(b) (Continued)

**Shandong CGU**

In respect of Shandong CGU, the Group estimated its recoverable amounts at 31 December 2024 and 2023 with reference to the value-in-use calculation using cash flow projections based on the valuation report prepared by CHFT Advisory and Appraisal Limited *(2023: ValQuest Advisory (Hong Kong) Limited)*, an independent professional valuer. The financial budgets of Shandong CGU adopted in cash flow projections were approved by the Group's management covering a 5-year period to be derived from Shandong CGU. The significant inputs into this valuation approach are (i) the budgeted gross margin of 7.7% *(2023: 7.5%)*; (ii) pre-tax discount rate of 9.7% *(2023: 9.2%)* to derive the present value of future cash flows; and (iii) long-term growth rate of 3.0% *(2023: 3.0%)*.

At 31 December 2024, the net carrying amounts of property, plant and equipment and right-of-use assets relating to Shandong CGU were approximately RMB164,008,000 *(2023: approximately RMB179,807,000)* and RMB157,802,000 *(2023: approximately RMB161,862,000)*, respectively, totalling approximately RMB321,810,000 *(2023: approximately RMB341,669,000)*. Based on the assessment, the recoverable amounts of Shandong CGU at 31 December 2024 and 2023 based on the value-in-use calculation exceeds its net carrying amounts by approximately RMB12,074,000 and RMB44,060,000, respectively, and therefore no impairment loss was recognised in respect of Shandong CGU for the years ended 31 December 2024 and 2023.

**Xinjiang CGU**

In respect of Xinjiang CGU, the Group estimated its recoverable amounts at 31 December 2024 and 2023 with reference to the fair value less cost of disposal calculation by reference to recent market transactions of similar plant and machinery and depreciated replacement cost for land and buildings based on the valuation report prepared by 新疆華光萬象資產評估有限公司 (Xinjiang Huaguang Wanxiang Assets Evaluation Co., Ltd.#), an independent professional valuer. The significant inputs into this valuation approach are (i) the relevant adjusted price indices and (ii) expected useful life of the relevant assets.

At 31 December 2024, the net carrying amounts of property, plant and equipment and right-of-use assets relating to Xinjiang CGU were approximately RMB29,702,000 *(2023: approximately RMB30,366,000)* and RMB8,746,000 *(2023: approximately RMB9,000,000)*, respectively, totalling approximately RMB38,448,000 *(2023: approximately RMB39,366,000)*. Based on the assessment, the recoverable amounts of Xinjiang CGU at 31 December 2024 and 2023 based on the fair value less cost of disposal exceeds its net carrying amounts by approximately RMB10,899,000 and RMB10,415,000, respectively, and therefore no impairment loss was recognised in respect of Xinjiang CGU for the years ended 31 December 2024 and 2023.

# *The English name is for identification only.*

## 17. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are set out below:

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued and paid-up share/ registered paid-up capital | % of ownership interests/voting rights (indirectly) held by the Group | Principal activities |
|---|---|---|---|---|
| **Indirectly held:** | | | | |
| Shandong Shengli Steel Pipe Co., Ltd.# ("Shandong Shengli Steel Pipe") (山東勝利鋼管有限公司) (Note (i)) | The PRC | RMB1,153,790,300<br>*(2023: RMB1,153,790,300)* | 100%<br>*(2023: 100%)* | Manufacturing, processing and sale of SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities |
| Xinjiang Shengli Steel Pipe Co., Ltd.# ("Xinjiang Shengli Steel Pipe") (新疆勝利鋼管有限公司) | The PRC | RMB180,000,000<br>*(2023: RMB180,000,000)* | 56.43%<br>*(2023: 56.43%)* | Manufacturing and selling of SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications |
| Shanghai Shengguan New Energy Technology Co., Ltd.# (上海勝管新能源科技有限公司) (Note (i)) | The PRC | RMB50,000,000<br>*(2023: RMB50,000,000)* | 100%<br>*(2023: 100%)* | New energy technical development and trading of environmental energy equipment, fuel oil and chemical products commodities |
| Shengli Steel Pipe Co., Ltd# (勝利鋼管有限公司) (Note (i)) | The PRC | RMB79,898,000<br>*(2023: RMB79,898,000)* | 100%<br>*(2023: 100%)* | Anti-corrosion technical service and rental service |
| Zhejiang Shengguan Industrial Co., Ltd.# ("Zhejiang Shengguan") (浙江勝管實業有限公司) | The PRC | RMB406,000,000<br>*(2023: RMB406,000,000)* | 98%<br>*(2023: 100%)*<br>(Note ii) | Trading of commodities/ investments holding |

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## 17. SUBSIDIARIES (Continued)

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

Notes:

(i) These entities are wholly owned foreign enterprises.

(ii) On 31 December 2024, the Group has completed the disposal of 2% of equity interests in Zhejiang Shengguan, a subsidiary of the Group, to an independent third party at a cash consideration of approximately RMB1,890,000 (the "Consideration") (the "Disposal"). The Consideration has been subsequently settled. After the completion of the Disposal, the Group continues to hold 98% of equity interests in Zhejiang Shengguan and the Disposal did not result in a loss of control over Zhejiang Shengguan. Accordingly, a non-controlling interest ("NCI") in Zhejiang Shengguan is recognised within equity and the difference between the Consideration and the fair value of NCI of Zhejiang Shengguan at initial recognition is recognised in capital reserve within equity, calculated as follows:

| | RMB'000 |
|---|---|
| Consideration from NCI | 1,890 |
| Carrying amount of NCI disposed of | (1,698) |
| **Difference recognised directly in capital reserve** | **192** |

# *The English names are for identification only.*

## 17. SUBSIDIARIES (Continued)

### Financial information of subsidiary with individually material non-controlling interests ("NCI")

The following table shows information of Xinjiang Shengli Steel Pipe, the subsidiary of the Group which has material NCI. The summarised financial information represents amounts before inter-company eliminations.

| | 2024 | 2023 |
|---|---|---|
| Principal place of business/country of incorporation | The PRC/The PRC | |
| % of ownership interests/voting rights held by NCI during the year | **43.57%** | 43.57% |
| | **RMB'000** | RMB'000 |
| **At 31 December:** | | |
| **Summarised statement of financial position** | | |
| Non-current assets | **38,733** | 39,725 |
| Current assets | **1,143** | 1,138 |
| Non-current liabilities | **(848)** | (1,140) |
| Current liabilities | **(21,931)** | (20,828) |
| **Net assets** | **17,097** | 18,895 |
| **Accumulated NCI** | **7,449** | 8,233 |
| **For the year ended 31 December** | | |
| **Summarised statement of profit or loss and other comprehensive income** | | |
| Revenue | **—** | — |
| Loss for the year | **(1,799)** | (1,880) |
| Total comprehensive loss for the year | **(1,799)** | (1,880) |
| Loss and total comprehensive loss allocated to NCI | **(784)** | (819) |
| Dividends paid to NCI | **—** | — |
| **Summarised statement of cash flows** | | |
| Net cash used in operating activities | **(3)** | (3) |
| Net cash used in investing activities | **—** | — |
| Net cash from financing activities | **—** | — |
| **Net decrease in cash and cash equivalents** | **(3)** | (3) |

## 17. SUBSIDIARIES (Continued)

### Financial information of subsidiary with individually material non-controlling interests ("NCI") (Continued)

At 31 December 2024, the bank and cash balances of Xinjiang Shengli Steel Pipe denominated in RMB amounted to approximately RMB3,000 *(2023: approximately RMB2,000)*. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 18. INVESTMENT IN AN ASSOCIATE

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Unlisted investment in the PRC** | **107,366** | 92,778 |
| **Share of results of associates:** | | |
| — Hunan Shengli Steel Pipe (as defined below) | **14,588** | 10,214 |
| — Xinfeng Energy (as defined in Note 19) | **—** | 1,559 |
| | **14,588** | 11,773 |

Particulars of the associate of the Group at the end of the reporting period are as follows:

| Name of associates | Place of incorporation/ registration and operation | Registered paid-up capital | % of ownership interests/ voting rights held by the Group at 31 December 2024 | 2023 | Principal activities |
|---|---|---|---|---|---|
| Hunan Shengli Xianggang Steel Pipe Co., Ltd.# ("Hunan Shengli Steel Pipe") (湖南勝利湘鋼鋼管有限公司) | The PRC | RMB500,000,000 *(2023: RMB500,000,000)* | **48%** | 48% | Manufacturing, processing and sale of submerged-arc longitudinal welded pipes ("SAWL") pipelines and SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities |

The associate is accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the associate itself.

# *The English name is for identification only.*

## 18. INVESTMENT IN AN ASSOCIATE (Continued)

### Relationship with associate

Hunan Shengli Steel Pipe is engaged in manufacturing, processing and sale of SAWL pipelines, SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities which allows the Group to expand its Pipe Business.

### Financial information of Hunan Shengli Steel Pipe

Summarised financial information of Hunan Shengli Steel Pipe is set out below, which represents amounts shown in the financial statements of Hunan Shengli Steel Pipe prepared in accordance with IFRS Accounting Standards and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **At 31 December:** | | |
| **Summarised statement of financial position** | | |
| Non-current assets | **425,139** | 439,466 |
| Current assets | **811,426** | 542,483 |
| Current liabilities | **(968,288)** | (716,663) |
| Non-current liabilities | **(44,176)** | (71,998) |
| **Net assets** | **224,101** | 193,288 |
| ***Reconciliation:*** | | |
| **% of ownership interests/voting rights held by the Group** | **48%** | 48% |
| Group's share of net assets of the investment | **107,568** | 92,778 |
| Elimination of gains or losses for transactions between the Group and the associate | **(202)** | – |
| **Carrying amount of the investment** | **107,366** | 92,778 |

## 18. INVESTMENT IN AN ASSOCIATE (Continued)

### Financial information of Hunan Shengli Steel Pipe (Continued)

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **For the year ended 31 December:** | | |
| **Summarised statement of profit or loss and other comprehensive income** | | |
| Revenue | **906,790** | 975,465 |
| Profit for the year | **30,813** | 21,280 |
| Total comprehensive income | **30,813** | 21,280 |
| Group's share of profit and total comprehensive income | **14,790** | 10,214 |
| Elimination of gains or losses for transactions between the Group and the associate | **(202)** | — |
| **Carrying amount of Group's share of profit and total comprehensive income** | **14,588** | 10,214 |

At 31 December 2024, the bank and cash balances of the associate that denominated in RMB amounted to approximately RMB12,984,000 *(2023: approximately RMB70,575,000)*. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 19. EQUITY INVESTMENT — DESIGNATED FVOCI

| | **Unlisted equity investment**<br>RMB'000 |
|---|---|
| At 1 January 2023 | — |
| Additions | 97,264 |
| At 31 December 2023 and 1 January 2024 | 97,264 |
| Change in fair value recognised in other comprehensive income | (34,645) |
| **At 31 December 2024** | **62,619** |

## 19. EQUITY INVESTMENT — DESIGNATED FVOCI (Continued)

On 24 November 2023, Zhejiang Shengguan has entered into an equity transfer agreement with an independent third party in respect of the disposal of 2% of equity interests in 新鋒能源集團有限公司 (Xinfeng Energy Enterprise Group Co., Ltd#) ("Xinfeng Energy"), being a former associate and a private entity incorporated in the PRC, at a cash consideration of approximately RMB10,780,000 (the "Xinfeng Disposal"). The Xinfeng Disposal was completed on 27 December 2023 (the "Disposal Date") and resulted in a loss of significant influence over Xinfeng Energy. Accordingly, the Group ceased to account for its retained equity interests of 19.95% in Xinfeng Energy as investment in an associate and re-designated it to Designated FVOCI because the Group irrevocably designated the investment in Xinfeng Energy as Designated FVOCI since the Group intends to hold the investment for long-term strategic purposes and considers the accounting treatment applied provide more relevant information for the investment. No dividends were received on this investment during the years ended 31 December 2024 and 2023.

On 31 December 2024, the fair values of Equity Investment — Designated FOVCI are approximately RMB62,619,000 *(2023: approximately RMB97,264,000)* with reference to the valuation reports prepared by CHFT Advisory and Appraisal Limited *(2023: ValQuest Advisory (Hong Kong) Limited)*, an independent professional valuer.

The fair value of the investment in Xinfeng Energy was categorised into the level 3 fair value hierarchy as defined in IFRS 13, *"Fair Value Measurement"* and detailed in Note 6 to the consolidated financial statements.

# *The English name is for identification only.*

## 20. LEASE AND RIGHT-OF-USE ASSETS

### The Group as lessee

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Land use rights | **166,547** | 170,862 |
| Office premises | **959** | 1,853 |
| | **167,506** | 172,715 |
| **Lease liabilities** | | |
| Current | **1,041** | 954 |
| Non-current | **—** | 1,007 |
| | **1,041** | 1,961 |

## 20. LEASE AND RIGHT-OF-USE ASSETS (Continued)

### The Group as lessee (Continued)

The Group leases various land use rights and office premises. Lease agreements for land use rights and office premises are typically made for fixed periods of 50 years and 2 to 3 years, respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

At 31 December 2024 and 2023, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate carrying amount of approximately RMB2,158,000 *(2023: approximately RMB2,218,000)*. The directors of the Company are of the view that the Group is entitled to lawful and valid occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2024 and 2023.

### *Right-of-use assets*

Further information about the right-of-use assets is as follow:

| | **Land use rights RMB'000** | **Office premises RMB'000** | **Total RMB'000** |
|---|---|---|---|
| **Year ended 31 December 2024** | | | |
| Depreciation | **(4,315)** | **(894)** | **(5,209)** |
| **At 31 December 2024** | | | |
| Net carrying amounts | **166,547** | **959** | **167,506** |

| | Land use rights RMB'000 | Office premises RMB'000 | Total RMB'000 |
|---|---|---|---|
| Year ended 31 December 2023 | | | |
| Depreciation | (4,315) | (908) | (5,223) |
| At 31 December 2023 | | | |
| Net carrying amounts | 170,862 | 1,853 | 172,715 |

## 20. LEASE AND RIGHT-OF-USE ASSETS (Continued)

### The Group as lessee (Continued)

#### *Lease liabilities*

The present value of lease liabilities is summarised as below:

| | Lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | **2024 RMB'000** | 2023 RMB'000 |
| **Amounts payable:** | | | | |
| Within one year | **1,068** | 1,035 | **1,041** | 954 |
| More than one year, but not exceeding three years | **–** | 1,036 | **–** | 1,007 |
| | **1,068** | 2,071 | **1,041** | 1,961 |
| Less: future finance charges | **(27)** | (110) | | |
| Total lease liabilities | **1,041** | 1,961 | | |

During the year ended 31 December 2024, the average effective borrowing rate was 5.67% per annum *(2023: 5.67% per annum)*.

The Group has recognised the following amounts in the profit or loss during the reporting period:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Depreciation of right-of-use assets | **5,209** | 5,223 |
| Interest on lease liabilities | **83** | 131 |
| Short-term lease payments | **184** | 632 |
| Expenses recognised in profit or loss | **5,476** | 5,986 |

At 31 December 2024 and 2023, no commitments on short-term leases or low-value assets leases.

The total cash outflow for leases for the year ended 31 December 2024 was approximately RMB1,187,000 *(2023: approximately RMB1,566,000)*.

## 21. DEFERRED TAX

The movements in deferred tax assets (liabilities) during the reporting period are as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Deferred tax assets** | | |
| At the beginning of the reporting period | **358** | 560 |
| Deferred tax charged to the profit or loss (Note 13) | **(73)** | (202) |
| **At the end of the reporting period** | **285** | 358 |
| **Deferred tax liabilities** | | |
| At the beginning of the reporting period | **(244)** | (260) |
| Deferred tax credited to the profit or loss (Note 13) | **16** | 16 |
| **At the end of the reporting period** | **(228)** | (244) |
| **Net deferred tax assets** | **57** | 114 |

The components of the Group's deferred tax assets (liabilities) are as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Deferred tax assets** | | |
| Government grants received but not yet recognised as income | **285** | 358 |
| **Deferred tax liabilities** | | |
| Excess of fair value of identifiable assets and liabilities over carrying value in acquisition of subsidiaries | **(228)** | (244) |
| **Net deferred tax assets** | **57** | 114 |

## 22. INVENTORIES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Raw materials | **38,041** | 29,987 |
| Work in progress | **5,471** | 5,704 |
| Finished and semi-finished goods | **84,481** | 86,704 |
| | **127,993** | 122,395 |

## 23. TRADE AND BILLS RECEIVABLES

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| Trade receivables from third parties | | **49,668** | 57,460 |
| Less: Loss allowance | | **(539)** | (1,360) |
| | 23(a) | **49,129** | 56,100 |
| Bills receivables | 23(b) | **–** | 5,826 |
| | | **49,129** | 61,926 |

### 23(a) Trade receivables

Included in the balances are the trade receivables (before loss allowance) from contracts with customers within IFRS 15:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| At the beginning of the reporting period | **57,460** | 95,648 |
| At the end of the reporting period | **49,668** | 57,460 |

The Group's trading terms with its customers are mainly on credit generally up to 180 days *(2023: up to 180 days)*. All bills receivables are due within 90 to 180 days *(2023: 90 to 180 days)*.

## 23. TRADE AND BILLS RECEIVABLES (Continued)

### 23(a) Trade receivables (Continued)

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date (net of allowances), is as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Within 3 months | **40,346** | 39,894 |
| 3 to 6 months | **2,410** | 5,152 |
| 6 months to 1 year | **4,772** | 10,673 |
| 1 to 2 years | **1,601** | 381 |
| | **49,129** | 56,100 |

The movement in the loss allowance for trade receivables during the reporting period is summarised below:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| At the beginning of the reporting period | **1,360** | 118 |
| (Decrease) Increase in loss allowance, net | **(821)** | 1,242 |
| **At the end of the reporting period** | **539** | 1,360 |

The Group applies the simplified approach under IFRS 9 *"Financial Instruments"* to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

## 23. TRADE AND BILLS RECEIVABLES (Continued)

### 23(a) Trade receivables (Continued)

| | Current | Within 1 year past due | 1 to 2 years past due | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 31 December 2024** | | | | |
| Weighted average expected loss rate (%) | **0.0%** | **5.0%** | **10.0%** | **1.1%** |
| Gross amount | **39,120** | **10,317** | **231** | **49,668** |
| Loss allowance | **—** | **(516)** | **(23)** | **(539)** |
| Net amount | **39,120** | **9,801** | **208** | **49,129** |
| At 31 December 2023 | | | | |
| Weighted average expected loss rate (%) | 0.0% | 5.0% | 10.0% | 2.4% |
| Gross amount | 30,692 | 26,344 | 424 | 57,460 |
| Loss allowance | — | (1,318) | (42) | (1,360) |
| Net amount | 30,692 | 25,026 | 382 | 56,100 |

The Group does not hold any collateral over trade receivables at 31 December 2024 and 2023.

The Group's credit terms and credit policy with customers are disclosed in Note 6 to the consolidated financial statements.

### 23(b) Bills receivables

At 31 December 2023, all bills receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months. Those bills receivables have been recovered during the year ended 31 December 2024.

## 24. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | At 31 December 2024 RMB'000 | At 31 December 2023 RMB'000 | At 1 January 2023 RMB'000 |
|---|---|---|---|
| **Pipe Business** | | | |
| Total contract assets | **36,317** | 42,159 | 52,910 |
| Total contract liabilities | **259,063** | 181,490 | 129,691 |

### Contract assets

The contract assets are primarily related to the Group's rights to consideration for sales of goods or services completed and not billed because the rights to bill are conditional until the end of the quality guarantee periods, which is typically ranging from one to three years upon the delivery of goods or services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance certificates issued by the customers when such right of collections becomes unconditional other than the passage of time.

The Group's credit terms and credit policy with customers are disclosed in Note 6 to the consolidated financial statements.

At 31 December 2024, the Group's contracts assets amounted to approximately RMB5,580,000 *(2023: approximately RMB5,833,000)* were expected to be recovered more than twelve months after the end of the reporting period. The Group classifies these contract assets as current because it expects to realise them in its normal operating cycle.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets within IFRS 15 during the reporting period are as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| At the beginning of the reporting period | **42,159** | 52,910 |
| Transfer of contract assets to trade receivables | **(36,326)** | (32,137) |
| Increase in contract assets | **30,484** | 21,386 |
| **At the end of the reporting period** | **36,317** | 42,159 |

During the year ended 31 December 2024, the changes in contract assets were mainly due to shorter remaining quality guarantee periods granted to the customers at 31 December 2024.

During the year ended 31 December 2023, the significant changes in contract assets were mainly due to decrease in sales.

## 24. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### Contract liabilities

The contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities within IFRS 15 during the reporting period are as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| At the beginning of the reporting period | **181,490** | 129,691 |
| Recognised as revenue | **(180,936)** | (67,456) |
| Increase in contract liabilities or recognition of trade receivables | **258,509** | 119,255 |
| **At the end of the reporting period** | **259,063** | 181,490 |

At 31 December 2024, the Group's contracts liabilities amounted to approximately RMB4,398,000 *(2023: approximately RMB554,000)* were expected to be settled more than twelve months after the end of the reporting period. The Group classifies these contract liabilities as current because it expects to realise them in its normal operating cycle.

During the year ended 31 December 2024, the significant changes in contract liabilities were mainly due to the increase in number of sales orders which required advance payments at 31 December 2024.

During the year ended 31 December 2023, the significant changes in contract liabilities were mainly due to delay in production schedule leading to delay in revenue recognition for certain contract liabilities at 31 December 2022.

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Advances to suppliers (Note) | **149,390** | 85,638 |
| Value-added tax recoverables | **2,130** | 779 |
| Prepayments | **865** | 803 |
| Deposits | **—** | 13,193 |
| Tender deposits to customers | **2,203** | 2,902 |
| Security deposits in respect of sales contract with customers | **13,931** | 22,274 |
| Consideration receivables from NCI in respect of partial disposal of equity interests in a subsidiary (Note 17) | **1,890** | — |
| Others | **2,953** | 3,654 |
| | **173,362** | 129,243 |

Note: The advances are paid to suppliers to secure the supply of raw materials and sub-contracting services at the end of the reporting period. The advances are interest-free, refundable and/or expected to be utilised within 1 year.

## 26. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Bank balances and cash | **127,720** | 137,318 |
| **Restricted deposits** | **243** | 11,183 |
| **Cash and cash equivalents and restricted deposits denominated in RMB** | **126,674** | 146,418 |

RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

## 27. TRADE PAYABLES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Trade payables to third parties | **46,104** | 44,497 |

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days *(2023: 90 to 180 days)* from the time when goods are received from suppliers.

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Within 3 months | **35,209** | 29,250 |
| 3 to 6 months | **518** | 3,608 |
| 6 months to 1 year | **2,199** | 222 |
| 1 to 2 years | **449** | 10,376 |
| Over 2 years | **7,729** | 1,041 |
| | **46,104** | 44,497 |

## 28. OTHER PAYABLES AND ACCRUALS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Accruals | **4,262** | 4,981 |
| Tender deposits to suppliers | **3,059** | 3,629 |
| Payables in acquisition of property, plant and equipment | **3,842** | 4,949 |
| Payables for distribution services fee | **3,798** | 1,957 |
| Other tax payables | **906** | 636 |
| Interest payables in respect of other loans | **1,459** | 1,775 |
| Others | **2,430** | 3,029 |
| | **19,756** | 20,956 |

## 29. BORROWINGS

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity (year)** | **RMB'000** | Effective interest rate (%) | Maturity (year) | RMB'000 |
| **Bank loans** | | | | | | |
| Secured (Note (i)) | **3.40%–4.38%** | **2025–2026** | **276,040** | 3.97%–4.38% | 2024–2026 | 280,800 |
| **Other loans** | | | | | | |
| Unsecured (Note (ii)) | **5.00%** | **2025** | **33,796** | 5.00% | 2024 | 48,767 |
| | | | **309,836** | | | 329,567 |
| Borrowings are repayable as follows: | | | **RMB'000** | | | RMB'000 |
| Within one year | | | **203,866** | | | 237,167 |
| One to two years | | | **105,970** | | | 400 |
| Two to three years | | | **–** | | | 92,000 |
| **Analysed for reporting purpose:** | | | | | | |
| Current | | | **203,866** | | | 237,167 |
| Non-current | | | **105,970** | | | 92,400 |
| | | | **309,836** | | | 329,567 |

Notes:

(i) The bank loans were secured by pledge of certain of the Group's property, plant and equipment amounting to approximately RMB117,868,000 *(2023: approximately RMB101,501,000)* and right-of-use assets amounting to approximately RMB68,111,000 *(2023: approximately RMB70,046,000)*.

(ii) At 31 December 2024, the other loans represented the advance from directors, chief executive and other members of key management of the Company of approximately RMB1,065,000 *(2023: approximately RMB1,065,000)* and from employees of approximately RMB32,731,000 *(2023: approximately RMB47,702,000)*, which are unsecured, bear a fixed interest rate of 5% per annum and repayable within one year *(2023: same)*. During the year ended 31 December 2024, advance from directors, chief executive and other members of key management of the Company of approximately RMB1,065,000 at 31 December 2023 were further extended and being repayable within one year at 31 December 2024.

## 30. DEFERRED INCOME

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Government grants** | | |
| At the beginning of the reporting period | **1,432** | 2,239 |
| Recognised as other income | **(292)** | (807) |
| **At the end of the reporting period** | **1,140** | 1,432 |
| **Less: Current portion** | **(292)** | (292) |
| **Non-current portion** | **848** | 1,140 |

In August 2011, Xinjiang Shengli received a government grant of approximately RMB12,330,000 in relation to property, plant and equipment and a land use right. Such government grant is recognised as income in equal amounts over the expected useful life of the land use right.

## 31. SHARE CAPITAL

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | No. of shares | HK$'000 | No. of shares | HK$'000 |
| Ordinary share of HK$0.1 each | | | | |
| Authorised: | | | | |
| At the beginning of the reporting period and at the end of the reporting period | **5,000,000,000** | **500,000** | 5,000,000,000 | 500,000 |

| | No. of shares | Issued capital HK$'000 | Issued capital equivalent to RMB'000 |
|---|---|---|---|
| Issued and fully paid: | | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 3,874,365,600 | 387,437 | 334,409 |

## 32. RESERVES

### (a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

### (b) Statutory surplus reserve

As stipulated by the relevant law and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax expenses as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the Board of Directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

### (c) Share option reserve

Share option reserve represents the reserve arising from the share option scheme for eligible participants. Details of which are disclosed in Note 33 to the consolidated financial statements.

### (d) FVOCI reserve

FVOCI reserve comprises the accumulated gains and losses arising on the change in fair value of Equity Investment — Designated FVOCI that has been recognised in other comprehensive income.

### (e) Capital reserve

Capital reserve represents the difference between the fair value of consideration payables or receivables and the change in the carrying value of non-controlling interests of a subsidiary in circumstances where changes in the Group's ownership interests in the subsidiary do not result in a loss of control.

### (f) Other reserve

Other reserve represents the reserve arising from Group's reorganisation.

### The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2024 and 2023 are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

## 32. RESERVES (Continued)

### The Company

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2024 and 2023 are as follows:

| | Share premium RMB'000 (Note 32(a)) | Share option reserve RMB'000 (Note 32(c)) | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2023 | 1,230,445 | 1,031 | (986,019) | 245,457 |
| Loss and total comprehensive loss for the year | – | – | (99,694) | (99,694) |
| **Transactions with owners** | | | | |
| *Contributions and distributions* | | | | |
| Equity-settled share-based payments expenses | – | 75 | – | 75 |
| Forfeit of share options (Note 33) | – | (6) | 6 | – |
| **Total transactions with owners** | – | 69 | 6 | 75 |
| **At 31 December 2023** | 1,230,445 | 1,100 | (1,085,707) | 145,838 |

| | **Share premium RMB'000 (Note 32(a))** | **Share option reserve RMB'000 (Note 32(c))** | **Accumulated losses RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| At 1 January 2024 | **1,230,445** | **1,100** | **(1,085,707)** | **145,838** |
| Loss and total comprehensive loss for the year | **–** | **–** | **(62,265)** | **(62,265)** |
| **Transactions with owners** | | | | |
| *Contributions and distributions* | | | | |
| Forfeit of share options (Note 33) | **–** | **(899)** | **899** | **–** |
| **Total transactions with owners** | **–** | **(899)** | **899** | **–** |
| **At 31 December 2024** | **1,230,445** | **201** | **(1,147,073)** | **83,573** |

## 33. SHARE-BASED PAYMENTS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details of the share options outstanding at the end of the reporting period are as follows:

| | **2024 No. of share options** | 2023 No. of share options |
|---|---|---|
| Granted on 22 June 2020 (Note) | **13,500,000** | 73,950,000 |

Number of outstanding share options are set out as following:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **No. of share options** | **Weighted average exercise price HK$'000** | No. of share options | Weighted average exercise price HK$'000 |
| At the beginning of the reporting period | **73,950,000** | **0.17** | 74,400,000 | 0.17 |
| Forfeit of share options | **(60,450,000)** | **0.17** | (450,000) | 0.17 |
| **At the end of the reporting period** | **13,500,000** | **0.17** | 73,950,000 | 0.17 |

At the end of each reporting period, the Group revised its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the profit or loss with a corresponding adjustment to the share option reserve.

During the year ended 31 December 2023, share-based payments expenses of RMB75,000 was recognised by the Group, which has been charged to the profit or loss with a corresponding adjustment to the share option reserve and all the share option at 31 December 2023 was ultimately vested.

During the year ended 31 December 2024, no share-based payments expenses was recognised.

## 33. SHARE-BASED PAYMENTS (Continued)

Note:

Pursuant to the Company's announcement on 22 June 2020, the Company granted to eligible participants a total of 77,100,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company at an exercise price of HK$0.10 per share (the "2020 Share Options").

The share options granted has a 5-year exercisable period and are vesting as follows:

| Vesting date | Percentage of share options to vest |
|---|---|
| First anniversary of the date of grant | One-third of the total number of share options granted |
| Second anniversary of the date of grant | One-third of the total number of share options granted |
| Third anniversary of the date of grant | One-third of the total number of share options granted |

The closing price of the Company's shares immediately before 22 June 2020, being the date of grant, was HK$0.059 per share.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The aggregate fair values of the options determined at the date of grant based on the Binomial model, was HK$1,309,000.

The following assumptions were used to calculate the fair values of share options granted on 22 June 2020:

| | |
|---|---|
| Grant date share price (per share) | HK$0.059 |
| Exercise price (per share) | HK$0.100 |
| Contractual life | 5 years |
| Expected volatility (%) | 53.8% |
| Dividend yield (%) | 0.00% |
| Risk-free interest rate (%) | 0.36% |

During the year ended 31 December 2024, 60,450,000 *(2023: 450,000)* share options were forfeited.

The share option reserve of approximately RMB899,000 *(2023: RMB6,000)* has been transferred to accumulated losses within equity during the year ended 31 December 2024. There were outstanding share options of 13,500,000 *(2023: 73,950,000)* for the 2020 Share Options at 31 December 2024.

## 34. OTHER CASH FLOW INFORMATION

### (a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(i) During the year ended 31 December 2024, the Group utilised the deposits paid for acquisition of property, plant and equipment of approximately RMB214,000 *(2023: RMB2,414,000)* for the additions of property, plant and equipment.

(ii) During the year ended 31 December 2024, the additions of properties with an aggregated amount of approximately RMB13,193,000 were settled by deposits paid in previous years (included in "prepayments, deposits and other receivables").

(iii) During the year ended 31 December 2023, deposits of approximately RMB4,303,000 paid in previous years (included in "prepayments, deposits and other receivables") were recovered with equivalent values of buildings from the counterparty.

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

The following table shows the Group's changes in liabilities arising from financing activities:

**For the year ended 31 December 2024**

| | Lease liabilities RMB'000 | Interest payables RMB'000 | Borrowings RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2024 | **1,961** | **1,775** | **329,567** | **333,303** |
| **Non-cash changes** | | | | |
| Finance costs | **83** | **13,789** | **–** | **13,872** |
| **Cash (outflow) inflow in financing activities:** | | | | |
| Inception of borrowings | **–** | **–** | **183,650** | **183,650** |
| Repayment of borrowings | **–** | **–** | **(203,381)** | **(203,381)** |
| Repayment of lease liabilities | **(1,003)** | **–** | **–** | **(1,003)** |
| Interest paid | **–** | **(14,105)** | **–** | **(14,105)** |
| **At 31 December 2024** | **1,041** | **1,459** | **309,836** | **312,336** |

## 34. OTHER CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of liabilities arising from financing activities (Continued)

For the year ended 31 December 2023

| | Lease liabilities RMB'000 | Interest payables RMB'000 | Borrowings RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2023 | 2,764 | 1,519 | 321,310 | 325,593 |
| **Non-cash changes** | | | | |
| Finance costs | 131 | 14,372 | – | 14,503 |
| **Cash (outflow) inflow in financing activities:** | | | | |
| Inception of borrowings | – | – | 401,177 | 401,177 |
| Repayment of borrowings | – | – | (392,920) | (392,920) |
| Repayment of lease liabilities | (934) | – | – | (934) |
| Interest paid | – | (14,116) | – | (14,116) |
| **At 31 December 2023** | 1,961 | 1,775 | 329,567 | 333,303 |

## 35. CAPITAL COMMITMENTS

The Group had the following capital commitments for property, plant and equipment at the end of the reporting period:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| **Contracted, but not provided for, net of deposits paid (if any)** | **175** | 242 |

## 36. RELATED PARTY TRANSACTIONS

### (a) Significant related party transactions

During the years ended 31 December 2024 and 2023 the Group had the following material transactions with related parties. In the opinion of the management of the Group, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

## 36. RELATED PARTY TRANSACTIONS (Continued)

### (a) Significant related party transactions (Continued)

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Other loans from directors, chief executive and other members of key management | **–** | 465 |
| Repayment of other loans from directors, chief executive and other members of key management | **–** | 1,500 |
| Interest on other loans paid to directors, chief executive and other members of key management | **40** | 30 |
| Repayment of interest on other loans paid to directors, chief executive and other members of key management | **–** | 59 |
| Sales made to Hunan Shengli Steel Pipe | **44,540** | – |
| Purchase made from Hunan Shengli Steel Pipe | **44,961** | – |

### (b) Significant related party balances

At the end of the reporting period, the Group had the following balances with its related parties:

| | At 31 December | |
|---|---|---|
| | 2024 RMB'000 | 2023 RMB'000 |
| Other loans from directors, chief executive and other members of key management | **1,065** | 1,065 |
| Interest payables on other loans from directors, chief executive and other members of key management | **81** | 41 |

### (c) Key management compensation

The emoluments of directors, chief executive and other members of key management for the reporting period is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Directors' fees | **1,931** | 1,975 |
| Salaries, wages, allowances and other benefits in kind | **4,938** | 5,901 |
| Performance related bonus | **240** | 498 |
| Retirement benefit scheme contributions | **352** | 649 |
| | **7,461** | 9,023 |

Further details of directors' and chief executive's emoluments are included in Note 12 to the consolidated financial statements.

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4** | 5 |
| Right-of-use assets | | **958** | 1,853 |
| Investments in subsidiaries | | **413,362** | 474,395 |
| | | **414,324** | 476,253 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | | **792** | 714 |
| Cash and cash equivalents | | **5,679** | 7,682 |
| | | **6,471** | 8,396 |
| **Current liabilities** | | | |
| Other payables and accruals | | **1,772** | 2,441 |
| Lease liabilities | | **1,041** | 954 |
| | | **2,813** | 3,395 |
| **Net current assets** | | **3,658** | 5,001 |
| **Total assets less current liabilities** | | **417,982** | 481,254 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **–** | 1,007 |
| **NET ASSETS** | | **417,982** | 480,247 |
| **Capital and reserves** | | | |
| Share capital | | **334,409** | 334,409 |
| Reserves | 32 | **83,573** | 145,838 |
| **TOTAL EQUITY** | | **417,982** | 480,247 |

The statement of financial position was approved and authorised for issue by the Board of Directors on 24 March 2025 and signed on its behalf by

| **Zhang Bizhuang** | **Han Aizhi** |
|---|---|
| *Director* | *Director* |

# FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 | 2020 RMB'000 |
| Revenue | **570,069** | 591,885 | 1,046,891 | 1,526,684 | 856,427 |
| Loss before tax | **(43,291)** | (114,355) | (29,072) | (272,266) | (370,364) |
| Income tax (expense) credit | **(57)** | 15,122 | (186) | (3,583) | (1,956) |
| Loss for the year | **(43,348)** | (99,233) | (29,258) | (275,849) | (372,320) |
| Attributable to: | | | | | |
| Owners of the Company | **(42,564)** | (98,414) | (33,004) | (260,719) | (325,392) |
| Non-controlling interests | **(784)** | (819) | 3,746 | (15,130) | (46,928) |
| | **(43,348)** | (99,233) | (29,258) | (275,849) | (372,320) |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 | 2020 RMB'000 |
| Total assets | **1,064,497** | 1,083,579 | 1,156,398 | 1,919,687 | 2,240,167 |
| Total liabilities | **(637,168)** | (580,147) | (553,808) | (1,292,222) | (1,382,403) |
| Net assets | **427,329** | 503,432 | 602,590 | 627,465 | 857,764 |
| Attributable to: | | | | | |
| Owners of the Company | **418,182** | 495,199 | 593,538 | 626,433 | 841,602 |
| Non-controlling interests | **9,147** | 8,233 | 9,052 | 1,032 | 16,162 |
| | **427,329** | 503,432 | 602,590 | 627,465 | 857,764 |