



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

2025
INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Jun (*Chairman*)
Mr. Zhang Bizhuang (*Chief Executive Officer*)
Mr. Wang Kunxian (*Vice President*)
Ms. Han Aizhi (*Vice President*)

Non-executive Directors

Mr. Huang Xingwang

Independent non-executive Directors

Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Qi Defu
Mr. Qiao Jianmin

AUDIT COMMITTEE

Mr. Chen Junzhu (*Chairman*), *ACCA, CICPA*
Mr. Qi Defu
Mr. Qiao Jianmin

REMUNERATION COMMITTEE

Mr. Qi Defu (*Chairman*)
Mr. Wei Jun
Mr. Chen Junzhu, *ACCA, CICPA*

NOMINATION COMMITTEE

Mr. Qiao Jianmin (*Chairman*)
Ms. Han Aizhi (*appointed on 1 July 2025*)
Mr. Zhang Bizhuang (*retired on 1 July 2025*)
Mr. Qi Defu

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 THE PRC

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
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

- Revenue for the six months ended 30 June 2025 (the “**Period under Review**”) was approximately RMB374,825,000, representing an increase of approximately 12.4% when compared to the corresponding period in 2024.
- Gross profit margin for the Period under Review was approximately 11.9%, representing an increase of approximately 0.9 percentage points when compared to the corresponding period in 2024.
- Loss for the period attributable to owners of the Company for the Period under Review was approximately RMB24,146,000, while loss for the period attributable to owners of the Company for the corresponding period in 2024 was approximately RMB23,716,000.
- Total comprehensive loss for the period attributable to owners of the Company for the Period under Review amounted to approximately RMB38,133,000, while total comprehensive loss for the period attributable to owners of the Company for the corresponding period in 2024 amounted to approximately RMB49,305,000.
- Basic loss per share attributable to owners of the Company for the Period under Review amounted to approximately RMB0.62 cents, while basic loss per share attributable to owners of the Company for the corresponding period in 2024 amounted to approximately RMB0.61 cents.
- The board of directors does not recommend the declaration of any interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company, I hereby present to you the unaudited results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Period under Review**”).

In the first half of 2025, the international environment was complex and volatile, with the global trade order severely disrupted and uncertainty on the rise. However, in the face of a complex and challenging international landscape, China's economy withstood the pressure and rose to the occasion, maintaining overall stability and showing a trend of steady improvement. The consumer market continued to expand, the manufacturing industry maintained strong growth momentum, and new quality productive forces developed at a faster pace. Under the coordinated effects of macroeconomic policies, the domestic economic structure continued to optimise, and the resilience of the real economy strengthened, laying a solid foundation for the annual economic performance. From the perspective of the oil and gas industry, upstream production saw steady growth, but terminal demand for refined oil products showed a downward trend. Globally, under the dual pressures of energy transition and market adjustments, the oil and gas industry is accelerating technological upgrades and structural reforms, with the development environment remaining complex and volatile.

Since the beginning of the year, China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) (“**PipeChina**”) intensively expedited the overall strategy of “Five Insistences (五個堅持)” and the overall deployment of “Five Vigorous Efforts (五個狠下功夫)”, accelerated the construction of the “one pipeline network nationwide (全國一張網)” with all efforts to ensure every project is completed safely, with high quality, and on schedule, demonstrating its commitment to safeguarding national energy security. The Group continued to focus on promoting its core pipeline construction business, continuously improving operational efficiency and service quality to consolidate the positive economic momentum.

CEMENTING PARTNERSHIP WITH KEY CUSTOMERS WHILE PROACTIVELY EXPLORING MARKET RESOURCES

Upholding the strategic guideline of making progress amid stability, the Group continued to enhance partnerships with PipeChina, China Petroleum & Chemical Corporation (“**SINOPEC**”), China National Petroleum Corporation (“**CNPC**”), China National Offshore Oil Corporation (“**CNOOC**”) (collectively, the “**Three Barrels**”), China Petroleum Technology & Development Corporation* (中國石油技術開發有限公司) (“**CPTDC**”) and other key customers. During the Period under Review, the 2024 procurement framework agreements signed between the Group and PipeChina, the 2024 centralised procurement contract for welded steel pipes signed with CNPC, and the 2024 framework agreement for the processing of spiral submerged arc welded pipes for long-distance pipelines signed with SINOPEC are valid and in effect. During the Period under Review, the Group's sales volume of PipeChina accounted for more than 70% of the Group's total sales volume.

CHIEF EXECUTIVE OFFICER'S STATEMENT

While cementing its foothold in the national high-end oil and gas pipeline market, the Group also grasped fresh opportunities in the social market. During the Period under Review, on the basis of maintaining stable relationships with long-term customers, the Group secured sales orders from three newly acquired clients. Additionally, the Group continued to intensify its efforts in developing more outward processing orders, striving to reduce capital expenditures on coil procurement. The Group has also proactively expanded into the social heating pipeline market and established strategic partnerships with leading domestic insulation companies and coating manufacturers. Leveraging the extensive production lines and advanced processing equipment, the Group has optimised its overall order structure.

STRENGTHENING EQUIPMENT MANAGEMENT TO GUARANTEE EFFICIENT SUPPLY AND BROADEN THE PRODUCT RANGE

During the Period under Review, 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, by refining and upgrading the systems related to equipment maintenance, has assigned clear equipment management responsibilities to individuals, strictly implemented regular inspections, maintenance and fault management mechanisms for equipment, ensuring its stable operation and laying a solid foundation for the smooth completion of heavy production tasks. During the Period under Review, Shandong Shengli Steel Pipe efficiently accomplished pipe production and anti-corrosion tasks for several oil, gas and water transmission pipeline projects, including the PipeChina Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Zaoyang-Xuancheng Connection Line* (國家管網集團川氣東送二線天然氣管道工程鄂豫贛皖浙閩段棗陽 — 宣城聯絡線), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section (Tongliang-Qianjiang)* (川氣東送二線天然氣管道工程川渝鄂段(銅梁 — 潛江)) and other large-scale SAWH welded pipe projects.

Meanwhile, to meet production demands, the Group has actively pursued innovation and transformation, thereby broadening our product range. For the internal anti-corrosion task for the $\Phi 508$ steel pipes of the Wuhu Branch Line of the Sichuan-to-East No. 2 Natural Gas Pipeline Project* (川氣東送二線天然氣管道工程蕪湖聯絡線 $\Phi 508$ 鋼管), which has broken through the limit of the Group's previously achieved inner-coated pipe diameters, the Group had a core team from its anti-corrosion subsidiary repeatedly fine-tuning production parameters to complete the revamp of the entire process from derusting to spraying. This breakthrough not only broadened the Group's product range but also honed the skills of its frontline workforce, laying a solid foundation for future market expansion.

CHIEF EXECUTIVE OFFICER'S STATEMENT

OPTIMISING PERSONNEL STRUCTURE, STRENGTHENING TRAINING AND IMPLEMENTING MULTIPLE MEASURES TO REDUCE COSTS AND INCREASE EFFICIENCY

During the Period under Review, the Group optimised its workforce structure by strategically realigning employees based on experience, age and technical competencies. The Group strengthened skills training for key positions, advocated for incentive measures enabling employees to take on multiple roles, enhanced overall quality, and maintained team stability. At the same time, the Group focused on several key areas and organised a series of specialized training programs centered around themes such as enhancing the core competitiveness of the sales team, safety production management, strategies for cost reduction and efficiency improvement of equipment, upgrading the professional capabilities of financial personnel, boosting production efficiency, and advancing comprehensive quality management. The training covered our core talent pool, and through systematic and diversified training approaches, it effectively elevated the overall competence of our employees. This provided strong talent support and assurance to optimise management processes, ensure safety in production, drive cost reduction and efficiency enhancement, as well as strengthen quality management. The mentorship program, pairing technicians one-on-one with new hires, was effectively implemented to accelerate the translation of theoretical knowledge into productivity, fostering the development of future core talent as soon as possible.

In terms of internal management, Shandong Shengli Steel Pipe has adjusted its organisational structure, revised multiple policies, clarified roles and responsibilities to improve operational efficiency. The technology center has undertaken the localisation of equipment that has long relied on imports, such as gear reducers, edge milling machine, and oil tank coolers, which could significantly reduce the procurement costs and has yielded remarkable results in shortening repair times and significantly improving operational efficiency. Through refining task allocation, strengthening cost awareness, expanding the supplier pool, and conducting competitive bidding and optimising contract execution, the logistics center achieved an overall 2% reduction in procurement costs.

Meanwhile, the Group insists on promoting standardised, routine and refined site management to help reduce costs and increase efficiency, and significantly improve operational efficiency.

ENHANCING SAFETY MANAGEMENT TO ENSURE THE STABLE AND SAFE OPERATION OF PRODUCTION

During the Period under Review, all subsidiaries strictly implemented safety management systems, strengthened publicity and education through diverse educational campaigns, and organised a series of emergency plan drills, effectively improving overall safety awareness and emergency response capabilities. Upholding the principle of “all-staff participation and grid-based management”, the Group clarified responsibilities and rigorously enforced standardised management protocols and standardised operational procedures. In compliance with the dual prevention system requirements, the Group diligently organised hazard inspections, addressed identified risks. Safety training programs, including radiation protection protocols, new employee orientation, and case study reviews of past incidents, could continuously enhance employee safety awareness. During the Period under Review, the Group achieved “zero accidents” in workplace safety.

CHIEF EXECUTIVE OFFICER'S STATEMENT

BOOSTING QUALITY MANAGEMENT TO ENSURE THE DELIVERY OF HIGH-QUALITY PRODUCTS

During the Period under Review, the Group successfully passed the initial certification of its energy management system and obtained the certification, while organising the specialised training to ensure effective system implementation. The CNAS laboratory system operates effectively, and maintains the continuous validity of the certifications. Additionally, the Group invited welding experts to conduct training sessions, with a focus on PipeChina field requirements and future trends, and updated the design and engineering construction standards of the PipeChina ("**DEC Standards**"), as well as developments in carbon dioxide and hydrogen pipeline transportation, along with specialised welding knowledge. The Group compiled the Welding Material Cladding Metal Testing Rules and Methods to further strengthen quality control from the procurement source. Furthermore, the Group provided customers with high-quality products through timely delivery and excellent after-sales service.

IMPROVING TECHNOLOGY INNOVATION CAPABILITY AND REINFORCING RESEARCH AND DEVELOPMENT STRENGTH

Adhering to the core philosophy of technological innovation and industrial upgrading, the Group continuously increases investment in science and technology to enhance professional expertise. The Group was granted 3 patents during the Period under Review, including 1 invention patent and 2 utility model patents. Our technical personnel published 3 scientific papers covering cutting-edge technologies and applications in the industry. The Group successfully passed the 2024 municipal-level enterprise technology center evaluation with its outstanding rating, demonstrating our strong capabilities in technological R&D and achievement transformation. In addition, the Group also participated as a drafting entity in the discussions on industry standards for oil and gas pipelines, contributing to the formulation of industry standards.

FUTURE PROSPECTS

In 2025, the global economy demonstrated a steady recovery trajectory. According to projections by the International Monetary Fund ("**IMF**"), the world economy is expected to grow by 3.0% in 2025, reflecting strong growth resilience. Notably, the IMF highlighted China's robust economic performance and significantly raised its growth forecast for China to 4.8%. With the support of multiple policies, China is poised to achieve its GDP growth target of around 5%. In 2025, the final year of the 14th Five-Year Plan, the National Energy Administration has explicitly stated its commitment to achieving high-quality completion of the plan's objectives, ensuring crude oil output remains stable at over 200 million tonnes and natural gas production continues to rise. This will safeguard the security of oil and gas supply, providing solid support for China's modernisation drive. Coupled with rebounding domestic demand and the accelerated formation of new quality productive forces, these factors are expected to create growth opportunities for the oil and gas industry. Against this macroeconomic backdrop, our Group will remain agile in responding to evolving industry trends, boldly exploring new models and venturing into new sectors to drive industrial upgrading through new quality productive forces. In an increasingly competitive market, the Group will uphold the fighting spirit that "no retreat is the path to victory," forging new development pathways and creating fresh value growth points.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Since its establishment, PipeChina has been sparing no effort in promoting oil and gas pipeline infrastructure construction. At present, Hulin-Changchun Natural Gas Pipeline Project* (虎林 — 長春天然氣管道工程) and Sichuan-to-East No. 2 Natural Gas Pipeline 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)) kicked off construction successively and Zhangzhou LNG Export Pipeline Project* (漳州LNG外輸管道工程) commenced commercial operation. As a major supplier of PipeChina for many years, the Group will tap into its advantages in production capacity and technologies to pursue more orders from PipeChina leveraging its quality and efficient supply track record. Besides, it will also proactively prepare for the framework agreement bidding activity in the second half of 2025 to consolidate its position as a major supplier. The Group believes that drawing on its sound results and remarkable quality advantages, it is poised to obtain more construction opportunities in the future, and broaden its revenue stream while creating value for social progress.

Addressing changes in industry environment and new trends in market demands, the Group will press ahead with strategic adjustment and optimise business structure. On the basis of strategically positioning itself in the mid-to-high-end oil and gas pipeline market and strengthening communication and cooperation with core customers, the Group will continue to explore social and international markets, striving for steady growth in both social pipeline orders and national pipeline network orders, while ensuring the stability and sustainability of orders. The Group will also expedite the upgrade and update of products and technologies, and timely introduce and develop new project varieties to enhance its core competitiveness.

Last but not least, I would like to take this opportunity to express gratitude to our shareholders, customers and stakeholders, and our management and staff for their dedication. By making timely moves to seize business opportunities and proactive planning, the Group, while strengthening and optimising oil and gas transmission products, will continue to venture into new business fields, thereby delivering long-term value to 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 the first half of 2025, the international environment remained complex and volatile, with increasing instability and uncertainty. In light of the intricate situation, China implemented more proactive and impactful macroeconomic policies, continuously intensified regulatory measures, advanced structural optimisation and new quality productive forces in an orderly manner, and maintained overall stable economic operations. In the first half of the year, China's gross domestic product (GDP) reached approximately RMB66.05 trillion, a year-on-year increase of 5.3%, sustaining a steady and progressive development trend. This created a favorable macroeconomic environment for energy infrastructure investment and the operation of the oil and gas industry. The Group closely aligned itself with the national energy security strategy, actively responded to the demands of major pipeline construction projects and further promoted the steady development of its core business, contributing to the national oil and gas transportation system.

In the first half of the year, the oil and gas market exhibited a fluctuating adjustment trend, characterized by simultaneous recovery and transformation. The market continued its structural recovery, with demand growth gradually returning to normal. Domestically, the production of oil and gas maintained a positive trend of steady growth, and supply capacity improved steadily. In the first half of the year, industrial crude oil output from enterprises above designated size reached 108 million tonnes, up 1.3% year-on-year, while industrial natural gas output from enterprises above designated size hit 130.8 billion cubic meters, a year-on-year increase of 5.8%, setting a new record for the same period in history. On the demand side, total energy consumption in society grew by 3.9% year-on-year, but the traditional refined oil consumption structure showed a more pronounced divergence. Apparent gasoline consumption decreased by 6.95% year-on-year, the downstream consumption of diesel declined by 4% year-on-year, and apparent natural gas consumption dropped by 0.9% year-on-year. The proportion of non-fossil energy in total energy consumption continued to rise, increasing by 1.7 percentage points compared to the same period last year, reflecting the ongoing transformation of China's energy structure. The penetration rate of new and alternative energy sources further improved, highlighting a clearer path toward green and low-carbon development.

During the Period under Review, the Group deepened its collaboration with strategic clients such as PipeChina and the "Three Barrels", closely monitored industry policy directions and downstream customer dynamics, and accelerated the acquisition of orders in key regional markets and the allocation of resources to social clients. Additionally, the Group and Rizhao Steel Holding Group Co., Ltd.* (日照鋼鐵控股集團有限公司) officially reached a strategic partnership, pursuant to which both parties would deepen cooperation in resource supply, technological innovation, and market expansion to achieve mutual benefits and seize new opportunities amid the saturation and structural adjustments of the traditional energy market.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead to the second half of the year, the National Energy Administration has clearly stated the need to complete the goals and tasks of the 14th Five-Year Plan with high quality to lay a solid foundation for a strong start to the 15th Five-Year Plan. This includes ensuring crude oil production remains stable at over 200 million tonnes, maintaining the continuous growth momentum in natural gas production, resolutely safeguarding national oil and gas supply security, and providing robust support for the modernization of Chinese-style development. Overall, against the backdrop of deepening national energy supply policies, strengthened oil and gas industry reforms, and the ongoing transition toward green and low-carbon energy, the Group will continue to leverage its professional expertise in pipeline infrastructure and engineering construction, actively undertake new production, storage, and transportation projects for the nation and upstream enterprises, and ensure sustained and stable operational growth relying on technological innovation and management upgrades, while supporting the construction of the national oil and gas production, supply, and storage system and delivering long-term returns to shareholders and 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 techniques 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 (including SINOPEC, CNPC and CNOOC). 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.

As of 30 June 2025, the annual production capacity of the SAWH pipes, ancillary anti-corrosion production line and insulation pipe production line of Shandong Shengli Steel Pipe, one of the Group's subsidiaries, reached approximately 800,000 tonnes, 4.80 million square metres and 110 kilometres, respectively.

As of 30 June 2025, pipes manufactured by the Group's subsidiaries were used in the world's major oil and gas pipelines with a cumulative total length of approximately 35,779 kilometres, of which 94.9% were installed in China while the remaining 5.1% were installed outside China.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period under Review, large-scale pipeline projects using SAWH pipes manufactured by the Group included: PipeChina Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Zaoyang-Xuancheng Connection Line* (國家管網集團川氣東送二線天然氣管道工程鄂豫贛皖浙閩段棗陽 — 宣城聯絡線), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section (Tongliang-Qianjiang) project* (川氣東送二線天然氣管道工程川渝鄂段(銅梁 — 潛江)項目), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Trunk Line* (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), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section (Weiyuan-Tongliang) project* (川氣東送二線天然氣管道工程川渝鄂段(威遠 — 銅梁)項目), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Wuhu Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段蕪湖聯絡線), Guangdong Natural Gas Pipeline Zhuhai-Zhongshan-Jiangmen Trunk Line* (廣東省天然氣管網珠中江幹線), and local pipelines including Henan Xuxiang Long-distance Integrated Heat Transmission Project* (河南許襄長輸綜合供熱工程), Liaocheng-Jinan Long-distance Heat Transmission project* (聊熱入濟長距離供熱工程) and the Urban Clean Heat Supply Project in Fugu County, Shannxi Province* (陝西省府谷縣城區清潔供暖工程).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group included: PipeChina Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section (Tongliang-Qianjiang) project* (國家管網集團川氣東送二線天然氣管道工程川渝鄂段(銅梁 — 潛江)項目), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Trunk Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段幹線), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Zaoyang-Xuancheng Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段棗陽 — 宣城聯絡線), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section (Weiyuan-Tongliang) project* (川氣東送二線天然氣管道工程川渝鄂段(威遠 — 銅梁)項目), Sichuan-to-East No. 2 Natural Gas Pipeline Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Wuhu Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段蕪湖聯絡線) 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).

FINANCIAL REVIEW

Revenue

The Group's unaudited revenue for the Period under Review was approximately RMB374,825,000, which was generated from the Group's core business segment, the Pipes Business, and represented an increase of approximately 12.4% when compared to that of approximately RMB333,604,000 for the corresponding period of 2024. In particular, revenue from sales of SAWH pipes reached approximately RMB341,927,000 (the corresponding period of 2024: approximately RMB293,963,000), representing an increase of approximately 16.3%; revenue from anti-corrosion processing reached approximately RMB32,898,000 (the corresponding period of 2024: approximately RMB28,947,000), representing an increase of approximately 13.6%. Revenue from the Group's trading business significantly decreased to Nil (the corresponding period of 2024: approximately RMB10,694,000). During the Period under Review, as the sales volume of the Group's Pipes Business increased as compared to the corresponding period of the previous year, both the revenue from the sales of SAWH pipes and anti-corrosion processing increased as compared to the corresponding period of the previous year. However, since the Group was still in the process of seeking trading opportunities with potential customers with higher gross margins, the revenue from Trading Business decreased significantly as compared to the corresponding period of the previous year. However, the Group's overall revenue during the Period under Review increased as compared to the corresponding period in 2024.

* The English name is for identification only.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and services

The Group's cost of sales and services increased by approximately 11.2% from approximately RMB296,810,000 for the six months ended 30 June 2024 to approximately RMB330,040,000 during the Period under Review. The increase was due to an increase in sales volume of Pipes Business during the Period under Review as compared to the corresponding period of the previous year.

Gross profit

Gross profit of the Group for the Period under Review was approximately RMB44,785,000, as compared to approximately RMB36,794,000 for the corresponding period of 2024, representing an increase of approximately 21.7%. The Group's gross profit margin increased by approximately 0.9 percentage points from approximately 11.0% for the six months ended 30 June 2024 to approximately 11.9% for the Period under Review. The increase in gross profit and gross profit margin was primarily attributable to an increase in both the national pipeline projects and anti-corrosion processing business with higher gross profit margin within the Group's Pipes Business during the Period under Review as compared to the corresponding period of the previous year.

Other income, gains and losses

Other income, gains and losses of the Group increased from approximately RMB4,423,000 for the six months ended 30 June 2024 to approximately RMB6,793,000 for the Period under Review. Such an increase was primarily due to an increase in the Group's gain on sales of materials during the Period under Review as compared to the corresponding period of the previous year.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately RMB18,909,000 for the six months ended 30 June 2024 to approximately RMB19,896,000 for the Period under Review, principally due to a slight increase in transportation fees incurred by the Group's subsidiaries during the Period under Review.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB39,763,000 for the six months ended 30 June 2024 to approximately RMB38,904,000 for the Period under Review. The main reason for the slight decrease in administrative expenses was the Group's continued rational planning to reduce various administrative expenses during the Period under Review.

Share of results of an associate

During the Period under Review, the Group recorded a share of profit of an associate of approximately RMB7,437,000, as compared to a share of loss of an associate of approximately RMB28,000 for the corresponding period of 2024. The share of profit of an associate during the Period under Review was primarily due to the substantial improvement in the results performance of 湖南勝利湘鋼鋼管有限公司 (Hunan Shengli Xianggang Steel Pipe Co., Ltd.*), the Group's associate, during the Period under Review, resulting in a significant increase in the Group's share of results of an associate during the Period under Review as compared to the corresponding period of the previous year.

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MANAGEMENT DISCUSSION AND ANALYSIS

Provision for litigation

During the Period under Review, the Group recognised an one-off litigation provision of approximately RMB18,403,000 due to 浙江勝管實業有限公司 (Zhejiang Shengguan Industrial Co., Ltd.*) (“**Zhejiang Shengguan**”), a subsidiary being involved in a lawsuit, with the final judgment requiring that Zhejiang Shengguan should be liable for supplementary compensation for the Relevant Amount (as defined in the Company’s announcement dated 1 August 2025). For details of the litigation in relation to Zhejiang Shengguan, please refer to the Company’s announcement dated 1 August 2025 and note 19 to the unaudited condensed consolidated interim financial statements in this report.

Finance costs

The Group’s finance costs decreased from approximately RMB6,601,000 for the six months ended 30 June 2024 to approximately RMB6,447,000 for the Period under Review. The finance costs were mainly incurred for the interest of bank loans.

Other comprehensive loss

As at 30 June 2025, the Group recognised a loss on fair value changes of unlisted equity investment which is designated at fair value through other comprehensive income (“**Equity Investment – FVOCI**”) of approximately RMB14,272,000 with reference to the valuation report prepared by an independent professional valuer, and as at 30 June 2024, the Group recognised a loss on fair value changes of Equity Investment – FVOCI of approximately RMB25,589,000.

Income tax expense

Hong Kong profits tax is calculated at the rate of 16.5% (six months ended 30 June 2024: 16.5%) on the estimated assessable profit for the six months ended 30 June 2025. The income tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (six months ended 30 June 2024: 17%) for the six months ended 30 June 2025. Under the Enterprise Income Tax Law (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the income tax rate of the Company’s subsidiaries in the PRC for the Period under Review is 25% (six months ended 30 June 2024: 25%). The income tax expense of the Group for the Period under Review amounted to approximately RMB20,000, which remained unchanged as compared to that for the six months ended 30 June 2024.

Total comprehensive loss for the period

Total comprehensive loss for the period of the Group during the Period under Review decreased from a loss of approximately RMB49,695,000 for the six months ended 30 June 2024 to a total comprehensive loss of approximately RMB39,636,000 during the Period under Review due to the drop in loss in fair value changes of the FVOCI.

* The English name is for identification only.

MANAGEMENT DISCUSSION AND ANALYSIS

Assets and liabilities

As of 30 June 2025, the Group's total assets amounted to approximately RMB1,021,296,000 (31 December 2024: approximately RMB1,064,497,000); the Group's total liabilities amounted to approximately RMB633,603,000 (31 December 2024: approximately RMB637,168,000); and the Group's net assets amounted to approximately RMB387,693,000 (31 December 2024: approximately RMB427,329,000).

Net current liabilities

As of 30 June 2025, the Group's net current liabilities amounted to approximately RMB146,338,000, as compared to net current liabilities of approximately RMB15,358,000 as of 31 December 2024. The significant increase in net current liabilities was primarily due to as of 30 June 2025, the long-term borrowings held by the Group had a maturity date of less than one year, and thus these long-term borrowings have been classified from non-current liabilities to current liabilities, resulting in a significant increase in net current liabilities.

Capital expenditure

The Group incurred capital expenditure for the acquisition of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products. Capital expenditure during the six months ended 30 June 2025 and 2024 was primarily related to the purchase of property, plant and equipment.

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

	Six months ended 30 June 2025 RMB'000	Six months ended 30 June 2024 RMB'000
Purchase of property, plant and equipment	1,318	13,622

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

Borrowings

As at 30 June 2025, the borrowings of the Group amounted to approximately RMB338,806,000 (31 December 2024: approximately RMB309,836,000).

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

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Borrowings:		
Bank loans — Secured	305,430	276,040
Other loans — Unsecured	33,376	33,796
	338,806	309,836

The amount of loans of approximately RMB338,806,000 shall be repayable within one year. The following table sets forth the effective interest rates of the Group's bank loans:

	As at 30 June 2025 %	As at 31 December 2024 %
Effective interest rate per annum	2.73 to 4.38	3.40 to 4.38

The other loans carried a fixed annual interest rate of 5% during the six months ended 30 June 2025 and the year ended 31 December 2024.

Details of the borrowings of the Group are set out in note 16 to the unaudited condensed consolidated interim financial statements in this report.

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2025, cash and cash equivalents of the Group amounted to approximately RMB119,658,000 (31 December 2024: approximately RMB127,720,000). Cash and cash equivalents decreased slightly as compared to 31 December 2024. The Group had borrowings of approximately RMB338,806,000 as of 30 June 2025 (31 December 2024: approximately RMB309,836,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables, contract liabilities, other payables and accruals and provision for litigation, net of cash and cash equivalents and pledged deposits) divided by the sum of total equity and net debt. As of 30 June 2025, the gearing ratio of the Group was approximately 55.4% (31 December 2024: approximately 54.3%).

FINANCIAL MANAGEMENT AND FISCAL POLICY

During the Period 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 currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

INTERIM DIVIDEND

The Board does not recommend the declaration of any interim dividend for the Period under Review (for the six-month period ended 30 June 2024: Nil).

REPORT OF THE DIRECTORS

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

As at 30 June 2025, the interests or short positions of the Directors and chief executives 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 of Hong Kong Limited (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 required to be 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 Directors/ chief executives	Capacity	Number of issued ordinary shares held	Number of shares underlying options granted under the Share Option Scheme	Approximate percentage of the issued share capital of the Company as at 30 June 2025
Wei Jun	Interest in controlled corporation ⁽¹⁾	620,000,000	N/A	16.003%
Zhang Bizhuang	Interest in controlled corporation ⁽²⁾	153,130,224	N/A	3.952%
	Beneficial owner ⁽³⁾	79,800,000		2.06%
Wang Kunxian	Interest in controlled corporation ⁽⁴⁾	26,708,760	N/A	0.689%
Han Aizhi	Interest in controlled corporation ⁽⁵⁾	26,708,760	N/A	0.689%

Notes:

- (1) Mefun Group Limited holds 620,000,000 shares of the Company (representing approximately 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 a non-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 approximately 3.952% of the issued shares of the Company. Mr. Zhang Bizhuang, an executive Director and the Chief Executive Officer, 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 approximately 2.06% of the issued shares of the Company.
- (4) Glad Sharp Limited (“Glad Sharp”) holds 26,708,760 shares of the Company, representing approximately 0.689% of the issued shares of the Company. Mr. Wang Kunxian, an executive Director, 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.

REPORT OF THE DIRECTORS

- (5) Crownova Limited ("**Crownova**") holds 26,708,760 shares of the Company, representing approximately 0.689% of the issued shares of the Company. Ms. Han Aizhi, an executive Director, 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 30 June 2025, none of the Directors and chief executives of the Company or the chairman of the Company or their respective associates had registered an interest or short position in the shares, underlying shares or 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period 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.

CAPITAL COMMITMENTS

The Group had a capital commitment of approximately RMB52,000 (31 December 2024: approximately RMB175,000) in respect of acquisition of property, plant and equipment as at 30 June 2025.

PLEDGE OF ASSETS

As at 30 June 2025, the bank loans of RMB305,430,000 (31 December 2024: approximately RMB276,040,000) were secured by pledge of certain property, plant and equipment amounting to approximately RMB112,718,000 (31 December 2024: approximately RMB117,868,000), certain right-of-use assets amounting to RMB67,144,000 (31 December 2024: approximately RMB68,111,000) and pledged bank deposits amounting to RMB30,000,000 (31 December 2024: Nil) of the Group.

FOREIGN EXCHANGE RISK

During the Period under Review, the Group's businesses have been mainly transacted and settled in the functional currency of subsidiaries, so the Group has had minimal exposure to foreign currency 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.

CONTINGENT LIABILITIES

As at 30 June 2025, the Group did not have any contingent liabilities (31 December 2024: Nil).

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practices and assessments of the performance of the Group and individual employees. As at 30 June 2025, the Group has employed a workforce of 483 employees (including the Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB30,020,000 (30 June 2024: approximately RMB30,612,000).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 20 May 2016. The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the Share Option Scheme) an opportunity to have a personal stake in the Company and 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 profound experience and ability and/or to reward them for their past contributions.

Participants referred to below are the "Eligible Persons" under the Share Option 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;

REPORT OF THE DIRECTORS

- (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 Share Option Scheme are summarised as follows:

The Share Option 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 Share Option Scheme by resolution in general meeting. Upon termination of the Share Option 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 subject to and in accordance with the Share Option 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 certain 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 sheets 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 Share Option 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 Share Option 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 Share Option 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 the 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 the 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 Share Option 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 Share Option 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 the 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 Share Option 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 one employee were lapsed following his departure in 2023. 60,450,000 share options held by three employees were lapsed following their departure in 2024. 450,000 share options held by one employee were lapsed following his departure in 2025. The remaining 13,050,000 share options have lapsed on 21 June 2025 without being exercised.

REPORT OF THE DIRECTORS

After taking into account of and exclusion of the options which have been exercised, cancelled or lapsed under the Share Option Scheme, as at 1 January 2025 and 30 June 2025, the total number of shares available for grant under the scheme limit of the Share Option Scheme were 78,993,060 and 65,493,060, representing approximately 2.0389% and 1.6904% of the weighted average number of ordinary shares of the Company for the Period under Review, respectively, and approximately 2.0389% and 1.6904% of the issued shares of the Company of 3,874,365,600 shares as at the date of this report, respectively.

The number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the period divided by the weighted average number of issued shares of the Company (excluding treasury shares) for the period is 0%, as no option or award was granted under any share schemes of the Company during the period.

As at 30 June 2025, movements of options granted under the Share Option Scheme during the Period under Review are set out below:

Name	Capacity	Exercise price	Outstanding	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding	Approximate percentage of the issued share capital of the Company as at	Note
			as at 1 January 2025					as at 30 June 2025	30 June 2025	
Employees										
Employees	Beneficial owner	HK\$0.10	13,500,000	0	0	0	13,500,000	0	0	(1)
Total			13,500,000	0	0	0	13,500,000	0	0	

Note:

- (1) The share options granted by the Company on 22 June 2020 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 Share Option Scheme during the period from 22 June 2020 to 21 June 2025.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As far as the Company is aware, as at 30 June 2025, the following persons/entities (other than Directors or chief executives 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 shareholders	Capacity	Number of issued ordinary shares/ underlying shares held	Approximate percentage of the issued share capital of the Company
Mefun Group Limited	Beneficial owner ⁽¹⁾	620,000,000	16.003%
HZJ Holding Limited	Interest in controlled corporation ⁽²⁾	620,000,000	16.003%
Chen Haili	Interest in controlled corporation ⁽²⁾	620,000,000	16.003%
Yang Zhihui	Interest of spouse ⁽²⁾	620,000,000	16.003%
LM Global Asset LP	Beneficial owner ⁽³⁾	600,000,000	15.486%
LMT International Corporation Limited (魯民投國際有限公司)	Interest in controlled corporation ⁽³⁾	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⁾	600,000,000	15.486%
LM Asset Management Corp	Interest in controlled corporation ⁽³⁾	600,000,000	15.486%
Huang Guang	Interest in controlled corporation ⁽³⁾	600,000,000	15.486%
Du Jichun	Interest of spouse ⁽⁴⁾	79,800,000	2.06%
	Interest in controlled corporation ⁽⁵⁾	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 a director of Mefun Group Limited. Please refer to the paragraph headed "Directors' and Chief Executives' 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.

* The English name is for identification only.

REPORT OF THE DIRECTORS

- (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. 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. 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.
- (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 a director of Goldmics Investments. Please refer to the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" for details.

Save as disclosed above, as at 30 June 2025, so far as the Company is aware, the Company had not been notified by any persons (other than Directors or chief executives of the Company) of any interests or short positions in the shares, underlying shares and debentures of the Company which would fall 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

During the Period under Review, no contract of significance, including contracts for the provision of services, had been entered into between the Company or any of its subsidiaries and the controlling shareholders.

COMPETING BUSINESS

During the Period 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 30 June 2025, the Company has maintained a public float of not less than 25% as required under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or 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, whether directly or indirectly, subsisted at any time during the Period under Review or at the end of the Period under Review.

CAPITAL COMMITMENT

Save as disclosed in note 17 to the unaudited condensed consolidated interim financial statements, the Group did not have any material capital commitment as at 30 June 2025.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2025.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the six months ended 30 June 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no definite future plan for material investments or acquisition of material capital assets as at 30 June 2025.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

The Directors' updated information is set out below. Upon specific enquiry by the Company and confirmations from Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company published the annual report of the previous year.

REPORT OF THE DIRECTORS

Mr. Zhang Bizhuang (張必壯)

Executive Director

He 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 9 subsidiaries of the Group and as vice chairman of 1 associate. 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.* (勝利油田淄博製管有限公司) 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 (王坤顯)

Executive Director

He has been our vice president since October 2010, and our executive Director since August 2014. Mr. Wang is responsible for the technology development, quality control and production management of the Group. Mr. Wang currently serves as a director of four 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 certified senior engineer in the PRC.

Ms. Han Aizhi (韓愛芝)

Executive Director

She has been our executive Director since July 2009, and has been serving as a vice president of the Company from March 2011. Ms. Han is 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 of the Group and a director of one associate. Ms. Han served various positions in Shengli Steel Pipe from July 1988 to December 2008 including head of the technology supervision division, officer of corporate management department, officer of the general manager's office, assistant to general manager, deputy general manager and 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 deputy general manager and director of securities investment, and currently holds the position of deputy general manager, successively 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 had obtained a master's degree in business administration from the Hong Kong Metropolitan University (formerly known as Open University of Hong Kong) in 2004. She is a certified engineer in the PRC, and holds the PRC Registered Quality Professional Technician Qualification (middle tier).

REPORT OF THE DIRECTORS

Mr. Huang Xingwang (黃興旺)

Non-executive Director

He 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. From December 2017 to December 2023, he was the independent director of Chengdu Tianjian Technology Co., Ltd.* (成都天箭科技股份有限公司) (002977.SZ). He served as an independent director of Sichuan Teway Food Group Co., Ltd.* (四川天味食品集團股份有限公司) (603317.SH) from May 2019 to April 2022, and an independent director of Sichuan Zhongguang Lightning Protection Technologies Co., Ltd.* (四川中光防雷科技股份有限公司) (300414.SZ) from November 2016 to January 2023. He also served as an independent director of Chengdu Zhimingda Electronics Co., Ltd.* (成都智明達電子股份有限公司) (688636.SH) from November 2016 to November 2022. Mr. Huang has served as an independent director of Sichuan Credit Pharmaceutical Co., Ltd.* (四川科瑞德製藥股份有限公司) since May 2022, as well as a director of Chengdu Wutong Shuxia Network Technology Co., Ltd.* (成都吾同蜀下網絡科技股份有限公司) since June 2014, and an independent director of Zonergy Corporation* (興儲世紀科技股份有限公司) since May 2025. 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.

EVENT OCCURRING AFTER THE PERIOD UNDER REVIEW

Zhejiang Shengguan, a subsidiary of the Group, is involved in a litigation due to its 19.95% equity in Xinfeng Energy. On 31 July 2025, Shanghai No. 2 Intermediate People's Court delivered a final judgment upholding the first judgment of the Shanghai Huangpu District People's Court: if Hangzhou Hanyue New Energy Co., Ltd* (杭州晗月新能源有限公司) (a shareholder of Xinfeng Energy that still has unpaid registered capital of RMB81,420,000 for Xinfeng Energy) fails to repay on time the outstanding debt of RMB17,195,839.93 owed by Xinfeng Energy to Gansu Keyao Electric Power Co., Ltd.* (甘肅科耀電力有限公司), along with the accumulated interest from 25 May 2024 until the actual repayment date, Zhejiang Shengguan shall be liable for supplementary compensation for the aforementioned outstanding amount. For details of the litigation, please refer to the announcement of the Company dated 1 August 2025.

Shandong Shengli Steel Pipe, a subsidiary of the Company, intends to conduct a potential disposal of its 98% equity interests in the Zhejiang Shengguan by way of a public tender process. As at the date of this report, Shandong Shengli Steel Pipe has not identified any winning bidders and has not entered into a formal share transfer agreement. For details of the potential disposal, please refer to the announcement of the Company dated 11 August 2025.

Save as disclosed above, no significant events affecting the Group have occurred after the reporting period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025.

By Order of the Board
Zhang Bizhuang
Executive Director & Chief Executive Officer

25 August 2025

* The English name is for identification only.

CORPORATE GOVERNANCE

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 strives to uphold good corporate governance and adopts sound corporate governance practices. During the Period under Review, the Company has adopted the principles and code provisions of the Corporate Governance Code (the **"Code"**) as set out in Appendix C1 to the Listing Rules of the Stock Exchange, and has complied with all code provisions set out in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors confirmed that during the Period under Review, they have complied with the required standards set out in the Model Code and the code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The audit committee of the Company (the **"Audit Committee"**) was established on 21 November 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin. Mr. Chen Junzhu serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited financial statements for the Period under Review and this interim report, as well as the risk management and internal control system and its implementation.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the unaudited interim financial statements for the Period under Review, with the management and external auditor, who has conducted certain agreed-upon procedures on the interim financial information for the Period under Review in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period under Review (including resale of treasury shares as defined under the Listing Rules). The Company did not hold any treasury shares as at 30 June 2025.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	4	374,825	333,604
Cost of sales and services		(330,040)	(296,810)
Gross profit		44,785	36,794
Other income, gains and losses	5	6,793	4,423
Selling and distribution expenses		(19,896)	(18,909)
Administrative expenses		(38,904)	(39,763)
Other expenses		(802)	(380)
Share of results of an associate		7,437	(28)
Reversal of impairment loss on trade receivables, net		93	378
Provision for litigation	19	(18,403)	—
Finance costs	6	(6,447)	(6,601)
Loss before tax	7	(25,344)	(24,086)
Income tax expense	8	(20)	(20)
Loss for the period		(25,364)	(24,106)
Other comprehensive loss:			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of equity investment designated at fair value through other comprehensive income			
("Equity Investment — Designated FVOCI")	12	(14,272)	(25,589)
Total comprehensive loss for the period		(39,636)	(49,695)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
	Notes		
Loss for the period attributable to:			
Owners of the Company		(24,146)	(23,716)
Non-controlling interests		(1,218)	(390)
		(25,364)	(24,106)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(38,133)	(49,305)
Non-controlling interests		(1,503)	(390)
		(39,636)	(49,695)
Loss per share			
Basic (RMB cents)	9	(0.62)	(0.61)
Diluted (RMB cents)	9	(0.62)	(0.61)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	206,194	211,882
Right-of-use assets		165,330	167,506
Investment in an associate		114,803	107,366
Equity Investment — Designated FVOCI	12	48,347	62,619
Deposits paid for acquisition of property, plant and equipment		22	75
Deferred tax assets		249	285
		534,945	549,733
Current assets			
Inventories		161,535	127,993
Trade receivables	13	37,608	49,129
Contract assets		24,482	36,317
Prepayments, deposits and other receivables	14	113,068	173,362
Pledged deposits		30,000	243
Cash and cash equivalents		119,658	127,720
		486,351	514,764
Current liabilities			
Trade payables	15	107,661	46,104
Other payables and accruals		19,044	19,756
Contract liabilities		147,971	259,063
Lease liabilities		512	1,041
Borrowings	16	338,806	203,866
Provision for litigation	19	18,403	—
Deferred income		292	292
		632,689	530,122
Net current liabilities		(146,338)	(15,358)
Total assets less current liabilities		388,607	534,375

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Non-current liabilities			
Borrowings	16	—	105,970
Deferred income		702	848
Deferred tax liabilities		212	228
		914	107,046
NET ASSETS		387,693	427,329
Capital and reserves			
Issued capital		334,409	334,409
Reserves		45,640	83,773
Equity attributable to owners of the Company		380,049	418,182
Non-controlling interests		7,644	9,147
TOTAL EQUITY		387,693	427,329

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000			
At 1 January 2024 (audited)	334,409	1,230,106	62,484	1,100	—	—	(9)	(1,132,891)	495,199	8,233	503,432
Loss for the period	—	—	—	—	—	—	—	(23,716)	(23,716)	(390)	(24,106)
Other comprehensive loss											
<i>Item that will not be reclassified to profit or loss:</i>											
Change in fair value of Equity Investment — Designated FVOCI	—	—	—	—	(25,589)	—	—	—	(25,589)	—	(25,589)
Total other comprehensive loss for the period	—	—	—	—	(25,589)	—	—	—	(25,589)	—	(25,589)
Total comprehensive loss for the period	—	—	—	—	(25,589)	—	—	(23,716)	(49,305)	(390)	(49,695)
At 30 June 2024 (unaudited)	334,409	1,230,106	62,484	1,100	(25,589)	—	(9)	(1,156,607)	445,894	7,843	453,737

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Share option reserve RMB'000	FVOCI reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000			
At 1 January 2025 (audited)	334,409	1,230,106	62,484	201	(34,645)	192	(9)	(1,174,556)	418,182	9,147	427,329
Loss for the period	—	—	—	—	—	—	—	(24,146)	(24,146)	(1,218)	(25,364)
Other comprehensive loss											
<i>Item that will not be reclassified to profit or loss:</i>											
Change in fair value of Equity Investment — Designated FVOCI	—	—	—	—	(13,987)	—	—	—	(13,987)	(285)	(14,272)
Total other comprehensive loss for the period	—	—	—	—	(13,987)	—	—	—	(13,987)	(285)	(14,272)
Total comprehensive loss for the period	—	—	—	—	(13,987)	—	—	(24,146)	(38,133)	(1,503)	(39,636)
Transactions with owners											
<i>Contributions and distributions</i>											
Forfeited share options	—	—	—	(201)	—	—	—	201	—	—	—
Total transactions with owners	—	—	—	(201)	—	—	—	201	—	—	—
At 30 June 2025 (unaudited)	334,409	1,230,106	62,484	—	(48,632)	192	(9)	(1,198,501)	380,049	7,644	387,693

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(25,344)	(24,086)
Adjustments for:		
Finance costs	6,447	6,601
Interest income	(190)	(406)
Compensation income	(981)	—
Share of results of associates	(7,437)	28
Depreciation of property, plant and equipment	7,909	9,186
Depreciation of right-of-use assets	2,176	2,157
Gain on disposal of property, plant and equipment, net	—	(42)
Write-off of property, plant and equipment	78	—
Reversal of impairment loss on trade receivables, net	(93)	(378)
Provision for litigation	18,403	—
(Reversal of) Provision for write-down of inventories	(227)	1,182
Recognition of deferred income	(146)	(146)
Operating cash flows before changes in working capital	595	(5,904)
Changes in working capital:		
Inventories	(33,315)	(44,387)
Trade receivables	11,614	644
Contract assets	11,835	(2,672)
Prepayments, deposits and other receivables	58,404	34,071
Trade payables	61,557	(2,573)
Other payables and accruals	(1,416)	(7,605)
Contract liabilities	(111,092)	(60,393)
Cash used in operations and net cash used in operating activities	(1,818)	(88,819)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(1,398)	(1,989)
Proceeds from disposal of property, plant and equipment	—	61
Change in pledged deposits	(29,757)	10,741
Interest received	190	406
Settlement of consideration receivables from the non-controlling shareholder of a subsidiary in respect of partial disposal of equity interests in a subsidiary	1,890	—
Net cash (used in) from investing activities	(29,075)	9,219
FINANCING ACTIVITIES		
Inception of borrowings	91,250	75,650
Repayment of borrowings	(62,280)	(80,200)
Repayment of lease liabilities	(551)	(435)
Interest paid	(5,588)	(5,367)
Net cash from (used in) financing activities	22,831	(10,352)
Net decrease in cash and cash equivalents	(8,062)	(89,952)
Cash and cash equivalents at the beginning of the reporting period	127,720	137,318
Cash and cash equivalents at the end of the reporting period	119,658	47,366

MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2025, addition of properties with an aggregated amount of approximately RMB981,000 represented the settlement of financial compensation, detailed in note 5 to the unaudited condensed consolidated interim financial statements, on a dollar-to-dollar basis. (30 June 2024: addition of properties with an aggregated amount of approximately RMB11,468,000 were settled by deposits paid in prior years.)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

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 have been 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 places of business 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 Group is principally engaged in the manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications and trading of commodities.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the IAS Accounting Standard (“**IAS**”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated interim financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2024, and therefore, do not include all of the information required for a full set of financial statements prepared in accordance with the IFRS Accounting Standards (“**IFRSs**”) which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2024.

The unaudited condensed consolidated interim 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 measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is historical cost except for Equity Investment — Designated FVOCI, which is measured at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2024.

Going concern

At 30 June 2025, the current liabilities of the Group exceeded its current assets by approximately RMB146,338,000.

The directors of the Company have prepared the Group's cash flow projections covering a period of not less than twelve months from 30 June 2025. 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 30 June 2025.

Besides, one of the banks has subsequently indicated its intention to extend the Group's existing bank loans of approximately RMB92,200,000 with maturity date on 20 March 2026 for at least one more year.

The directors of the Company are of the opinion that, taking into account of (i) the cash flow projections of the Group; (ii) confirmed credit commitments from financial institutions and (iii) the intention from bank for the extension of bank loans of approximately RMB92,200,000, the Group has sufficient working capital for its present requirements. Accordingly, the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements.

Changes in accounting policies

In the current period, the Group has adopted all the new and revised IFRS Accounting Standards that are relevant to its operations and effective for its accounting period beginning on 1 January 2025. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's interim financial statements and amounts reported for the current and prior periods.

At the date of authorisation of the unaudited condensed consolidated interim financial statements, the IASB has issued a number of new/revised IFRS Accounting Standards that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the future adoption of new/revised IFRS Accounting Standards will have any material impact on the results and the financial position of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. SEGMENT INFORMATION

The Group has two reportable segments which comprise (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 on resource allocation and performance assessment.

Segment assets exclude deferred tax assets, Equity investment — Designated FVOCI, pledged deposit 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.

Segment results represent the results from each segment without taking into account the allocation of interest income, rental income, compensation income, provision for litigation, finance costs, central administration costs including directors’ and chief executive’s fees and items not directly related to the core business of the segments.

The followings are an analysis of the Group’s revenue and results regarding the reportable and operating segments:

Segment revenue and results

For the six months ended 30 June 2025 (Unaudited)

	Pipe Business RMB’000	Trading Business RMB’000	Total RMB’000
Segment revenue:			
Sales to external customers	374,825	—	374,825
Segment results	4,945	(1,046)	3,899
Interest income			190
Rental income			501
Compensation income			981
Provision for litigation			(18,403)
Unallocated expenses			(6,065)
Finance costs			(6,447)
Loss before tax			(25,344)
Income tax expense			(20)
Loss for the period			(25,364)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2024 (Unaudited)

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	322,910	10,694	333,604
Segment results	(10,699)	(1,652)	(12,351)
Interest income			406
Rental income			486
Unallocated expenses			(6,026)
Finance costs			(6,601)
Loss before tax			(24,086)
Income tax expense			(20)
Loss for the period			(24,106)

Segment assets and liabilities

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

At 30 June 2025 (Unaudited)

	Pipe Business RMB'000	Trading Business RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	925,630	24,146	71,520	1,021,296
Segment liabilities	(275,132)	(6)	(358,465)	(633,603)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2024 (Audited)

	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)

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 of revenue from external customers is provided as substantially all of the Group's revenue is principally attributable to the PRC.

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
The PRC	371,079	378,501
Hong Kong	467	962
	371,546	379,463

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3. SEGMENT INFORMATION (Continued)

Information about major customers

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

		Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Customer A	Segment		
	Pipe Business	314,450	250,151

4. REVENUE

Disaggregation of revenue from contracts with customers within IFRS 15

		Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Types of goods or service			
Pipe Business			
Sales of pipe		341,927	293,963
Rendering of services related to Pipe Business		32,898	28,947
		374,825	322,910
Trading Business			
Trading of commodities		—	10,694
		374,825	333,604

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

4. REVENUE (Continued)

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

For the six months ended 30 June 2025 (Unaudited)

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Geographical markets			
The PRC	374,825	—	374,825
Timing of revenue recognition			
At a point in time	374,825	—	374,825

For the six months ended 30 June 2024 (Unaudited)

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Geographical markets			
The PRC	322,910	10,694	333,604
Timing of revenue recognition			
At a point in time	322,910	10,694	333,604

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Other income		
Interest income	190	406
Government grants (Note (i))	146	146
Rental income	501	486
Compensation income (Note (ii))	981	—
Others	895	406
	2,713	1,444
Other gains and losses		
Gain on sales of materials, net	4,158	2,937
Gain on disposal of property, plant and equipment, net	—	42
Write-off of property, plant and equipment	(78)	—
	4,080	2,979
	6,793	4,423

Notes:

- (i) In the opinion of the directors of the Company, there was no unfulfilled condition or contingency relating to the government grants.
- (ii) During the six months ended 30 June 2025, the Group, as a plaintiff, received certain properties, with an aggregated amount of approximately RMB981,000, with reference to the amounts stated in the enforcement order issued by 山東省淄博市中間級人民法院 (Zibo City Intermediate People's Court, Shandong*), from an independent third party (the "Defendant"), as a defendant for partial settlement of financial compensation, in relation to a litigation of approximately RMB1,712,000 payables to the Group against the Defendant (the "Settlement"). The Settlement was on a dollar-to-dollar basis. In the opinion of the directors of the Company, the remaining financial compensation of approximately RMB731,000 has not been recognised in the profit or loss as the Defendant was known to have financial difficulties and the amount is not highly recoverable.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6. FINANCE COSTS

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on bank loans	5,578	5,319
Interest on other loans	847	1,234
Interest on lease liabilities	22	48
	6,447	6,601

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cost of inventories sold (Notes (i) and (ii))	310,449	278,890
Cost of services	19,591	17,920
	330,040	296,810
Employees benefits expenses (including directors' remunerations)	30,020	30,612
Depreciation of property, plant and equipment	7,909	9,186
Depreciation of right-of-use assets	2,176	2,157
Gain on disposal of property, plant and equipment, net	—	(42)
Write-off of property, plant and equipment	78	—
Reversal of impairment loss on trade receivables, net	(93)	(378)
Short-term lease payments	55	63

Notes:

- (i) Included in the cost of inventories sold is an amount of approximately RMB227,000 related to the reversal of write-down of inventories for the six months ended 30 June 2025 (six months ended 30 June 2024: approximately RMB1,182,000 related to write-down of inventories).
- (ii) Cost of inventories sold includes approximately RMB25,487,000 (30 June 2024: approximately RMB27,307,000) 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 period ended 30 June 2025.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current tax	—	—
Deferred tax	20	20
Income tax expense	20	20

For the six months ended 30 June 2025 and 2024, the assessable profits of Hong Kong incorporated subsidiaries of the Group are entitled to a two-tiered profits tax rates regime (the **"Hong Kong Profits Tax"**) 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 six months ended 30 June 2025 and 2024.

Singapore Corporate Income Tax (**"CIT"**) is calculated at 17% of the assessable profits for the six months ended 30 June 2025 and 2024. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the six months ended 30 June 2025 and 2024.

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 six months ended 30 June 2025 and 2024. PRC Enterprise Income Tax has not been provided for the six months ended 30 June 2025 and 2024 as the Group's entities in the PRC incurred a loss for taxation purpose.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(24,146)	(23,716)

	Six months ended 30 June	
	2025	2024
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 during the six months ended 30 June 2025 and 2024 since the exercise price per share option was higher than the average share price of the Company for the six months ended 30 June 2025 and 2024.

The diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2025 and 2024.

10. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired property, plant and equipment at a total cost of approximately RMB2,299,000 (six months ended 30 June 2024: RMB13,622,000).

Property, plant and equipment with a carrying amount of approximately RMB78,000 (six months ended 30 June 2024: Nil) were written-off during the six months ended 30 June 2025.

Property, plant and equipment with a carrying amount of Nil (six months ended 30 June 2024: RMB19,000) were disposed of by the Group during the six months ended 30 June 2025.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

12. EQUITY INVESTMENT — DESIGNATED FVOCI

	Unlisted equity investment RMB'000
At 1 January 2024 (audited)	97,264
Change in fair value recognised in other comprehensive loss	(34,645)
At 31 December 2024 (audited) and 1 January 2025 (audited)	62,619
Change in fair value recognised in other comprehensive loss	(14,272)
At 30 June 2025 (unaudited)	48,347

The unlisted equity investment represented the 19.95% of equity interests in 新鋒能源集團有限公司 (Xinfeng Energy Enterprise Group Co., Ltd.*) (“**Xinfeng Energy**”), a private entity incorporated in the PRC, which principally engaged in designing and construction of wind farms, sale of the whole machine and components of wind turbine sets and mechanical equipment and software development of digital wind farm system. No dividends were received on this investment during the six months ended 30 June 2025 and 2024.

Upon initial recognition, the Group irrevocably designated the investment in Xinfeng Energy as Equity Investment — 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.

The fair values of the investment in Xinfeng Energy at the end of each reporting period were assessed by the management of the Group with reference to the valuation report prepared by an independent professional valuer, CHFT Advisory and Appraisal Limited using net assets approach and was categorised into the level 3 fair value hierarchy as defined in IFRS 13, “*Fair Value Measurement*” and detailed as follow:

Financial assets	Fair value at the end of the reporting period	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Designated FVOCI						
Unlisted equity investment	RMB48,347,000 (31 December 2024: RMB62,619,000)	Level 3	Net 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 RMB3,147,000 (31 December 2024: RMB3,913,000).

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13. TRADE RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables from third parties	38,054	49,668
Less: Loss allowance	(446)	(539)
	37,608	49,129

The Group's trading terms with its customers are mainly on credit generally up to 180 days (31 December 2024: up to 180 days).

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:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	32,072	40,346
3 to 6 months	513	2,410
6 months to 1 year	790	4,772
1 to 2 years	4,233	1,601
	37,608	49,129

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables at the end of the reporting period, based on the due date is as follows:

	Current RMB'000	Within 1 year past due RMB'000	1 to 2 years past due RMB'000	Total RMB'000
At 30 June 2025 (Unaudited)				
Weighted average expected loss rate (%)	0.0%	5.0%	10.0%	1.2%
Gross Amount	29,554	8,079	421	38,054
Loss allowance	—	(404)	(42)	(446)
Net amount	29,554	7,675	379	37,608
At 31 December 2024 (Audited)				
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Advances to suppliers (Note)	99,378	149,390
Value-added tax recoverables	834	2,130
Prepayments	160	865
Tender deposits to customers	1,897	2,203
Security deposits in respect of sales contract with customers	8,180	13,931
Consideration receivables from non-controlling interests in respect of partial disposal of equity interests in a subsidiary	—	1,890
Others	2,619	2,953
	113,068	173,362

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.

15. TRADE PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade payables to third parties	107,661	46,104

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

15. TRADE PAYABLES (Continued)

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	96,525	35,209
3 to 6 months	1,397	518
6 months to 1 year	859	2,199
1 to 2 years	1,134	449
Over 2 years	7,746	7,729
	107,661	46,104

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days (31 December 2024: 90 to 180 days) since the goods are received from suppliers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

16. BORROWINGS

	At 30 June 2025			At 31 December 2024		
	Effective interest rate (%)	Maturity (year)	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity (year)	RMB'000 (Audited)
Bank loans						
Secured (Notes (i), (ii))	2.73%–4.38%	2025–2026	305,430	3.40%–4.38%	2025–2026	276,040
Other loans						
Unsecured (Note (iii))	5.00%	2025	33,376	5.00%	2025	33,796
			338,806			309,836
Borrowings are repayable as follows:			RMB'000 (Unaudited)			RMB'000 (Audited)
On demand or within one year			338,806			203,866
One to two years			—			105,970
Two to three years			—			—
			338,806			309,836

Notes:

- (i) The bank loans were secured by pledge of certain property, plant and equipment of the Group amounting to approximately RMB112,718,000 (31 December 2024: approximately RMB117,868,000) and right-of-use assets amounting to approximately RMB67,144,000 (31 December 2024: approximately RMB68,111,000).
- (ii) The bank loan of approximately RMB29,600,000 was secured by pledged bank deposits of approximately RMB30,000,000 (31 December 2024: Nil) at 30 June 2025.
- (iii) At 30 June 2025, the other loans represented the advance from directors and other members of key management of the Company and employees amounting to approximately RMB1,065,000 (31 December 2024: approximately RMB1,065,000) and RMB32,311,000 (31 December 2024: approximately RMB32,731,000), respectively, which are unsecured, bear a fixed interest rate of 5% per annum and are repayable within one year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17. COMMITMENTS

Capital commitments

The Group had the following capital commitments for acquisition of property, plant and equipment at the end of the reporting period:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Contracted, but not provided for, net of deposits paid (if any)	52	175

18. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the six months ended 30 June 2025 and 2024, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on other loans paid to directors and other members of key management of the Company	26	26
Purchase made from an associate, Hunan Shengli Xianggang Steel Pipe Co., Ltd	104,466	754

(b) Significant related party balances

At the end of the reporting period, the Group had the following balances with its related parties:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Other loans from directors and other members of key management of the Company	1,065	1,065
Interest payable on other loans from directors and other members of key management of the Company	107	67

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

The remuneration of directors and other key management members for the reporting period is as follows:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Directors' fees	913	976
Salaries, wages, allowances and other benefits in kind	2,177	2,654
Retirement benefit scheme contributions	191	310
	3,281	3,940

19. LITIGATION

浙江勝管實業有限公司 (Zhejiang Shengguan Industrial Co., Ltd.*) (**"Zhejiang Shengguan"**) and 山東勝利鋼管有限公司 (Shandong Shengli Steel Pipe Co., Ltd.*) (**"Shandong Shengli"**), two subsidiaries of the Group, have received a civil judgment (the **"Judgement"**) dated 9 April 2025 issued by 上海市黃浦區人民法院 (the People's Court Huangpu District of Shanghai Municipality*) in relation to a litigation (**"Litigation"**) brought by 甘肅科耀電力有限公司 (Gansu Keyao Electric Power Co., Ltd*) (the **"Plaintiff"**) against, among others, (a) 杭州哈月新能源有限公司 (Hangzhou Hanyue New Energy Co., Ltd.*) (**"Hangzhou Hanyue"**), one of the shareholders of Xinfeng Energy and an independent third party of the Group, (b) Zhejiang Shengguan and (c) Shandong Shengli for the payment for breach of contracts by Xinfeng Energy in the outstanding sum of approximately RMB17,196,000 (the **"Outstanding Sum"**).

The Plaintiff demanded, among others, that Hangzhou Hanyue shall be liable for the repayment of Outstanding Sum with the default interest accrued (collectively referred as the **"Relevant amount"**) thereon as Hangzhou Hanyue has to fulfil its obligations to settle its unpaid registered capital in Xinfeng Energy of RMB81,420,000 (the **"Unpaid Capital"**). The Plaintiff further demanded that, if Hangzhou Hanyue fails to make the repayment, Zhejiang Shengguan shall be liable for supplementary compensation, and its immediate holding company, Shandong Shengli shall be liable for supplementary compensation for Zhejiang Shengguan as the Unpaid Capital in Xinfeng Energy was transferred by Zhejiang Shengguan to Hangzhou Hanyue.

Pursuant to the Judgement, among others, (i) Hangzhou Hanyue shall be liable to repay the Outstanding Sum within the scope of the Unpaid Capital and default interest which accrued at a daily interest rate of 0.0175% from 25 May 2024 until the date of repayment; (ii) Zhejiang Shengguan shall be liable for supplementary compensation where Hangzhou Hanyue is unable to repay the Outstanding Sum on time; and (iii) Shandong Shengli is not liable for the repayment of relevant amount as Shandong Shengli is independent from Zhejiang Shengguan in terms of property.

Zhejiang Shengguan appealed against the Judgement (the **"Appeal"**) on 28 April 2025. Shanghai No. 2 Intermediate People's Court has rejected the Appeal on 31 July 2025 and upheld the Judgement which became the final judgement.

Accordingly, a provision of litigation of approximately RMB18,403,000, representing the Outstanding Sum and the default interest accrued up to the end of the reporting period, has been recognised in the profit or loss during the six months ended 30 June 2025.

Details of the above Litigation are disclosed in the Company's announcement dated 1 August 2025.

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