



宏华集团有限公司

HONGHUA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 196



2025

INTERIM REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xu (*Chairman*)
Mr. Zhu Hua
Mr. Yang Qiang

Non-executive Directors

Mr. Yang Yangzhuang
Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)

Independent Non-executive Directors

Mr. Zhang Shiju
Ms. Li Yuedong
Mr. Wang Junren

SECRETARY OF BOARD OF DIRECTOR

Mr. He Bin

BOARD COMMITTEES

Audit Committee

Ms. Li Yuedong (*Committee Chairman*)
Mr. Zhang Shiju
Mr. Yang Yangzhuang

Remuneration Committee

Mr. Zhang Shiju (*Committee Chairman*)
Mr. Wang Xu
Ms. Li Yuedong
Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)
Mr. Wang Junren

Nomination Committee

Mr. Wang Xu (*Committee Chairman*)
Mr. Zhang Shiju
Ms. Li Yuedong

Strategic Investment Committee

Mr. Wang Xu (*Committee Chairman*)
Mr. Zhu Hua
Mr. Yang Qiang
Mr. Yang Yangzhuang
Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)
Mr. Wang Junren

JOINT COMPANY SECRETARIES

Mr. He Bin
Ms. Lee Mei Yi

LEGAL ADVISOR

AS TO HONG KONG LAW

Haiwen & Partners LLP

PRINCIPAL BANKERS AND NON-BANK FINANCIAL INSTITUTIONS

Bank of China Limited
Industrial Bank Co., Ltd.
Agricultural Bank of China Limited
China CITIC Bank Corporation Limited
Industrial and Commercial Bank of China Limited
The Export-Import Bank of China
China Development Bank
Industrial and Commercial Bank of China (Asia) Limited
China Development Fund Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Bank of Kunlun Co., Ltd.
Sichuan Bank Co., Ltd.
Bank of Communications Co., Ltd.
China Construction Bank Corporation
Dongfang Electric Finance Co., Ltd.
China Everbright Bank Company Limited
China Minsheng Banking Corp., Ltd.
China Zheshang Bank Co., Ltd.

CORPORATE INFORMATION

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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STOCK CODE

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WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Honghua Group Limited (together with its subsidiaries, referred to as the “Group” or “Honghua Group”) is a leading global oil and gas exploration and development equipment manufacturing and drilling engineering services company. Over more than two decades of development, the Group’s business has spanned the major oil and gas production regions worldwide, forming a comprehensive product portfolio including a full range of land drilling rigs, electric fracturing equipment and construction services, core parts and components of drilling and completion equipment, drilling engineering services, digital products for drilling and completion, offshore wind power, offshore oil and gas, and offshore engineering equipment manufacturing, as well as new energy equipment and comprehensive services for oil and gas fields, providing customers with a full range of products and technologies for energy development.

BUSINESS REVIEW

In the first half of 2025, the Russia-Ukraine war remained deadlocked, and the Iran-Israel conflict continued to escalate. In addition, as affected by factors such as the tariff policies of the United States, the output hike of OPEC+, and the downturn pressures on the global economy, there were significant short-term fluctuations in international oil prices, which posed certain challenges to the expansion of overseas markets and the stability of supply chain of energy equipment companies. Considering both economic efficiency and energy security, oil companies have maintained their overall resilience in upstream capital expenditures. However, they have attached more importance to the efficiency, stability, and safety of equipment and services. Meanwhile, the major trend of global energy transformation remained unchanged. Against this backdrop, the oil and gas industry has been intensifying the application of intelligent equipment and green extraction technologies in the development of traditional energy. Unconventional oil and gas development as well as deep and far offshore energy development have also emerged as new cores of growth. Given the general development trend, the Group has aligned with the deep-earth and deep-sea strategies of the country, focused on the enhancement of its core competitiveness, and seized the opportunities in intelligent, unmanned, and green development to vigorously achieve high-quality growth.

I. Positive Results Reaped from Quality Improvement and Efficiency Enhancement

As of 30 June 2025, the Group recorded a revenue of RMB2,601.07 million, representing a decrease of RMB174.93 million or 6.3% from RMB2,776.00 million during the same period of the previous year. During the reporting period, the overall decline in revenue was mainly due to the business structure adjustment initiated by the Company, including scaling down its low-margin business segments, and actively streamlining low-margin businesses such as steel structures under the parts and components and other business, as well as further focusing on core business segments, in order to enhance the overall profitability of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to monitor its liquidity position in order to achieve the cost reduction and efficiency improvement. During the reporting period, the Group further reduced its finance cost by 0.89 percentage point to 2.5%, with interest expenses decreasing by 27.5% year-on-year, and the financial expense ratio decreasing by 0.90 percentage point to 1.6%. Sales expenses decreased by 6.8% year-on-year, and procurement costs dropped by approximately RMB79.00 million. Gross profit realised amounted to RMB338.59 million, representing an increase of 12.3% as compared to the same period of the previous year. Net profit attributable to equity shareholders of the parent company amounted to RMB37.10 million, representing a significant increase of RMB34.68 million as compared to the same period of the previous year. The Group continuously improved its cost management capabilities, resulting in a gross profit margin of 13.0% during the reporting period (representing an increase of 2.1 percentage points as compared to the same period of the previous year). In particular, the gross profit from the fracturing business segment increased significantly by RMB57.61 million as compared to the same period of the previous year, representing a year-on-year increase of 96.2%.

As of 30 June 2025, the balance of trade and other receivables of the Group amounted to approximately RMB3,685.91 million, representing a decrease of 10.3% as compared to the end of 2024. The average turnover days of trade receivables and bills receivable were 201 days, representing a decrease of 67 days as compared to the same period of the previous year. The average turnover days of inventory were 126 days, representing a decrease of 18 days as compared to the same period of the previous year. The average turnover days of trade payables and bills payable were 249 days, representing an increase of 20 days as compared to the same period of the previous year. The net cash flow from operating activities saw a significant increase of 132.4% or approximately RMB93.67 million year-on-year.

II. Multiple Breakthroughs Achieved in Market Expansion

As of 30 June 2025, the Group recorded a revenue of RMB1,295.53 million in the market of China, representing a slight decrease of 0.06% year-on-year, and accounting for 49.8% of the total revenue for the first half of 2025. In the domestic market, the fracturing business and offshore segment performed exceptionally well and became key momentum of growth for the market of China. In terms of the overseas markets, the Group recorded a revenue of RMB1,305.55 million, representing a year-on-year decrease of 11.8%, and accounting for 50.2% of the total revenue for the first half of 2025. In particular, revenue from the Middle East market amounted to RMB1,029.81 million, representing an increase of 32.1% as compared to the same period of the previous year, and accounting for 39.6% of the total revenue for the first half of 2025 and 78.9% of the revenue from the overseas markets; revenue from other overseas markets amounted to RMB275.74 million, representing a decrease of 60.6% as compared to the same period of the previous year, and accounting for 10.6% of the total revenue for the first half of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS



The table below sets forth the breakdown of the total revenue of the Group by market regions during the reporting periods indicated:

Regions	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)	Changes of Percentage (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
China	1,295.52	49.81	1,296.27	46.70	-0.06	3.11
Overseas	1,305.55	50.19	1,479.73	53.30	-11.77	-3.11
The Middle East	1,029.81	39.59	779.71	28.09	32.07	11.50
Others ⁽¹⁾	275.74	10.60	700.02	25.21	-60.61	-14.62
Total	2,601.07	100.00	2,776.00	100.00	-6.30	–

Note: (1) Other regions include Africa, Europe, Americas, South Asia and Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group recorded new orders totaling RMB4,578 million, representing a year-on-year increase of 14.2% and a rapid growth for three consecutive years. In particular, new overseas orders amounted to RMB2,556 million, representing a year-on-year increase of 107%. In terms of international markets, the Group successfully signed a contract with a customer from the Middle East for RMB1.5 billion worth of AI drilling rigs for clustered wells and secured orders for multiple sets of desert fast-moving drilling rigs valued at over US\$100 million, thus further consolidating the Group's leading position in the global high-end intelligent drilling rig market. In collaboration with an Indonesian customer, the Group secured orders for several sets of new-generation in-vehicle electric drilling and repair-integrated units, thus achieving market breakthroughs in the small and medium-power green oil and gas equipment sector. It also secured orders for six offshore construction vessels (OCV) from a customer from the Middle East, which marked a breakthrough in "go global" for the sector of specialized ships. In terms of the domestic market, the Group was listed in the framework tender hosted by Sinopec and taken up for application for the first time, and secured an order for a new energy photovoltaic power generation project for Sinopec's oil production platforms; the Group signed a ship engineering sub-procurement contract worth over RMB240 million with a domestic company engaged in ship operation and management, which marked the Group's successful entry into the niche market of the construction of high-end vessels for scientific research following its deep involvement in the construction of the "Meng Xiang", the first domestically designed and built ultra-deepwater research and drilling vessel in China, thereby further strengthening its core competitiveness in the sector of high-end vessel construction.

III. Emergence of Successive Innovative Achievements

During the reporting period, the Group applied for 55 patents (30 invention patents). As of 30 June 2025, the Group had a total of 859 valid authorized patents (397 invention patents). The Group was awarded the first-tier prize for the Scientific and Technological Innovation Achievements in the Petroleum and Petrochemical Equipment Industry for 2025 (2025石油石化裝備科技創新成果), the second-tier prize for the Innovation Awards by the National Drilling Standards Committee (全國鑽標委標準創新獎), and the first-tier prize for the Award of Scientific and Technological Progress in Chongqing Municipality for 2024 (2024年度重慶市科學進步獎). The Group has fully implemented integrated science and technology management, launched the Global Youth Innovation "Living Seeds" Program, and further promoted the construction of an open and synergistic innovation platform. In terms of equipment intelligence, the Group particularly promoted the R&D of the 2.0 version of intelligent drilling rigs and the scientific research project of national-level deep-earth drilling rig. In terms of drilling digitalization, the Group has established in-depth cooperation with well-known domestic universities and enterprises, while focusing on the R&D of edge computing, building AI edge computing power, and implementing the in-depth optimization of parameters and the identification of drilling risks. In terms of digital well completion, the Group has made unprecedented progress in the intelligent fracturing demonstration projects jointly conducted with leading domestic oil and gas companies. By deeply integrating digital and intelligent technologies, the Group has achieved dynamic and real-time optimization of fracturing parameters and remote synergy during operations, thereby significantly improving our operational efficiency and effectively controlling construction costs. In terms of new energy-related industries, the Group has successively secured projects such as the new energy photovoltaic power generation project for Sinopec oil production platform and the zero-carbon power supply demonstration project for oil pumps, thereby achieving the first "photovoltaic + oil and gas" new energy business implementation, which marked a new breakthrough in photovoltaic power generation and "zero-carbon" power supply in the sector of oil and gas fields.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODELS OF THE GROUP

During the reporting period, the Group's revenue from land drilling rigs amounted to RMB801.45 million, representing a decrease of 7.8% as compared to the same period of the previous year, and accounting for 30.8% of the revenue for the first half of 2025. Revenue from parts and components and others amounted to RMB574.75 million, representing a decrease of 40.7% as compared to the same period of the previous year, and accounting for 22.1% of the revenue for the first half of 2025. Revenue from drilling engineering services amounted to RMB174.51 million, representing an increase of 0.4% as compared to the same period of the previous year, and accounting for 6.7% of the revenue for the first half of 2025. Revenue from the offshore segment amounted to RMB616.94 million, representing an increase of 35.0% as compared to the same period of the previous year, and accounting for 23.7% of the revenue for the first half of 2025. Revenue from fracturing business amounted to RMB433.42 million, representing an increase of 41.1% as compared to the same period of the previous year, and accounting for 16.7% of the revenue for the first half of 2025.

The table below sets forth the breakdown of the total revenue of the Group by businesses during the reporting periods indicated:

Types of Business	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)	Changes of Percentage (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Land drilling rigs	801.45	30.81	869.46	31.32	-7.82	-0.51
Parts and components and others	574.75	22.10	968.57	34.89	-40.66	-12.79
Drilling engineering services	174.51	6.71	173.80	6.26	0.41	0.45
Offshore segment	616.94	23.72	457.08	16.47	34.98	7.25
Fracturing business	433.42	16.66	307.09	11.06	41.14	5.60
Total	2,601.07	100.00	2,776.00	100.00	-6.30	–

I. Land Drilling Rigs

According to "Top 10 Predictions on Trends in the Energy and Natural Resources for 2025" published by Wood Mackenzie, global oil and gas exploration and development will continue the trend of structural reform in the industry in 2025, coupled with the deepening of intelligent and low-carbon transformation. The focus of exploration layout, technology application and resources development will feature the following aspects: First, the exploration will focus on deep-sea and ultra-deep-sea areas; second, unconventional projects will become the core direction of development; third, intelligent technologies will deeply reshape engineering efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

As the core business segment under the continuing operations of the Group at the early stage of entrepreneurship, with its advanced technology, mature global sales network and excellent track record, the land drilling rigs business has sold a total of approximately 1,000 land drilling rigs of various types since 2000 (with a total of 6 sets of complete land drilling rigs sold in the first half of 2025), which were exported to major oil and gas production regions worldwide, such as the Middle East, the Americas, Central Asia and Africa.

As of 30 June 2025, revenue from the land drilling rigs business of the Group amounted to RMB801.45 million, accounting for 30.8% of total revenue, and representing a decrease of 7.8% compared to RMB869.46 million for the same period of the previous year. During the reporting period, 92.3% of the revenue from the land drilling rigs business of the Group was derived from overseas markets, of which 85.2% was contributed by the Middle East region. The Company secured several substantial orders in the Middle East region. Leveraging its technological strengths, high-quality services, and the operational stability and safety of its equipment, the Company successfully secured an additional order for RMB1.5 billion worth of AI drilling rigs for clustered wells, thereby consolidating our leading position in the global high-end intelligent drilling rig market. The Company has successfully signed contracts for several sets of desert fast-moving drilling rigs worth over US\$100 million, which supported the customers to achieve efficient and energy-saving drilling operations. In addition, in collaboration with an Indonesian customer, the Company has signed orders for several sets of new-generation in-vehicle electric drilling and repair-integrated units, which marked a market breakthrough for the Group in the field of medium and small-power green oil and gas equipment. In the domestic market, the Company won a tender for drilling rig project from a coalfield geological oil and gas drilling and production company with limited liability, thereby capitalizing on the demand for the upgrading of advanced equipment in the domestic market and continuously enhancing its market competitiveness.

The table below sets forth the breakdown of the total revenue from the land drilling rigs by regions during the reporting periods indicated:

Regions	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	
China	61.73	7.70	22.20	2.55	178.10
Overseas	739.72	92.30	847.26	97.45	-12.69
The Middle East	682.67	85.18	507.67	58.39	34.47
Europe	43.98	5.49	31.22	3.59	40.85
Other regions ⁽¹⁾	13.07	1.63	308.37	35.47	-95.76
Total	801.45	100.00	869.46	100.00	-7.82

Note: (1) Other regions include the Americas, Africa, South Asia and Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Parts and Components and Others

As of 30 June 2025, revenue from parts and components and other businesses of the Group amounted to RMB574.75 million, accounting for 22.1% of total revenue, and representing a decrease of 40.7% as compared to RMB968.57 million for the same period of 2024. This was mainly due to the fact that the Group took the initiative to adjust its business structure during the reporting period, while scaling down low-margin business segments, and actively streamlining its low-margin businesses such as steel structures under the parts and components and other business segments to further focus on core business segments and enhance the overall profitability of the Company. During the reporting period, the gross margin of the parts and components and other businesses increased by 3.3 percentage points as compared to the same period of the previous year.

During the reporting period, the Group secured 49 bulk orders for high-pressure mud pumps from both domestic and international customers. In terms of automated machinery, the Group has successfully signed orders for intelligent drilling systems for ancillary drilling rigs and orders for equipment modification (including powered catwalks, iron roughnecks, etc.). Meanwhile, the Group successfully secured an order for a new energy photovoltaic power generation project for Sinopec's oil production platforms.

III. Drilling Engineering Services

As at 30 June 2025, the Group had 7 drilling teams for providing drilling engineering services to renowned domestic and international customers. It recorded a revenue of RMB174.51 million, accounting for 6.7% of the total revenue, and representing an increase of 0.4% as compared to RMB173.80 million for the same period of 2024.

In terms of international projects, the Group, as a professional service provider in the industry of oil and gas engineering services, has been deeply rooted in the Middle East market for over a decade. With excellent operational performance and meticulous production management, the Group has gained widespread recognition from customers in the highly competitive market of oil and gas engineering services. The Group has deployed 6 self-owned drilling rigs in the Middle East, with full production tasks, efficient utilization of assets and equipment, as well as steady progress of project execution. The Group has been highly appraised by its customers for its excellent construction quality and well-controlled progress during the period of operations.

In terms of domestic projects, the Group utilized its intelligent drilling rig at the operation site of the drilling engineering project of a platform of Sinopec Chongqing Shale Gas in Nanchuan, thereby fully demonstrating the stability of its equipment performance and the advancement of its technology.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the breakdown of revenue from the drilling engineering service by regions during the reporting periods indicated:

Regions	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	
China	21.18	12.14	14.80	8.52	43.08
The Middle East	153.32	87.86	158.99	91.48	-3.57
Total	174.50	100.00	173.79	100.00	0.41

IV. Offshore Segment

The Group's offshore segment primarily includes offshore wind power, offshore oil and gas equipment, and offshore engineering equipment businesses. The offshore engineering equipment production base is located in the Qidong Marine Shipbuilding Industrial Park in Jiangsu Province. The first phase of the outfitting wharf, spanning 633 meters, has been completed. The facility boasts a steel structure assembly workshop with an area of 110,000 square meters, possessing the capability to manufacture offshore oil and gas equipment, offshore modules, large-scale offshore wind power pile foundation structural parts, etc. As at 30 June 2025, revenue from the offshore segment of the Group amounted to RMB616.94 million, representing an increase of 35.0% as compared to the same period of the previous year, and accounting for 23.7% of the total revenue. The number of new order for this business segment saw a significant increase of 63% as compared to the same period of the previous year. With the benefits from the Company's investments in and focus on the offshore engineering equipment industry, the business units of offshore oil and gas and offshore engineering equipment manufacturing recorded a revenue of RMB263.19 million during the reporting period, representing a significant increase of 1,171.4% as compared to the same period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the breakdown of revenue from the offshore wind power and offshore oil and gas and offshore engineering equipment manufacturing business by business types during the reporting periods indicated:

Type of business	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	
Offshore wind power	353.75	57.34	436.38	95.47	-18.93
Offshore oil and gas and offshore engineering equipment manufacturing	263.19	42.66	20.70	4.53	1,171.39
Total	616.94	100.00	457.08	100.00	34.98

Offshore Wind Power

The Group's offshore wind power business primarily consists of the business related to offshore wind power jackets. As of 30 June 2025, revenue from the offshore wind power business of the Group amounted to RMB353.75 million, accounting for 57.3% of the revenue from the business of offshore segment, and representing a decrease of 18.9% as compared to the revenue of RMB436.38 million for the same period of the previous year. After 6 years of its development, the Company has become one of the top-tier players in the niche market of large-scale offshore wind power jackets in China. During the reporting period, the new orders amounted to approximately RMB800 million, with signed orders for 38 sets of large-scale offshore wind power jackets, thereby maintaining its leading position in the niche market of large-scale jackets. Leveraging our satisfactory production capabilities, operating performance, and customer resources, we have successfully explored new customers such as Mingyang BASF and Guangdong Institute. We also signed long-term framework agreements in tenders with CCCC Third Harbor Engineering and China Railway Major Bridge to secure our production capacity in offshore wind power, deepened our cooperation with existing customers such as Shanghai Institute, and strengthened our technical collaborations with design and general contracting units such as Central South Institute.

MANAGEMENT DISCUSSION AND ANALYSIS

Offshore oil and gas and offshore engineering equipment manufacturing

As breakthroughs continue to be made in overcoming technical bottlenecks in offshore engineering, the development of oil and gas resources is shifting from the continental shelf to the deep sea. The number of deep-sea frontier exploration wells will increase, and oil companies and resource-rich countries will focus on expanding the areas available for exploration. As one of the world's largest manufacturers of land drilling rigs, the Group has extensive experiences in the manufacturing of oil and gas exploration and development equipment. In terms of the manufacturing of offshore engineering equipment, the Group has successively conducted the design of various types of drilling platforms, the development of complete machinery systems, as well as the research and manufacturing of various large-scale equipment, thereby accumulating experiences in the design and commissioning of offshore equipment in respect of offshore oil and gas extraction, marine hydrate development, and seabed mineral resources extraction. In terms of shipbuilding, the Group has previously delivered platform supply vessels, workover barges, oil barges, and LNG-powered transport vessels.

As of 30 June 2025, the revenue from the businesses of offshore oil and gas equipment and specialized ships of the Group amounted to RMB263.19 million, accounting for 42.7% of the revenue of the business of offshore segment, and representing a significant increase of 1,171.4% as compared to the revenue of RMB20.70 million for the same period in 2024. In terms of offshore oil and gas equipment, the Group successfully secured orders for offshore workover rigs from domestic customers, established in-depth cooperation with renowned domestic universities and enterprises to continuously tackle "knotty strangle" technological challenges, as well as proactively integrated external resources, and signed strategic cooperation agreements with No. 704 Research Institute of China State Shipbuilding Corporation, CM-Energy, Shanghai Waigaoqiao Shipbuilding and Offshore Engineering Project Company and other enterprises. In terms of the manufacturing of offshore engineering equipment, the Group secured orders for six OCV vessels from customers from the Middle East during the reporting period, which marked a breakthrough in "go global" in the sector of specialized ships, and signed a sub-procurement contract for ship engineering worth over RMB240 million with a domestic company engaged in ship operation and management, which marked the Group's successful entry into the sector of construction of high-end vessels for scientific research. Meanwhile, the Group proactively promoted the research and manufacturing of electrical systems for ships, leveraging the empowerment of shipborne equipment and electrical technology to gradually develop its core competitiveness in niche markets.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Fracturing Business

As of 30 June 2025, the Group generated a revenue from its fracturing business of RMB433.42 million, accounting for 16.7% of the total revenue, and representing a significant increase of 41.1% as compared to the revenue of RMB307.09 million for the same period in 2024. All revenue from this business segment was derived from the domestic market. With the benefits from opportunities brought by the rapid growth of unconventional oil and gas resources development to the fracturing business of the Group, the revenue from businesses of the sales of fracturing equipment and fracturing services amounted to RMB328.30 million, representing a significant year-on-year increase of 64.7%. Gross profit from the fracturing business increased significantly by RMB57.62 million as compared to the same period of the previous year.

During the reporting period, the Group had 16 pumping teams, which completed approximately 1,800 stages of fracturing operations. The Group achieved the first application of power-driven fracturing in the Tahe oilfield of Xinjiang, and the next-generation electric fracturing system has completed industrial trials on several platforms. The Group further expanded its customer base by adding eight new customers and signed a framework contract for coalbed methane fracturing services with a domestic company, thereby further consolidating the market position of the Group in the fracturing business in the coalbed methane block in Shanxi.

The table below sets forth the breakdown of the total revenue from the fracturing business by businesses during the reporting period indicated:

Type of business	As at 30 June 2025		As at 30 June 2024		Changes of Revenue (%)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	
Sales of fracturing equipment and fracturing services	328.30	75.75	199.38	46.00	64.66
Special power	105.12	24.25	107.72	24.85	-2.41
Total	433.42	100.00	307.10	70.85	41.14

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES MANAGEMENT

The Group firmly pursues the goal of “talents as leadership,” and has been deeply advancing the high-quality development of its talent pool to cultivate the optimal momentum for its high-quality development. As of 30 June 2025, the Group had a total of 2,830 employees. During the period, the Group implemented a series of measures in areas such as talent development, employee trainings, and talent incentives. In terms of talent development, we have prioritised supporting the growth of strategic emerging industries, specifically recruiting talent with high-end skills in emerging industries, strengthening on-the-job trainings and cross-functional experience mechanisms, and establishing technical talent pool in areas such as intelligent equipment, digital management, and offshore engineering equipment. In terms of employee trainings, a total of 392 training sessions were conducted during the period, covering topics such as technology and science, skills enhancement, legal risks and compliance, quality and safety, financial literacy, and employee management.

In terms of talent incentives, the Group adheres to the principle of “efficiency comes first, with fairness of no less importance” and evaluate the employee compensation with reference to the results. The remuneration package consists of three major components: basic salary, performance incentives, and welfare subsidies, thereby ensuring that the growth in total remuneration is in line with economic benefits. The Group promotes the full coverage of term contract or performance target responsibility letter, strengthen its mechanism of “hard indicators” in performance, “high incentives” for salary and “rigid distribution” of benefits, while implementing incentive measures such as project profit sharing. Details of the Company’s share schemes are set out in the sections entitled “Share Option Scheme” and “Restricted Share Award Scheme” of this interim report.

OUTLOOK

In the second half of 2025, the oil and gas development industry in the world will face a new landscape characterized by the co-existence of both uncertainties and new opportunities, driven by multiple factors such as structural adjustments between supply and demand, oil price fluctuations, and a complex and ever-changing policy environment alongside the continuous optimization of energy structure. In response to the new situation and challenges, the Group will focus on accelerating the optimization and upgrading of its business structure, achieving breakthroughs in core technologies, and enhancing operational efficiency. The Group will continue to improve the construction of its global operational system and gradually establish a competitive advantage driven by the dual engines of “equipment + services.”

I. Accelerating the optimization and upgrading of business structure

To fully withstand the impact of cyclical fluctuations in the industry and highlight the core functions of industrial layout, the Group will gradually form a dual-engine-driven and two-way-empowered industrial development landscape of “Equipment + Services”. First, the Group will stabilize the market orders for our three core businesses, land drilling rigs, parts and components, as well as drilling engineering services, in order to further consolidate the leading position of the Group in the global high-end intelligent drilling rig market, promote the technologies of equipment towards high-end and intelligent development, and further increase the market share in parts and components; second, the Group will reshape the fracturing business segment, seize the opportunity brought by the incremented development of unconventional oil and gas resources domestically, while accelerating

MANAGEMENT DISCUSSION AND ANALYSIS

breakthroughs in overseas markets, and cultivating it into a new profit growth driver for the Company; third, the Group will build the industrial layout of the business of offshore segment focusing on offshore wind power, offshore oil and gas drilling platforms, and offshore engineering modules, and vigorously cultivate it into the Company's "second growth curve." In terms of market expansion, the Group will continue to strengthen its presence in the Middle East market, enhance its ability to secure large-scale projects, and reinforce its competitive edge in core markets. Meanwhile, the Group will continue to nurture and develop emerging markets, closely monitor the demand for domestic substitution and upgrading of offshore drilling platforms, and strive to achieve market breakthroughs in respect of drilling equipment such as module drilling rigs and geological exploration equipment. Meanwhile, the Group will continue to expand its market presence in terms of offshore wind power and maintain its leading position in the niche market of large-scale offshore wind power jackets.

In terms of service capability development, the Group will comprehensively enhance the competitiveness of its comprehensive solutions services to help customers improve their resources development efficiency across all stages of oil and gas development at lower costs. First, the Group will enhance its sales capabilities in the service of spare parts, promote the "warehouse stocking" and "overseas consignment" by suppliers, and strengthen strategic cooperation with high-quality suppliers. Second, the Group will operate global service centers to promptly respond to customer needs, continuously improve its service quality, and create unparalleled customer experiences. Third, the inspection and testing business of the Group has successfully obtained the API Q2 certification from the American Petroleum Institute. The API Q2 certification obtained on this occasion represents the standardization of special service quality management system for the oil and gas industry, which is applicable to the implementation of services at all stages including exploration, development and production in the petroleum and natural gas industries. The API Q2 certification obtained proves that the Group has the ability to continuously provide petroleum and natural gas services that meet customers' needs and legal requirements. In the long term, this will enable the Group to fully leverage the absolute advantage of "API Q2 + OEM" in its overseas market expansion, thereby activating the potential of traditional businesses through technological synergy.

II. Focusing on breakthroughs in core technologies

In terms of technological innovation, the Group has proactively aligned with the deep-earth and deep-sea strategies of the country, while focusing on technological sectors such as drilling and completion equipment, offshore engineering equipment, digital products, and new energy technologies. In promoting the development of intelligent equipment, the Group focuses on the R&D of the 2.0 version of intelligent drilling rigs and undertakes the important task of national-level scientific research projects on deep-earth drilling rigs. In the field of electric fracturing, we prioritize improvements in pump efficiency and the iteration and upgrading of the performance of electric fracturing system, thus restoring its leading position in the industry development. In terms of new energy, the Group closely follows the new energy product line of Dongfang Electric Corporation (DEC) Group, while striving to achieve new breakthroughs in the market of new energy for oil and gas fields. The Group will continue to advance its digital governance initiatives, comprehensively enhance its digital and intelligent industrial capabilities, empower the improvement of its internal operational efficiency, and achieve the scaled development of the business of artificial intelligence service.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to maintain its investment in R&D at approximately 5%, persistently and effectively leveraging R&D investment, platform construction, and technological layout, to strengthen the supporting role of scientific and technological innovation, and promote the high-end, intelligent, and green development of the industry. Also, the Group will focus on the construction of a scientific and technological innovation system, promote the efficient operation of the Joint Innovation Research Institute, deepen the R&D cooperation with high-level national innovation institutions, make all-out efforts to achieve breakthroughs in core and key technologies, vigorously develop new quality productive forces in the energy equipment sector, and strengthen research in strategic emerging industries, future industries, and cutting-edge technologies. The Group will also reinforce its innovation talent support system, prioritize the recruitment of industry-specific technical experts in offshore engineering and digitalization, enhance the construction of a diversified and international talent pool, as well as continuously optimize its organizational structure.

FINANCIAL REVIEW

During the Period, the Group's gross profit and profit attributable to shareholders of the Company amounted to approximately RMB339 million and RMB37 million respectively, and gross margin and net profit margin amounted to 13.0% and 1.4% respectively. In the same period of the previous year, the gross profit and profit attributable to shareholders of the Company amounted to approximately RMB302 million and RMB2 million respectively, and gross margin and net profit margin amounted to 10.9% and 0.1% respectively. In the first half of 2025, the global economic growth slowed down, which led to shrinking demands from international markets, while geopolitical conflicts posed severe challenges to the stability of supply chains. In the face of the complex and volatile external environment, the Group has aligned with the deep-earth and deep-sea strategies of the country, continuously enhanced its core competitive advantages and optimized its cost management, comprehensively improved its operation and management standards, and further reduced its financing costs, achieving steady improvement of its profitability.

Turnover

During the Period, the Group's revenue amounted to approximately RMB2,601 million, representing a decrease of RMB175 million or 6.3% as compared to RMB2,776 million in the same period of the previous year. During the reporting period, the decline in overall revenue was mainly due to the fact that the Company proactively adjusted its business structure to focus on core business segments in order to enhance the overall profitability of the Company.

Cost of Sales

During the Period, the Group's cost of sales amounted to approximately RMB2,262 million, representing a decrease of RMB212 million or approximately 8.6% as compared to RMB2,474 million in the same period of the previous year. This was mainly due to the corresponding decrease in costs resulting from the decrease in sales revenue. Meanwhile, the profitability of the Group was improved by the product mix optimization, production efficiency advancement, as well as the effective implementation of measures for cost reduction and efficiency improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and Gross Margin

During the Period, the Group's gross profit amounted to approximately RMB339 million, representing an increase of RMB37 million or 12.3% as compared to the gross profit of RMB302 million in the same period of the previous year.

During the Period, the Group's overall gross margin was 13.0%, representing an increase of 2.1 percentage points as compared with the same period of the previous year of 10.9%. This was mainly due to the fact that, (i) the Group capitalized on the demand for the development of unconventional oil and gas resources, and its fracturing services business expanded significantly, which led to the increasing revenue; also, with the remarkable increase in the effective operation time per pump, the fracturing efficiency was fully improved; and (ii) there was a rapid growth in the business of the offshore segment, coupled with its optimized product mix; also, there were additional high-margin ship operations, while other low-margin fragmented businesses scaled down during the Period.

Expenses in the Period

During the Period, the Group's distribution expenses amounted to approximately RMB75 million, representing a decrease of RMB5 million or 6.8% as compared to RMB80 million in the same period of the previous year. This was primarily due to the decrease in exhibition fees, depreciation fees, transportation fees, and low-value consumables as compared to the same period of the previous year.

During the Period, the Group's administrative expenses amounted to approximately RMB143 million, representing an increase of RMB13 million or 9.9% from RMB130 million for the previous year. This was mainly due to the year-on-year increase in employee compensation and property fees during the Period.

During the Period, the Group's research and development expenses amounted to approximately RMB77 million, representing an increase of RMB19 million or 31.8% from RMB58 million for the previous year. In order to meet the demand for automation, digitisation and intelligent development of drilling equipment, the Company continued to strengthen R&D investment. During the Period, the Company invested RMB146 million in research and development, representing an increase of RMB14 million or 10.6% as compared with that of the previous year.

During the Period, the Group's net finance expenses amounted to approximately RMB41 million, representing a decrease of RMB28 million or 40.5% as compared to net finance expense of RMB69 million in the same period of the previous year. This was mainly due to the continuous improvement of the Group's financing structure and the continuous optimisation of finance costs.

Profit before Income Tax

During the Period, the Group's profit before income tax amounted to approximately RMB38 million, representing an increase in profit of RMB26 million as compared to the profit before income tax of RMB12 million in the same period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax expense

During the Period, the Group's income tax expense amounted to approximately RMB1 million, representing a decrease of RMB14 million as compared to the income tax expense of approximately RMB15 million in the same period of the previous year.

Profit/(Loss) for the Period

During the Period, the profit for the Period amounted to approximately RMB37 million as compared to the loss of approximately RMB3 million in the same period of the previous year. Specifically, profit attributable to equity shareholders of the Company was approximately RMB37 million, and the loss attributable to non-controlling interests was approximately RMB1 million. During the Period, the net profit margin was 1.4%, as compared to the net profit margin of 0.1% in the same period of the previous year.

Non-HKFRS Measures

During the Period, the Group's profit before income tax amounted to approximately RMB38 million. EBITDA amounted to approximately RMB260 million, as compared to approximately RMB232 million in the same period of the previous year, primarily driven by the Group's sustained profitability growth and significant operational efficiency improvements. The EBITDA profit margin was 10.0%, as compared to an EBITDA profit margin of 8.4% in the same period of the previous year.

EBITDA is calculated by adding back net finance expenses to profit before income tax, and then adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, as well as amortisation of intangible assets and land use rights. The EBITDA margin is calculated by dividing EBITDA by revenue.

To supplement the interim condensed consolidated statement of profit or loss presented in accordance with the HKFRS, we have also used EBITDA as a non-HKFRS measure. HKFRS does not require or provide for the presentation of such measures. We believe that the presentation of non-HKFRS measures has excluded the potential impacts of items that management considers not representative of our operating performance, thereby facilitating the comparison of our operating performance among the periods.

Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: nil).

Source of Capital and Borrowings

The Group's principal sources of capital include cash from operations and bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2025, the Group's bank borrowings amounted to approximately RMB4,772 million, representing an increase of RMB622 million as compared to the amount as at 31 December 2024. Specifically, borrowings repayable within one year amounted to approximately RMB3,334 million, representing an increase of RMB1,223 million or 57.9%, as compared to 31 December 2024.

Deposits and Cash Flow

As at 30 June 2025, the Group's cash and cash equivalents amounted to approximately RMB1,356 million, representing an increase of approximately RMB565 million as compared to 31 December 2024.

During the Period, the Group's net cash inflow from operating activities amounted to approximately RMB94 million; net cash outflow from investing activities amounted to approximately RMB70 million; and net cash inflow from financing activities amounted to RMB539 million.

Assets Structure and Changes

As at 30 June 2025, the Group's total assets amounted to approximately RMB12,711 million. Specifically, current assets amounted to approximately RMB8,717 million, accounting for approximately 68.6% of total assets, representing an increase of RMB1,083 million as compared to the amount as at 31 December 2024. This was mainly due to the increase in contract assets and cash & cash equivalents. Non-current assets amounted to approximately RMB3,994 million, accounting for approximately 31.4% of total assets, representing a decrease of RMB301 million as compared to the amount as at 31 December 2024. This was mainly due to the decreases in property, plant & equipment, trade and other receivables.

Liabilities

As at 30 June 2025, the Group's total liabilities amounted to approximately RMB9,055 million. Specifically, current liabilities amounted to approximately RMB7,538 million, accounting for approximately 83.2% of total liabilities, representing an increase of RMB1,395 million as compared to 31 December 2024. And non-current liabilities amounted to approximately RMB1,517 million, accounting for approximately 16.8% of total liabilities, representing a decrease of RMB603 million as compared to 31 December 2024. As at 30 June 2025, the Group's total liabilities/total assets ratio was 71.2%, representing an increase of 1.9 percentage points as compared to 31 December 2024. The Debt-to-Asset Ratio is still calculated by dividing total liabilities by total assets.

Equity

As at 30 June 2025, the total equity amounted to approximately RMB3,655 million, representing a decrease of RMB10 million as compared to 31 December 2024. The total equity attributable to equity shareholders of the company amounted to approximately RMB3,461 million, representing a decrease of RMB9 million as compared to 31 December 2024. Non-controlling interests amounted to approximately RMB194 million, representing a decrease of RMB1 million as compared to 31 December 2024. During the Period, the Group's basic profit per share was RMB0.41 cents, and diluted profit per share was RMB0.41 cents.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

During the Period, the Group did not carry out any material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

Capital Expenditure, Material Investment and Capital Commitments

During the Period, total capital expenditure of the Group amounted to approximately RMB52 million, representing a decrease of approximately RMB18 million as compared to the same period of the previous year, primarily for infrastructure and technical alteration. The aforementioned capital expenditure was primarily funded through operating cash flows. In the second half of 2025, the Group expects capital expenditure to be approximately RMB196 million, primarily for infrastructure and technical alteration. The Group will meet the capital requirements for such plans through operating cash flows.

As at 30 June 2025, the capital commitment of the Group amounted to approximately RMB29 million, which was used to optimize and adjust the Group's business and production capacity.

Save as disclosed, the Group had no material investments during the six months ended 30 June 2025.

Foreign Exchange Risks

The Group is exposed to various foreign exchange risks arising from different currencies, primarily involving US dollars, Hong Kong dollars, Dirham, and Renminbi. Foreign exchange risks arise when future commercial transactions, or recognised assets and liabilities, are denominated in any currency other than the functional currency of the entity. Management has established policies requiring group companies to manage foreign exchange risks related to their functional currencies. The Group has issued the policies on foreign exchange management, and the management of the Group shall monitor foreign exchange risks and consider hedging significant foreign exchange risks when necessary.

Contingencies

As at 30 June 2025, the Group had no material contingent liabilities.

Mortgages and Guarantees

Details of mortgages and guarantees of the Group are set out in Note 13 to the financial statements.

CORPORATE GOVERNANCE REPORT

1. OVERVIEW OF CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders, potential investors and business parties and to enhance corporate value and accountability.

The Group strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard the interests of shareholders, potential investors and business parties. The Group's corporate governance principles emphasize a good quality Board, effective internal controls and accountability to shareholders.

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence, enhancing corporate value, formulating our business strategies and policies, risk management and internal controls, transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the standards for its corporate governance practices.

During the six-month period from 1 January 2025 to 30 June 2025, the Company has complied with all the code provisions of the CG Code.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of code regarding Directors' dealings in the Company's securities (the "Code for Securities Trading") with terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

After the specific enquiry made by the Company, all the Directors have confirmed that they have complied with the standards specified in both the Code for Securities Trading and the Model Code throughout the six months ended 30 June 2025.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

During the reporting period, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2025, the Board at all times met the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Relating to the appointment of at least three independent non-executive Directors and representing one-third of the Board.

Up to the date of this report, the Company had three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise so that there is a strong independent element on the Board, which can effectively make independent judgment.

4. AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the adequacy and effectiveness of the Company’s financial reporting process, internal control and risk management system and associated procedures and provide advices and comments to the Board. The Audit Committee is also responsible for reviewing the compliance of the corporate governance issues, the corporate governance report and the corporate governance policy.

Up to the date of this report, the Audit Committee comprises three members of the Board, among of two independent non-executive Directors, namely Ms. Li Yuedong (Chairman of Audit Committee) and Mr. Zhang Shiju, and one non-executive Director, namely Mr. Yang Yangzhuang. One of independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall hold at least two meetings a year and review opinions of internal auditors, internal control, risk management and financial reporting. The Audit Committee has reviewed the unaudited financial interim results and the interim report for the six months ended 30 June 2025 of the Company and the Group.

CORPORATE GOVERNANCE REPORT

5. REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Remuneration Committee”) with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. The primary duties of the Remuneration Committee are to review and approve the remuneration packages of the executive Directors and the senior management, compensation arrangements for termination of employment or engagement, and to make recommendations to the Board on the remuneration policy and structure of the Directors and the senior management, the incentive mechanism, and the establishment of procedures for developing the remuneration policy and the incentive mechanism.

Mr. Liu Xinggui has tendered his resignation as the member of the Remuneration Committee of the Company on 25 July 2025. Up to the date of this report, the Remuneration Committee comprises four members of the Board, including three independent non-executive Directors, namely Mr. Zhang Shiju (Chairman of Remuneration Committee), Ms. Li Yuedong and Mr. Wang Junren, and one executive Director namely Mr. Wang Xu.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendation to the Board and determining the annual remuneration packages of the executive Directors and the senior management, as well as the Company’s incentive mechanisms and remuneration arrangements, etc.

6. NOMINATION COMMITTEE

The Company has established a nomination committee (the “Nomination Committee”) with written terms of reference in compliance with Rule 3.27A of the Listing Rules and CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

Up to the date of this report, the Nomination Committee comprises three members of the Board, including one executive Director, namely Mr. Wang Xu (Chairman of Nomination Committee) and two independent non-executive Directors, namely Mr. Zhang Shiju and Ms. Li Yuedong.

The Nomination Committee normally meets at least once a year for reviewing and making recommendations to the Board on the nomination policy, the Board Diversity Policy, structure, size and composition (including skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, assessing the independence of independent non-executive directors and to support the Company’s regular evaluation of the Board’s performance.

7. CHANGE IN DIRECTOR’S BIOGRAPHICAL DETAILS UNDER RULE 13.51B (1) OF THE LISTING RULES

There is no change in the information of the Directors of the Company as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules as at 30 June 2025.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2025, none of the Directors or the Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that, as at 30 June 2025, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives of the Company.

Name	Long/Short Position	Number of shares held					Total	% of the issued share capital of the Company
		Personal interest		Corporate interest	Corporate interest and settlor of a discretionary trust			
		Share option	Shares interest					
Tricor Equity Trustee Limited	Long	–	–	–	491,576,295	491,576,295 ⁽¹⁾	5.44%	
Dongfang Electric International Investment Co., Limited	Long	–	5,290,494,251	–	–	5,290,494,251 ⁽²⁾	58.52%	
Dongfang Electric Corporation	Long	–	–	5,290,494,251	–	5,290,494,251 ⁽²⁾	58.52%	

Notes:

- (1) Tricor Equity Trustee Limited, as the trustee of 3 Family Trusts, holds 491,576,295 Shares in total.
- (2) Dongfang Electric International Investment Co., Limited is owned 100% by Dongfang Electric Corporation and holds 5,290,494,251 Shares.

Save as disclosed above, to the best of the Directors and the Chief Executives of the Company's knowledge, as at 30 June 2025, none of the persons, other than the Directors or the Chief Executives of the Company, had interests or short positions in the Shares and underlying Shares 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 recorded in the register as required under Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

(A) Share Option Scheme

Upon conditional approval by resolution in writing by all shareholders of the Company on 21 January 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The vesting period of the Pre-IPO Share Option Scheme is ten years from the date of grant until 20 January 2018. All share options granted under the scheme were fully vested. Save as disclosed below, no options have been granted or are to be granted under the Share Option Scheme. As at 1 January 2025 and 30 June 2025, no options were available for grant under the scheme mandate. For the six months ended 30 June 2025, no options were granted under the Share Option Scheme, and the number of shares that may be issued in respect of options granted under the scheme during the interim period represented 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period. Details of the share options granted under the Share Option Scheme are as follows:

Date of grant	Number of grant (shares)	Exercise price per Share (HK\$)	Vesting period of share options	Expiry Date of the share options
21 September 2016	41,350,000	0.44	up to 30% of the Share Options granted to each Grantee from 21 September 2017 to 20 September 2018; up to 60% of the Share Options granted to each Grantee on or before 20 September 2019; all the remaining Share Options granted to each Grantee on or after 21 September 2019.	up to 20 September 2026

Particulars and movements of share options under the Share Option Scheme during the six months ended 30 June 2025 were as follows:

Name or category of participant	Outstanding as at 01/01/2025	Number of share options				Outstanding as at 30/06/2025	Date of grant (DD/MM/YY)	Exercise period (DD/MM/YY)	Exercise price per Share HK\$	Price immediately preceding the grant date of share options HK\$
		Granted during the six months ended 30 June 2025	Exercised during the six months ended 30 June 2025	Lapsed during the six months ended 30 June 2025	Cancelled during the six months ended 30 June 2025					
Employee	29,501,000	-	-	700,000	-	28,801,000	21/09/2016	21/09/2017-20/09/2026	0.44	0.435
Total	29,501,000	-	-	700,000	-	28,801,000				

REPORT OF THE DIRECTORS

(B) Share Option Scheme of 2017

The 2017 Share Option Scheme is conditionally adopted by the Shareholders at the annual general meeting held on 14 June 2017. As at 30 June 2025, no options were granted or to be granted under the 2017 Share Option Scheme. No share options were granted to the following persons under the 2017 Share Option Scheme since the adoption thereof and up to the date of this report:

- (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) each participant with options to be granted in excess of the 1% individual limit;
- (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company;
- (iv) the five highest paid individuals during the financial year; and
- (v) other employee participants, related entity participants and service providers.

As at 1 January 2025 and 30 June 2025, 513,742,090 and 513,742,090 options (each being 5.68% of the issued share capital of the Company as at 30 June 2025) were available for grant under the scheme mandate. No service providers were included as the eligible participants under the 2017 Share Option Scheme.

During the reporting period, no share options were granted under the 2017 Share Option Scheme, and accordingly, the number of shares that may be issued in respect of options granted represented 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period.

RESTRICTED SHARE AWARD SCHEME

Reference is made to the announcement of the Company dated 30 December 2011 (the "2011 Announcement"). Capitalized terms used in this paragraph shall have the same meanings as those defined in the 2011 Announcement. On 30 December 2011, the Board approved and adopted a restricted share award scheme ("the Original Scheme"). The Original Scheme has expired at 30 December 2021 for a term of 10 years commencing on the Adoption Date. As at 30 December 2021, in accordance with the Original Scheme Rules, the Trustee has purchased 97,817,000 of the Company's Shares from the open market, accounting for approximately 1.08% of the issued share capital of the Company as at 30 June 2025 and total of 36,917,700 shares were granted to the Selected Participants and out of which 190,000 Shares were subsequently cancelled. 61,089,300 Shares may be administered and have not yet been granted (representing approximately 0.67% of the issued share capital of the Company as at 30 June 2025).

REPORT OF THE DIRECTORS

Reference is made to the announcement of the Company dated 30 December 2021 (the “2021 Announcement”). Capitalized terms used in this paragraph shall have the same meanings as those defined in the 2021 Announcement. At the Board meeting of the Company held on 29 December 2021, the Board approved and adopted the 2021 Restricted Share Award Scheme (the “2021 Restricted Share Award Scheme”). The 2021 Restricted Share Award Scheme shall be effective for a term of 10 years commencing on the adoption date (29 December 2021). As at the date of this interim report, the remaining life of the 2021 Restricted Share Award Scheme is less than 7 years. Pursuant to the terms of the Scheme and with the prior approval of the Board, the trustee may purchase on the market a maximum of 5% of the Company’s issued share capital as at the adoption date of the Scheme (i.e., 267,799,745 shares, including 61,089,300 shares available for future awards under the Original Scheme) and hold such shares in trust for the relevant selected participants until such shares vest in accordance with the terms of the Scheme. No service provider sublimit is specified under the Scheme. The Board will implement the Scheme in accordance with its terms, and selected participants shall not be entitled to any dividends on unvested restricted shares. From the date of adoption of the Scheme up to the date of this report, no restricted shares have been granted. Accordingly, as at 1 January 2025 and 30 June 2025, the number of restricted shares authorised to be granted under the 2021 Restricted Share Award Scheme was 267,799,745 shares (being 2.96% of the issued share capital of the Company as at 30 June 2025) in each case. Details of the 2021 Restricted Share Award Scheme and its terms are set out in the Company’s announcement dated 30 December 2021.

During the interim period, no options or awards were granted under any of the Company’s share schemes. Accordingly, the number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the interim period represented 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period.

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

As at 30 June 2025 and during the reporting period, the Company did not hold any treasury shares (including any treasury shares held or deposited with the Central Clearing and Settlement System).

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s Shares listed on the Stock Exchange (including sale of treasury shares) during the reporting period.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events occurred that may affect the Company nor any its subsidiaries after the reporting period and up to the date of publication of this interim report.

By the order of the Board
Honghua Group Limited
Wang Xu
Chairman

PRC, 26 August 2025

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Notes	Unaudited Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Revenue	3	2,601,073	2,776,000
Cost of sales		(2,262,488)	(2,474,486)
Gross profit		338,585	301,514
Distribution expenses		(74,582)	(79,988)
Administrative expenses		(143,047)	(130,201)
Research and development expenses		(76,745)	(58,212)
Net impairment losses on financial assets and contract assets		8,836	12,079
Other income		21,386	32,110
Other gains or losses, net		6,878	3,668
Operating profit	4	81,311	80,970
Finance income		15,501	11,130
Finance expenses		(56,478)	(79,978)
Finance expenses – net		(40,977)	(68,848)
Share of net (losses) gains of an associate and a joint venture accounted for using the equity method	11	(2,790)	376
Profit before income tax		37,544	12,498
Income tax expense	5	(997)	(15,114)
Profit (loss) for the period		36,547	(2,616)
Profit (loss) attributable to:			
– Owners of the Company		37,095	2,419
– Non-controlling interests		(548)	(5,035)
		36,547	(2,616)
Profit per share attributable to the owners of the Company (expressed in RMB cents per share)			
Basic and diluted	6	0.41	0.03

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

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Unaudited Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Profit (loss) for the period	36,547	(2,616)
Other comprehensive (expense) income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	19,596	10,906
Fair value loss on hedging instruments designated as cash flow hedges	(721)	–
Income tax relating to items that will be reclassified to profit or loss	108	–
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	(64,679)	29,862
Change in the fair value of equity investments at fair value through other comprehensive income	–	3,766
Income tax relating to items that will not be reclassified to profit or loss	–	(975)
Other comprehensive (expense) income for the period, net of tax	(45,696)	43,559
Total comprehensive (expense) income for the period	(9,149)	40,943
Total comprehensive (expense) income for period attributable to:		
Owners of the Company	(8,601)	45,978
Non-controlling interests	(548)	(5,035)
	(9,149)	40,943

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	8	2,437,359	2,541,627
Right of use assets	9	423,924	414,398
Intangible assets	10	404,921	391,337
Investments accounted for using the equity method	11	52,500	55,455
Deferred income tax assets		276,039	268,163
Financial assets at fair value through other comprehensive income	18	95,315	95,329
Trade and other receivables	12	243,513	472,391
Other non-current assets		60,168	55,909
		3,993,739	4,294,609
Current assets			
Inventories		1,381,543	1,303,599
Contract costs		235,856	194,913
Contract assets		2,102,226	1,472,915
Trade and other receivables	12	3,442,395	3,638,072
Current tax recoverable		15,139	12,545
Financial assets at fair value through other comprehensive income	18	129,834	170,544
Pledged bank deposits		53,502	50,418
Cash and cash equivalents		1,356,489	790,586
		8,716,984	7,633,592
Total assets		12,710,723	11,928,201

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
EQUITY			
Share capital		823,804	823,804
Other reserves		4,735,249	4,781,708
Accumulated losses		(2,097,758)	(2,135,616)
Equity attributable to owners of the Company		3,461,295	3,469,896
Non-controlling interests		194,145	194,693
		3,655,440	3,664,589
Non-current liabilities			
Borrowings	13	1,438,034	2,039,052
Deferred income		19,655	28,655
Lease liabilities	9	59,332	52,473
		1,517,021	2,120,180
Current liabilities			
Contract liabilities		866,854	514,307
Trade and other payables	14	3,270,999	3,407,501
Income tax payable		189	25,676
Borrowings	13	3,333,771	2,110,702
Other financial liabilities		11,175	10,454
Provisions for other liabilities and charges	15	21,332	34,499
Deferred income		946	1,120
Lease liabilities	9	32,996	39,173
		7,538,262	6,143,432
Total liabilities		9,055,283	8,263,612
Total equity and liabilities		12,710,723	11,928,201

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Unaudited											
	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2025	823,804	4,076,012	61,199	507,055	458,652	(199,671)	3,079	(124,618)	(2,135,616)	3,469,896	194,693	3,664,589
Comprehensive income												
Profit (loss) for the period	-	-	-	-	-	-	-	-	37,095	37,095	(548)	36,547
Other comprehensive expense	-	-	-	-	-	(45,083)	(613)	-	-	(45,696)	-	(45,696)
Total comprehensive (expense) income	-	-	-	-	-	(45,083)	(613)	-	37,095	(8,601)	(548)	(9,149)
Transactions with owners												
Options lapsed under share option schemes	-	-	-	(281)	-	-	-	-	281	-	-	-
Utilisation of surplus reserve	-	-	-	-	(482)	-	-	-	482	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	(281)	(482)	-	-	-	763	-	-	-
Balance at 30 June 2025	823,804	4,076,012	61,199	506,774	458,170	(244,754)	2,466	(124,618)	(2,097,758)	3,461,295	194,145	3,655,440
Balance at 1 January 2024	823,804	4,076,012	61,199	511,967	469,857	(276,196)	14,288	(124,618)	(2,172,084)	3,384,229	197,533	3,581,762
Comprehensive income												
Profit (loss) for the period	-	-	-	-	-	-	-	-	2,419	2,419	(5,035)	(2,616)
Other comprehensive income	-	-	-	-	-	40,768	2,791	-	-	43,559	-	43,559
Total comprehensive Income (expense)	-	-	-	-	-	40,768	2,791	-	2,419	45,978	(5,035)	40,943
Transactions with owners												
Disposal of a subsidiary	-	-	-	-	-	-	(12,775)	-	12,775	-	-	-
Options lapsed under share option schemes	-	-	-	(1,718)	-	-	-	-	1,718	-	-	-
Appropriation to surplus	-	-	-	-	1,605	-	-	-	(1,605)	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	(1,718)	1,605	-	(12,775)	-	12,888	-	-	-
Balance at 30 June 2024	823,804	4,076,012	61,199	510,249	471,462	(235,428)	4,304	(124,618)	(2,156,777)	3,430,207	192,498	3,622,705

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Unaudited Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Operating activities		
Cash generated from operations	127,925	63,025
Income tax paid	(34,252)	(22,723)
Net cash generated from operating activities	93,673	40,302
Investing activities		
Payment for additions of property, plant and equipment, intangible assets and construction in progress	(71,015)	(95,014)
Proceeds on disposal of property, plant and equipment	83	1,198
Net cash inflow on disposal of a subsidiary	–	61,185
Payment for additional shares acquired on an associate	–	(13,823)
Dividends received	1,035	1,527
Others	–	(282)
Net cash used in investing activities	(69,897)	(45,209)
Financing activities		
Repayments of borrowings	(1,368,524)	(1,774,948)
Proceeds from borrowings	1,992,526	2,023,566
Interest and charges paid	(84,884)	(110,998)
Net cash from financing activities	539,118	137,620
Net increase in cash and cash equivalents	562,894	132,713
Cash and cash equivalents at the beginning of the period	790,586	811,273
Effect of foreign exchange rate changes	3,009	17,266
Cash and cash equivalents at end of the period	1,356,489	961,252

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

1 GENERAL INFORMATION

Honghua Group Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in manufacturing of drilling rigs, oil and gas exploitation equipment, providing drilling services, fracturing and offshore engineering.

The Company was incorporated in the Cayman Islands on 15 June 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its parent is Dongfang Electric International Investment Co., Limited (東方電氣集團國際投資有限公司, “Dongfang Investment”, incorporated in Hong Kong) and its ultimate parent is Dongfang Electric Corporation (中國東方電氣集團有限公司, “DEC”, incorporated in People’s Republic of China (the “PRC”)). The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Group is 99 East Road, Information Park, Jinniu District, Chengdu, Sichuan, PRC.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 March 2008.

This interim condensed consolidated financial information is presented in Chinese Renminbi (“RMB”), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on 26 August 2025.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

This interim condensed consolidated financial information for the six months reporting period ended 30 June 2025 has been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2024 and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

2 BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT *(Continued)*

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

Standards, Amendments or Interpretations	Subject	Effective for annual accounting periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

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

3 SEGMENT AND REVENUE INFORMATION

(i) Description of segments

The senior executive management is the Group's chief operating decision maker ("CODM"). Management has determined the operating segments based on the information reviewed by the senior executive management for the purposes of allocating resources and assessing performance.

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's CODM for the purposes of resource allocation and performance assessment, the Group has identified five reportable segments. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specially, the Group's operating and reportable segments under IFRS 8 are as follows:

- (a) land drilling rigs;
- (b) parts and components and others;
- (c) drilling engineering services;
- (d) fracturing services; and
- (e) offshore engineering.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 SEGMENT AND REVENUE INFORMATION (Continued)

(i) Description of segments (Continued)

The CODM assesses the performance of the operating segments based on a measure of segment profit or loss. This measurement basis excludes the share of losses of the associate and joint venture, other gains or losses, net and other income and unallocated head office and corporate expenses. Finance income and expenses are also not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that in the interim condensed consolidated financial statements.

Sales between segments are carried out in the ordinary course of business and in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the interim condensed consolidated statement of profit or loss.

(ii) Segment information

The table below shows the segment information and the basis on which revenue is recognised regarding the Group's reportable segments for the six months ended 30 June 2025 and 2024 respectively:

	Land drilling rigs		Parts and components and others		Drilling engineering services		Fracturing services		Offshore engineering		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	855,504	952,189	891,839	1,511,972	174,505	177,050	451,560	363,173	939,966	638,901	3,313,374	3,643,285
Inter-segment revenue	(54,051)	(82,725)	(317,088)	(543,401)	-	(3,255)	(18,139)	(56,082)	(323,023)	(181,822)	(712,301)	(867,285)
Revenue from external customers	801,453	869,464	574,751	968,571	174,505	173,795	433,421	307,091	616,943	457,079	2,601,073	2,776,000
Timing of revenue recognition												
At a point in time	97,143	171,884	549,960	946,505	-	-	5,859	-	185,446	424,481	838,408	1,542,870
Over time	704,310	697,580	-	-	174,505	173,795	427,562	307,091	431,497	32,598	1,737,874	1,211,064
Lease income	-	-	24,791	22,066	-	-	-	-	-	-	24,791	22,066
Reportable segment profit (loss)	88,266	25,672	94,773	108,266	11,451	33,689	(34,157)	(93,627)	32,482	10,853	192,815	84,853

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 SEGMENT AND REVENUE INFORMATION *(Continued)***(ii) Segment information** *(Continued)*

Given the manufacturing processes of the Group's business are in a form of vertical integration, the Group's CODM considered segment assets and liabilities information was not relevant in assessing performance of and allocating resources to the operations segments. During the six months ended 30 June 2025, such information was not reviewed by the Group's CODM. Accordingly, no segment assets and liabilities are presented.

A reconciliation of segment profit to profit before income tax is provided as follows:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Segment profit		
– for reportable segments	192,815	84,853
Elimination of inter-segment profit	(124,879)	(29,152)
Segment profit derived from Group's external customers	67,936	55,701
Share of net (losses) gains of an associate and a joint venture	(2,790)	376
Other income, net	21,386	32,110
Other gains or losses, net	6,878	3,668
Finance income	15,501	11,130
Finance expenses	(56,478)	(79,978)
Unallocated head office and corporate expenses	(14,889)	(10,509)
Profit before income tax	37,544	12,498

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

3 SEGMENT AND REVENUE INFORMATION (Continued)

(ii) Segment information (Continued)

The following table sets out revenue from external customers by geographical location, based on the destination of the customer:

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
The PRC (country of domicile)	1,295,528	1,296,267
Middle East	1,029,806	779,714
Including: United Arab Emirates	721,801	360,943
Iraq	153,323	159,525
Oman	73,930	204,727
Kuwait	47,722	36,656
Europe	191,541	132,282
Americas	42,140	58,842
South Asia and South East Asia	25,277	144,062
Africa	16,781	364,833
Including: Nigeria	46	352,241
	2,601,073	2,776,000

The following table sets out non-current assets, other than financial instruments and deferred income tax assets, by geographical location:

	30 June 2025 RMB'000	31 December 2024 RMB'000
The PRC (country of domicile)	2,916,149	3,037,834
Middle East	419,119	377,919
Including: Iraq	387,161	345,794
Africa	41,349	41,863
Europe	2,181	1,036
Americas	74	74
	3,378,872	3,458,726

For the six months ended 30 June 2025, revenue of approximately RMB569,620,000 (six months ended 30 June 2024: RMB327,584,000) was derived from an external customer. The revenue was attributable to the sales of land drilling rigs and parts and components and others (six months ended 30 June 2024: the sales of land drilling rigs and parts and components and others). No other customer contributed over 10% of the total revenue of the Group.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

4 OPERATING PROFIT

The following items have been charged (credited) to the operating profit during the period:

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Write down of inventories	27,508	28,804
Reversal of impairment of financial assets	(8,351)	(12,628)
(Reversal of) provision for impairment of contract assets	(485)	549
Provision for impairment of property, plant and equipment	—	3,996
Gains on disposal of property, plant and equipment and other intangible assets	(6,669)	(478)

5 INCOME TAX EXPENSE

Taxation in the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Current income tax		
– Hong Kong Profits Tax (i)	—	—
– The PRC (ii)	1,265	1,788
– Other jurisdictions (iii)	7,500	12,935
Deferred income tax	(7,768)	391
	997	15,114

(i) Hong Kong

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the subsidiaries of the Group incorporated in Hong Kong during the six months ended 30 June 2025 and 2024.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

5 INCOME TAX EXPENSE (Continued)

(ii) The PRC

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Group in the PRC are subject to PRC enterprise income tax at a rate of 25% during the six months ended 30 June 2025 and 2024, except for the following companies:

- (a) *Sichuan Honghua Petroleum Equipment Co., Ltd. ("Honghua Company"), Gansu Hongteng Oil & Gas Equipment Co., Ltd. ("Gansu Hongteng"), Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. ("Honghua (Jiangsu)")*

Corporate income tax ("CIT") of Honghua Company, Gansu Hongteng, Honghua (Jiangsu) and Han Zheng Testing is accrued at a tax rate of 15% applicable for Hi-tech enterprises pursuant to the relevant PRC tax rules and regulations during the six months ended 30 June 2025 and 2024.

- (b) *Sichuan Honghua Electric Co., Ltd. ("Honghua Electric"), Honghua Oil & Gas Engineering Technology Services Limited ("Sichuan Oil & Gas Services") and Han Zheng Testing Technology Co., Ltd. ("Han Zheng Testing")*

On 23 April 2020, State Taxation Administration issued Notice 23(2020) in respect of favourable CIT policy applicable to qualified enterprises located in western China. Honghua Electric, Sichuan Oil & Gas Services and Han Zheng Testing applied and obtained an approval from in-charge tax authority under the policy for the 15% preferential CIT rate and is qualified for the 15% preferential CIT rate from 2021 to 2030.

(iii) Others

Taxation for other entities is charged at their respective applicable tax rates ruling in the relevant jurisdictions.

(iv) Withholding tax

Under the PRC tax law and its implementation rules, dividends receivable by non-PRC resident enterprises from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Pursuant to a tax arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident will be liable for withholding tax at a reduced rate of 5% for dividend income derived from the PRC.

The board of directors of the Company revisited the dividend policy of the Group during the six months ended 30 June 2025 and 2024. In order to retain the fundings for operations and future development, it was resolved that the Group's PRC subsidiaries will not distribute dividend to the offshore holding companies in the foreseeable future. Any dividends to be declared by the Company will be distributed from the share premium account.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

6 PROFIT PER SHARE

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

Diluted earnings per share is the same as basic earnings per share as there are no potential dilutive shares outstanding for all periods presented.

	Six months ended 30 June	
	2025	2024
Profit attributable to owners of the Company (RMB'000)	37,095	2,419
Weighted average number of ordinary shares in issue (thousands)	9,040,489	9,040,489
Effect of the share award scheme (thousands)	(61,089)	(61,089)
Adjusted weighted average number of ordinary shares in issue (thousands)	8,979,400	8,979,400
Basic and diluted profit per share (RMB cents per share)	0.41	0.03

7 DIVIDENDS

No dividend was approved or paid in respect of the previous year during the six months ended 30 June 2025 (six months ended 30 June 2024: no approved or paid).

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: not recommend).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2024						
Cost	1,688,189	1,953,247	738,486	77,306	142,313	4,599,541
Accumulated depreciation and impairment	(580,697)	(801,171)	(599,859)	(40,137)	(36,050)	(2,057,914)
Net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627
Six months ended 30 June 2025						
Opening net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627
Additions	2,424	14,968	5,791	281	22,689	46,153
Transfer from construction in progress	138	6,440	5,993	–	(12,571)	–
Disposals	(130)	(14,199)	(2,380)	(141)	–	(16,850)
Transfer from other non-current assets	1,327	–	–	–	–	1,327
Transfer to other non-current assets	–	–	–	–	(285)	(285)
Depreciation	(51,161)	(68,593)	(12,418)	(747)	–	(132,919)
Currency translation difference	(44)	(1,472)	(174)	(4)	–	(1,694)
Closing net amount	1,060,046	1,089,220	135,439	36,558	116,096	2,437,359
At 30 June 2025						
Cost	1,694,386	1,903,447	710,029	74,055	152,146	4,534,063
Accumulated depreciation and impairment	(634,340)	(814,227)	(574,590)	(37,497)	(36,050)	(2,096,704)
Net book amount	1,060,046	1,089,220	135,439	36,558	116,096	2,437,359

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

9 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Right of use assets		
Lease prepayments for land use rights	287,867	300,008
Buildings and equipment	136,057	114,390
	423,924	414,398
Lease liabilities		
Current	32,996	39,173
Non-current	59,332	52,473
	92,328	91,646

Additions to the right-of-use assets during the six months ended 30 June 2025 were RMB40,808,000 (six months ended 30 June 2024: RMB1,335,000).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June 2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets		
Lease prepayments for land use rights	4,489	4,408
Buildings and equipment	18,244	1,004
Interest expense (included in finance cost)	1,774	26
Expense relating to short-term, low-value assets leases and variable lease payment (included in cost of goods sold and distribution expenses)	118,451	179,284

The total cash outflow for leases during the six months ended 30 June 2025 was RMB149,051,000 (six months ended 30 June 2024: RMB346,370,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

10 INTANGIBLE ASSETS

	Technical know-how RMB'000	Development cost and others RMB'000	Total RMB'000
At 31 December 2024			
Cost	348,839	585,743	934,582
Accumulated amortisation and impairment	(348,839)	(194,406)	(543,245)
Net book amount	–	391,337	391,337
Six months ended 30 June 2025			
Opening net book amount	–	391,337	391,337
Additions	–	36,727	36,727
Amortisation	–	(23,143)	(23,143)
Closing net book amount	–	404,921	404,921
At 30 June 2025			
Cost	348,839	622,470	971,309
Accumulated amortisation and impairment	(348,839)	(217,549)	(566,388)
Net book amount	–	404,921	404,921

During the six months ended 30 June 2025, the Group capitalised development cost amounted to RMB36,551,000 (six months ended 30 June 2024: RMB93,109,000).

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 June 2025:

	Six months ended 30 June 2025 RMB'000
Beginning of the period	55,455
Losses for the period	(2,790)
Currency translation difference	(165)
End of the period	52,500

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

12 TRADE AND OTHER RECEIVABLES

	30 June 2025 RMB'000	31 December 2024 RMB'000
Trade receivables (i)	2,340,830	2,683,320
Bills receivable	51,907	215,246
Less: provision for impairment of trade receivables	(390,623)	(399,297)
	2,002,114	2,499,269
Amounts due from related parties		
Trade	174,408	256,145
Non-trade	218,404	219,249
Less: provision for impairment of trade and non-trade receivables for amounts due from related parties	(140,917)	(153,394)
	251,895	322,000
Finance lease receivable	196,799	219,651
Less: provision for impairment of finance lease receivable	(55,167)	(56,096)
Value-added tax recoverable	236,279	283,628
Prepayments to related parties	230,644	215,435
Prepayments to non-related parties	660,367	455,121
Less: provision for prepayments	(13,852)	(16,836)
Other receivables	339,394	351,050
Less: provision for impairment of other receivables	(162,565)	(162,759)
	3,685,908	4,110,463
Representing:		
Current portion	3,442,395	3,638,072
Non-current portion	243,513	472,391
	3,685,908	4,110,463

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

12 TRADE AND OTHER RECEIVABLES (Continued)

- (i) As at 30 June 2025 and 31 December 2024, the aging analysis of the net amount of trade receivables and bills receivables (including amounts due from related parties of trading in nature), based on the invoice date (trade receivables) or receipt date (bills receivables) is as follows:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Within 1 year	1,795,326	2,374,741
Over 1 year	377,942	365,514
	2,173,268	2,740,255

The Group maintains different billing policies for different customers based on the negotiated terms with each of the customers. The Group issues progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment varies from contract to contract. Trade receivables are generally due for payment within 90 days from the date of billing.

13 BORROWINGS

	30 June 2025 RMB'000	31 December 2024 RMB'000
Bank loans		
Secured (i)		
– Current portion	47,000	47,000
Unsecured		
– Current portion	2,073,825	1,769,102
– Non-current portion	1,100,839	1,126,254
	3,174,664	2,895,356
Unsecured loan from related party (ii, iii & iv)		
– Current portion	1,187,760	270,000
– Non-current portion	276,000	838,860
	1,463,760	1,108,860
Other borrowing (v)		
– Current portion	25,186	24,600
– Non-current portion	61,195	73,938
	86,381	98,538
Total borrowings	4,771,805	4,149,754
Analysed as:		
– Current portion	3,333,771	2,110,702
– Non-current portion	1,438,034	2,039,052

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13 BORROWINGS *(Continued)*

- (i) As at 30 June 2025 and 31 December 2024, nil bank loan was secured by trade receivables and bills receivable as collateral. In addition, the bank loans were also secured by 20% equity interest of Honghua Company, a subsidiary of the Group.
- (ii) On 3 March 2023, Honghua China, a subsidiary of the Company, obtained a syndicated bank facility from 東方電氣集團財務有限公司 (“Dongfang Electric Finance”), 四川銀行股份有限公司 (“Sichuan Bank”) and Industrial Bank Co., Ltd. (“Industrial Bank”), of which each party agreed to provide RMB490,000,000 credit facility to Honghua China, totaling to RMB1,470,000,000. The facility was guaranteed by the Company and Honghua Holdings, a subsidiary of the Company. The loan carries interest at a variable market rates of Loan Prime Rate (“LPR”) plus a fixed interest of 0.35% and is repayable after three years since the date of drawdown. At the end of 31 December 2023, Honghua China had drawdown RMB445,000,000 from Dongfang Electric Finance, RMB445,000,000 from Sichuan Bank, and RMB445,000,000 from Industrial Bank, which are repayable on 13 March 2026.

On 21 May 2024, Honghua China entered into a supplementary agreement with Dongfang Electric Finance, Sichuan Bank and Industrial Bank, to amend the interest rate of such syndicated bank facility to LPR minus a fixed interest of 0.65%. Also, Sichuan Bank had transferred part of its loan, amounting to RMB395,000,000, to Dongfang Electric Finance.

On 22 July 2024, Honghua China early repaid the outstanding loan balance amounting to RMB301,710,000, of which RMB189,840,000 was repaid to Dongfang Electric Finance, RMB11,300,000 was repaid to Sichuan Bank, and RMB100,570,000 was repaid to Industrial Bank.

On 30 October 2024, Honghua China had entered into another supplementary agreement with Dongfang Electric Finance, Sichuan Bank and Industrial Bank, of which Sichuan Bank transferred the remaining portion of its loan amounted to RMB38,700,000 to Dongfang Electric Finance.

As a result of the aforementioned supplementary agreements entered, Honghua China has outstanding amounts of RMB688,860,000 due to Dongfang Electric Finance and outstanding amounts of RMB344,430,000 due to Industrial Bank, which are repayable on 13 March 2026, and no outstanding amounts due to Sichuan Bank at the end of the current reporting period. At the end of 30 June 2025, the facility was guaranteed solely by the Company, pursuant to a supplementary agreement.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13 BORROWINGS (Continued)

- (iii) On 14 June 2024, Honghua Company had entered into an entrusted loan agreement with DEC and Dongfang Electric Finance, in which DEC provided RMB150,000,000 credit facility to Honghua Company through Dongfang Electric Finance as entrustee. At the end of 31 December 2024, Honghua Company has drawdown RMB150,000,000 from Dongfang Electric Finance, which carries fixed interest of 1.0% and is repayable after three years since the date of drawdown.

On 13 December 2024, Honghua Company had entered into a loan agreement with Dongfang Electric Finance and Honghua Company obtained a working capital loan amounting to RMB160,000,000 from Dongfang Electric Finance. At the end of 31 December 2024, Honghua Company has drawdown RMB160,000,000 from Dongfang Electric Finance, which carries fixed interest of 2.4% and is repayable on 13 December 2025.

On 31 December 2024, Honghua Company had entered into a loan agreement with Dongfang Electric Finance and Honghua Company obtained a working capital loan amounting to RMB100,000,000 from Dongfang Electric Finance. On 31 December 2024 and 14 January 2025, Honghua Company has drawdown RMB30,000,000 and RMB70,000,000 from Dongfang Electric Finance, which carries fixed interest of 2.4% and is repayable on 31 December 2025.

As at 5 February 2024, Honghua Company, a subsidiary of the Group, had entered into a loan agreement with Dongfang Electric Finance and Honghua Company obtained a working capital loan amounting to RMB132,000,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.8% and is repayable on 5 February 2025. As of 31 December 2024, Honghua Company has repaid a cumulative amount of RMB82,000,000. On 2 February 2025, Honghua Company repaid remaining amount of RMB50,000,000.

On 27 February 2025, Honghua Company had entered into a loan agreement with Dongfang Electric Finance and obtained a working capital loan of RMB50,000,000. The loan carries a fixed interest rate of 2.38% and has a 3-year term. Repayments are made every six months, with each installment amounting to RMB1,000,000. The final repayment will cover any remaining balance, which is scheduled on 21 February 2028.

On 6 March 2025, Honghua Company had entered into a loan agreement with Dongfang Electric Finance and Honghua Company obtained a working capital loan amounting to RMB94,900,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.3% and is repayable on 6 March 2026.

On 28 May 2025, Honghua Company had entered into a loan agreement with Dongfang Electric Finance, obtaining a working capital loan of RMB80,000,000. The loan carries a fixed interest rate of 2.38% and has a 3-year term. Repayments are made every six months, with each installment amounting to RMB1,000,000. The final repayment will cover any remaining balance, which is scheduled on 21 May 2028.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13 BORROWINGS *(Continued)*

(iii) *(Continued)*

On 27 June 2025, Honghua Company had entered into a loan agreement with Dongfang Electric Finance and Honghua Company obtained a working capital loan amounting to RMB90,000,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.28% and is repayable on 27 June 2026.

(iv) On 14 May 2025, Honghua (Jiangsu) had entered into a loan agreement with Dongfang Electric Finance and Honghua (Jiangsu) obtained a working capital loan amounting to RMB20,000,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.49% and is repayable on 14 May 2026.

On 22 July 2024, Honghua (Jiangsu) had entered into a loan agreement with Dongfang Electric Finance and Honghua (Jiangsu) obtained a working capital loan amounting to RMB30,000,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.7% and is repayable on 22 July 2025.

(v) The amount of RMB86,381,000 as at 30 June 2025 (2024: RMB98,538,000) represents transfer of equipment to an independent third party that does not satisfy the requirements as a sale in accordance with IFRS 15. Hence, the Group continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

At each statement of financial position date, the Group had the following undrawn borrowing facilities:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Fixed rate		
Expiring within one year (bank loans and bill facilities)	6,563,512	7,163,000

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13 BORROWINGS (Continued)

As at 30 June 2025 and 31 December 2024, the contractual maturities of the Group's financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
At 30 June 2025					
Trade and other payables (i)	3,181,571	–	–	–	3,181,571
Borrowings	3,492,391	815,928	831,113	–	5,139,432
Lease liabilities	38,264	25,358	16,334	25,637	105,593
Total	6,712,226	841,286	847,447	25,637	8,426,596

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
At 31 December 2024					
Trade and other payables (i)	3,340,565	–	–	–	3,340,565
Borrowings	2,202,181	1,581,719	505,101	–	4,289,001
Lease liabilities	42,331	25,117	11,080	26,943	105,471
Total	5,585,077	1,606,836	516,181	26,943	7,735,037

- (i) Trade and other payables include trade payables, bills payable, amounts due to related parties and other payables.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

14 TRADE AND OTHER PAYABLES

	30 June 2025 RMB'000	31 December 2024 RMB'000
Trade payables	2,450,057	2,182,072
Amounts due to related parties		
Trade	403,546	430,397
Non-trade	4,379	4,298
Bills payable	190,648	520,065
Other payables	222,369	270,669
	3,270,999	3,407,501
Representing: Current portion	3,270,999	3,407,501

As at 30 June 2025 and 31 December 2024, the aging analysis of the trade payables and bills payable (including amounts due to related parties of trading in nature) based on invoice date or bills issuance date is as follows:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Within 1 year	2,657,571	2,771,633
Over 1 year	386,680	360,901
	3,044,251	3,132,534

15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Product warranties RMB'000	Compensation to shareholder RMB'000	Others RMB'000	Total RMB'000
At 31 December 2024	24,017	10,225	257	34,499
Provisions during the period	1,989	–	–	1,989
Utilised during the period	(14,899)	–	(257)	(15,156)
At 30 June 2025	11,107	10,225	–	21,332

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

16 EQUITY SECURITIES ISSUED

No security was issued by the Group during the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

17 RELATED-PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant related party transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2025 and 2024, and balances arising from related party transactions as at 30 June 2025 and 31 December 2024.

Name of related parties	Relationship
Egyptian Petroleum HH Rigs Manufacturing Co. S.A.E. ("HH Egyptian Company")	Joint venture of the Group
Honghua Financial Leasing (Shenzhen) Co., Ltd. ("Honghua (Shenzhen)")	Associate of the Group
Dongfang Investment	Subsidiary of DEC
Dongfang Electric Finance	Subsidiary of DEC
Dongfang Electric Corporation International Cooperation Co., Ltd. 東方電氣集團國際合作有限公司 ("International Cooperation")	Subsidiary of DEC
Dongfang Electric Cooperation Dongfang Furnace Share Co., Ltd. 東方電氣集團東方鍋爐股份有限公司 ("Dongfang Furnace")	Subsidiary of DEC
Dongfang Electric Corporation Dongfang Turbine Co., Ltd. 東方電氣集團東方汽輪機有限公司 ("Dongfang Turbine")	Subsidiary of DEC
Dongfang Electric Corporation (Sichuan) Property Co., Ltd. 東方電氣集團(四川)物產有限公司 ("Sichuan Property")	Subsidiary of DEC
Dongfang Electric Shares Co., Ltd. 東方電氣股份有限公司 ("Dongfang Shares")	Subsidiary of DEC
Dongfang Toshiba (Chengdu) Electric Control Equipment Co., Ltd. 東方日立(成都)電控設備有限公司 ("Electric Control")	Subsidiary of DEC
Dongfang Electric Auto Control Engineering Co., Ltd. 東方電氣自動控制工程有限公司 ("Auto Control Engineering")	Subsidiary of DEC

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

Name of related parties	Relationship
Dongfang Electric Corporation Dongfang Electric Machine Co., Ltd. 東方電氣集團東方電機有限公司 (“Dongfang Electric Machine”)	Subsidiary of DEC
Dongfang Electric Wind Power Share Co., Ltd. 東方電氣風電股份有限公司 (“Wind Power”)	Subsidiary of DEC
Dongfang Electric (Deyang) Electric Auto Technology Co., Ltd. 東方電氣(德陽)電動機技術有限責任公司 (“Deyang Electric Auto Technology”)	Subsidiary of DEC
Dongfang Electric Corporation Science Technology Research Institute 東方電氣集團科學技術研究院有限公司 (“Science Technology Research”)	Subsidiary of DEC
Dongfang Electric (Guangzhou) Heavy Machine Co., Ltd. 東方電氣(廣州)重型機器有限公司 (“GZ Heavy Machine”)	Subsidiary of DEC
Dongfang Electric Group Dajian Logistics Co., Ltd. 東方電氣集團大件物流有限公司 (“Dajian Logistics”)	Subsidiary of DEC
Dongfang Electric Qineng (Shenzhen) Technology Co., Ltd. 東方電氣啟能(深圳)科技有限公司 (“Electric Qineng”)	Subsidiary of DEC
Dongfang Lingri Boiler Co., Ltd. 東方菱日鍋爐有限公司 (“Lingri boiler”)	Joint venture of DEC
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. 東方凱特瑞(成都)環保科技有限公司 (“Dongfang KWH”)	Subsidiary of DEC
Honghua Financial Leasing (Shanghai) Co., Ltd. 宏華融資租賃(上海)有限公司 (“Shanghai Leasing”)	Subsidiary of DEC
Dongfang Electric (Chengdu) Innovation Research Co., Ltd. 東方電氣(成都)創新研究有限公司 (“Dongfang Innovation (Chengdu)”)	Subsidiary of DEC
Dongfang Electric (Indonesia) Co., Ltd. 東方電氣(印尼)有限公司 (“Dongfang Electric (Indonesia)”)	Subsidiary of DEC
Dongfang Electric Digital Technology Co., Ltd. 東方電氣集團數字科技有限公司 (“DEDTC”)	Subsidiary of DEC

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

(i) Significant related party transactions

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Purchases of parts and components		
– Sichuan Property	321,827	174,868
– Dongfang Electric (Indonesia)	4,432	–
– Dajian Logistics	2,636	–
– Wind Power	1,743	14,846
– Electric Control	1,166	–
– DEDTC	645	–
– Other related companies	39	230
	332,488	189,944
Sales of drilling rigs, parts and components and others		
– Dongfang Electric Machine	45,340	14,587
– Dongfang Furnace	22,448	20,847
– Science Technology Research	19,005	21,704
– Dongfang Turbine	16,977	22,632
– Lingri boiler	8,310	–
– Deyang Electric Auto Technology	8,224	1,264
– Dongfang KWH	4,328	–
– Auto Control Engineering	2,618	1,310
– Sichuan Property	1,439	–
– Dongfang Innovation (Chengdu)	1,327	–
– HH Egyptian Company	–	9,287
– Wind Power	–	168
– Other related companies	531	476
	130,547	92,275
Service provided to		
– Dongfang Turbine	3,920	6,247
– Dongfang Furnace	3,255	815
– GZ Heavy Machine	1,723	2,187
– Dongfang Electric Machine	644	670
– Deyang Electric Auto Technology	491	123
– Auto Control Engineering	283	79
– Other related companies	182	44
	10,498	10,165

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

(i) Significant related party transactions (Continued)

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Service provided from		
– Dajian Logistics	893	29,951
– Sichuan Property	–	19,896
	893	49,847
Lease expenses		
– Honghua (Shenzhen) (a)	22,346	15,498
– Dongfang Turbine	60	–
– Dajian Logistics	36	–
	22,442	15,498
Interest on lease liabilities paid to a related company (b)		
– Honghua (Shenzhen)	1,300	–
Payment of lease liabilities in relation to leases with a related party		
– Honghua (Shenzhen)	24,661	–

- (a) According to the tripartite agreements signed by the Group, Honghua (Shenzhen) and third party leasing companies before 2020, the Group sold products amounted to approximately RMB960,177,000 to those third party leasing companies, meanwhile, those third party leasing companies have provided finance lease to Honghua (Shenzhen), and the risk and rewards of those products have been transferred to Honghua (Shenzhen).

After the completion of the above transactions, Honghua (Shenzhen) and the subsidiaries of the Group have entered into operating lease agreements which leased the above mentioned products to the subsidiaries of the Group, and then the subsidiaries of the Group have leased those products to third party companies.

For the six months ended 30 June 2025, the total operating lease expense incurred and charged to the profit or loss from the above mentioned lease agreements was approximately RMB22,346,000 (six months ended 30 June 2024: RMB15,498,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

(i) Significant related party transactions (Continued)

- (b) During the current and prior reporting periods, the Group had certain lease arrangements (“Lease Arrangements”) with lease terms ranging from 24 to 36 months with Honghua (Shenzhen). As at 30 June 2025, the Group recognised right-of-use assets and lease liabilities in connection with the Lease Arrangements of RMB93,597,000 (as at 31 December 2024 RMB72,191,000) and RMB59,065,000 (as at 31 December 2024: RMB43,966,000), respectively.

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Receipts of loans from related parties – Dongfang Electric Finance	404,900	587,653
Repayments of loans from related parties – Dongfang Electric Finance	50,000	130,000
Interest expense – Dongfang Electric Finance	14,129	16,577
– Shanghai Leasing	–	1,188
	14,129	17,765
Interest income – Dongfang Electric Finance	38	9

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

(ii) Cash and cash equivalents

	30 June 2025 RMB'000	31 December 2024 RMB'000
– Dongfang Electric Finance	488,256	11,844

(iii) Amounts due from related parties

	30 June 2025 RMB'000	31 December 2024 RMB'000
Trade		
– Honghua (Shenzhen)	230,259	215,902
– HH Egyptian Company	46,820	63,850
– Other related companies	254,282	234,222
	531,361	513,974
Non-trade		
– Honghua (Shenzhen)	64,789	65,606
– HH Egyptian Company	14,191	14,032
– Other related companies	1,761	1,376
	80,741	81,014

The amounts due from other related companies are unsecured, interest-free and repayable on demand.

The balance of the provision for the amounts due from related parties was RMB150,653,000 (as at 31 December 2024: RMB153,394,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17 RELATED-PARTY TRANSACTIONS (Continued)

(iv) Amounts due to related parties

	30 June 2025 RMB'000	31 December 2024 RMB'000
Trade		
– Honghua (Shenzhen)	–	9,019
– HH Egyptian Company	2,146	1,870
– Other related companies	412,432	434,247
	414,578	445,136
Non-trade		
– Dongfang Electric Finance	1,463,760	1,108,860
– HH Egyptian Company	1,483	1,489
– Other related companies	2,896	2,809
	1,468,139	1,113,158

(v) Key management compensation

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Basic salaries, allowances and other benefits in kind	2,416	2,224
Contributions to defined contribution retirement schemes	355	358
	2,771	2,582

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by management of the Group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2025 and 31 December 2024 on a recurring basis:

At 30 June 2025

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	95,315	95,315
– Bill receivables at FVTOCI	–	–	129,834	129,834
	–	–	225,149	225,149
Derivative financial liabilities				
– Foreign currency forward contracts	–	(11,175)	–	(11,175)

At 31 December 2024

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	95,329	95,329
– Bill receivables at FVTOCI	–	–	170,544	170,544
	–	–	265,873	265,873
Derivative financial liabilities				
– Foreign currency forward contracts	–	(10,454)	–	(10,454)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value hierarchy *(Continued)*

There were no transfers among levels 1, 2 and 3 for the six months ended 30 June 2025 and 2024. There were no other changes in valuation techniques for the six months ended 30 June 2025 and 2024.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(i) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(ii) Fair value measurements using significant unobservable inputs (level 3)

	Investment in unlisted companies RMB'000	Bill receivables at FVTOCI RMB'000
Opening balance 31 December 2024	95,329	170,544
Acquisitions	–	129,724
Disposals	–	(170,434)
Exchange realignment	(14)	–
Closing balance 30 June 2025	95,315	129,834

(a) Valuation inputs

Financial assets	Valuation techniques	Significant inputs	Relationship of unobservable inputs to fair value
Unlisted companies	Market approach	Adjustments (size alignments) to recent transaction price	Positive
Bill receivables at FVTOCI	Discounted cash flow method	Discount rate	Negative

(b) Valuation process

The Group has an established control framework with respect to the measurement of fair values. Management of the Group has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values and reports directly to the management.

Management of the Group regularly reviews significant unobservable inputs and valuation adjustments. If the third-party information is used to measure fair values, then the management of the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

19 SEASONALITY OF OPERATIONS

The Group experiences higher sales in the second half of the year compared to the first half of the year. It is the general practice for the Group's customers, engaging in oil and gas drilling industry, to place larger amounts of purchase orders at the beginning of the year. Having considered the production and delivery schedule, the finished goods related to these purchase orders are delivered in the second half of the year. Revenue from the sale of finished goods is recognised when the customer has accepted the related risks and rewards of ownership. Accordingly, the Group anticipates the inventories would gradually build up before the delivery of finished goods in the second half of the year. As a result, the first half year typically reports lower revenues, than the second half.

20 COMMITMENTS

Capital expenditure contracted for or authorised but not contracted for at the balance sheet date but not yet incurred is as follows:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Contracted for	28,865	16,085

21 EVENTS OCCURRING AFTER REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2025 and up to the date of approval of these condensed consolidated financial statements.

