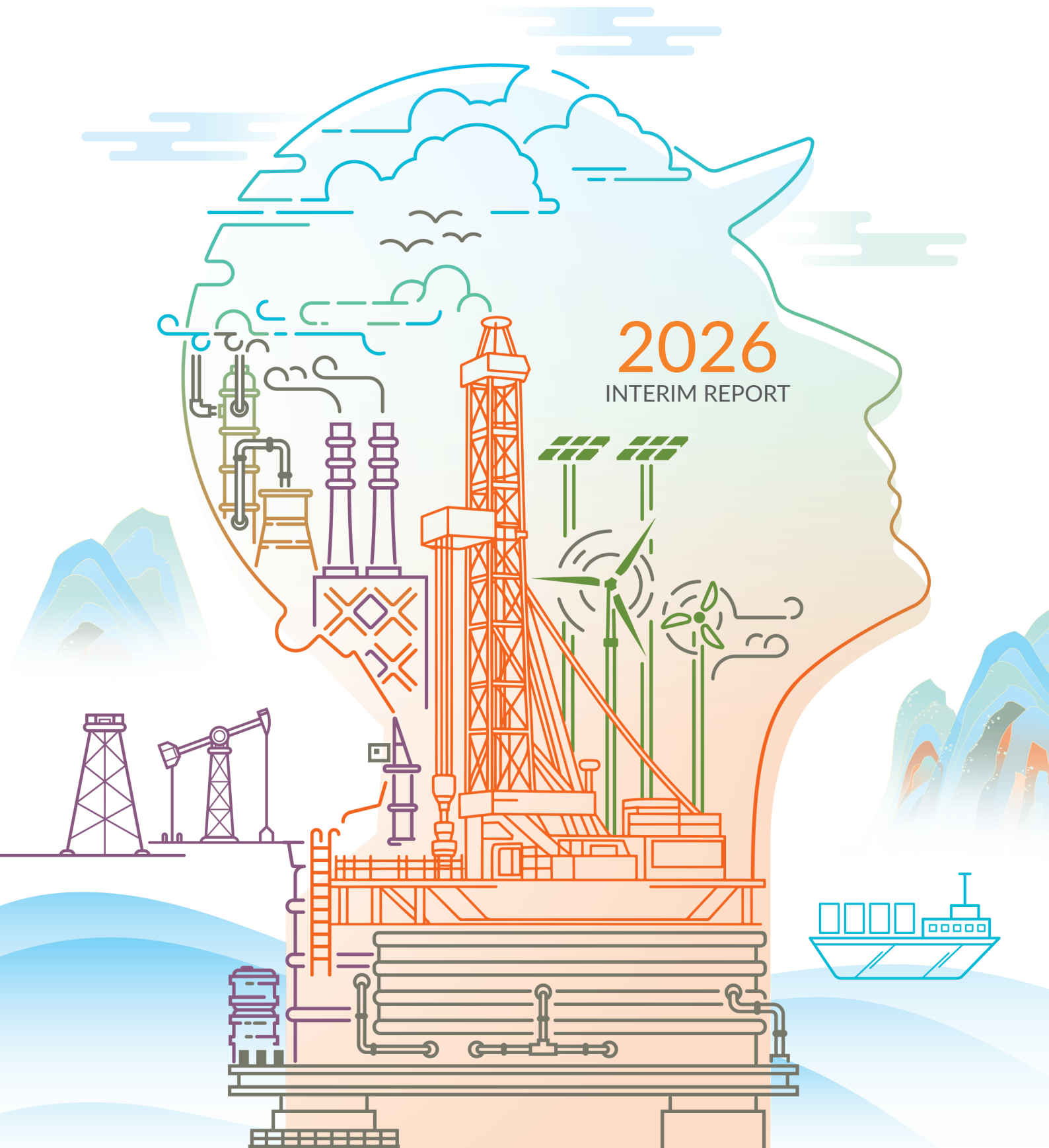




宏华集团有限公司

HONGHUA GROUP LIMITED

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







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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xu (*Chairman, resigned with effect from 12 August 2026*)

Mr. Zhu Hua (*Chairman, appointed with effect from 3 September 2026*)

Mr. Zhang Xiaodong (*Appointed with effect from 3 September 2026*)

Mr. Yang Qiang

Non-Executive Directors

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

Independent Non-Executive Directors

Mr. Zhang Shiju

Ms. Li Yuedong

Mr. Wang Junren

SECRETARY TO THE BOARD

Mr. He Bin

BOARD COMMITTEES

Audit Committee

Ms. Li Yuedong (*Committee Chairman*)

Mr. Zhang Shiju

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

Remuneration Committee

Mr. Zhang Shiju (*Committee Chairman*)

Mr. Wang Xu (*Resigned with effect from 19 January 2026*)

Ms. Li Yuedong

Mr. Wang Junren

Nomination Committee

Mr. Wang Xu (*Committee Chairman, resigned with effect from 12 August 2026*)

Mr. Zhu Hua (*Committee Chairman, appointed with effect from 3 September 2026*)

Mr. Zhang Shiju

Ms. Li Yuedong

Strategic Investment Committee

Mr. Wang Xu (*Committee Chairman, resigned with effect from 12 August 2026*)

Mr. Zhu Hua (*Committee Chairman, appointed with effect from 3 September 2026*)

Mr. Zhang Xiaodong (*Appointed with effect from 3 September 2026*)

Mr. Yang Qiang

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Wang Junren

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

COMPANY SECRETARIES

Mr. He Bin

Ms. Lee Mei Yi (*Resigned with effect from 26 June 2026*)

LEGAL ADVISOR

AS TO HONG KONG LAW

Haiwen & Partners LLP

CORPORATE INFORMATION

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.
Ping An Bank Co., Ltd.

AUDITOR

BDO Limited
25/F Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE

99 East Road, Information Park
Jinniu District
Chengdu, Sichuan, PRC
Post code: 610036

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1915, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
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Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

00196

WEBSITE

<http://www.hh-gltd.com>

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

The Company is a leading global oil and gas exploration and development equipment manufacturing and drilling engineering services company. Over almost three decades of development, the Group's business has spanned the major oil and gas production regions worldwide, forming a comprehensive product portfolio including land drilling rigs, electric fracturing equipment, core parts and components of drilling and completion equipment, offshore engineering equipment manufacturing, engineering technical services, digital products for drilling and completion, as well as new energy equipment and comprehensive services, providing customers with a full range of products and services for energy development.

BUSINESS REVIEW

In the first half of 2026, the military conflicts among the United States, Israel and Iran continued to escalate, under which severe disruptions to shipping through the Strait of Hormuz were caused. As a result, the projects of the Group in the Middle East region faced delays in order fulfilment, rising project costs and other issues. As affected by the turbulent international situation, the exchange rate between Renminbi and US dollars became increasingly volatile, thus resulting in significant foreign exchange losses for the Group. Coupled with multiple factors, including increased production by OPEC+, mounting downward pressure on the global economy, and substantial short-term fluctuations in international oil prices, the Group faced severe challenges in overseas market expansion, project execution and supply chain stability. Driven by dual considerations in terms of energy security and economic viability, large-scale oil and gas enterprises generally maintained the stable development of upstream capital expenditure, whereas they became more demanding towards the efficiency, stability and safety of equipment and services.

Meanwhile, the overall trend of global energy transition remained unchanged, with geopolitical conflicts further driving countries to accelerate the process of energy diversification and achieving independence and controllability. The oil and gas industry is continuously maximizing the application of intelligent equipment and green extraction technologies in traditional energy development, and the development of unconventional oil and gas and deep-earth and deep-sea energy has become the new core drivers of growth for the sector. In light of these changes in the industry environment, the Group proactively adapted to the development trend of industry, while confronting a complex and dynamic external environment, focusing on enhancing its core competitiveness, and continuously driving breakthroughs in its layout of offshore energy industry, thereby striving to achieve steady development amid a fluctuating market environment.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Short-term Pressure on Performance: Stabilising Fundamentals and Building Momentum with Diligent Steps Forward

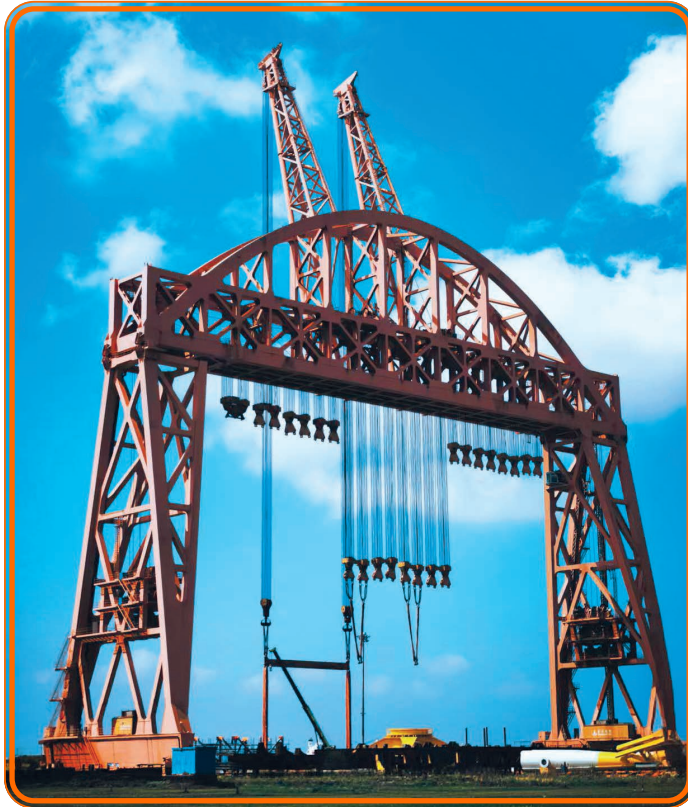
For the six months ended 30 June 2026, the Group recorded operating revenue of RMB2,509.56 million, representing a decrease of RMB91.51 million or 3.5% as compared to RMB2,601.07 million in the same period last year. During the reporting period, the Group recorded a gross profit of RMB264.58 million, representing a decrease of 21.9% as compared to the same period last year; the overall gross margin was 10.5%, down 2.5 percentage points as compared to the same period last year. The Group's net profit attributable to shareholders of the parent company was RMB-28.92 million, representing a decrease of 178.0% as compared to the same period last year.

During the reporting period, all the Group's revenue, gross profit and net profit declined year-on-year, mainly due to the following: first, the US-Israel-Iran military conflict had a direct impact on the Group's market in the Middle East, which resulted in the phased suspension of drilling engineering services and a direct impact on the land drilling rig business (accounting for nearly half of the Group's revenue), thus leading to delays in project payments and increased supply chain costs; second, with the increased volatility in the exchange rate of US dollars, as a high proportion of the Group's overseas projects were settled in US dollars, a foreign exchange loss was incurred during the reporting period; third, the fracturing business was affected by cyclical adjustments in the domestic market, thus leading to a substantial year-on-year decline in revenue.

II. Achievements on Market Expansion Across Multiple Fronts: Breakthroughs Through a Balanced Focus on Onshore and Offshore Operations

For the six months ended 30 June 2026, the Group recorded revenue of RMB810.35 million in the China market, representing a year-on-year decrease of 37.5% and accounting for 32.3% of total revenue for the first half of 2026. The significant decline in revenue from the domestic market was primarily due to a substantial year-on-year decrease in revenue from the fracturing business and the ongoing streamlining of the parts and components business to reduce the proportion of low-margin businesses. In respect of the overseas markets, the Group recorded revenue of RMB1,699.21 million, representing a year-on-year increase of 30.2% and accounting for 67.7% of total revenue for the first half of 2026. In particular, revenue from the Middle East market amounted to RMB1,312.40 million, representing an increase of 27.4% as compared to the same period last year, and accounting for 52.3% of revenue for the first half of 2026 and 77.2% of revenue from overseas markets; revenue from other overseas markets amounted to RMB386.8 million, representing an increase of 40.3% as compared to the same period last year and accounting for 15.4% of revenue for the first half of 2026. The robust growth in overseas revenue was primarily driven by the following factors: first, the gradual delivery of land drilling rig orders in the Middle East market, which boosted the improvement of revenue in this segment; second, the continued expansion of overseas operations in the offshore segment, especially a 75.0% year-on-year revenue growth from offshore engineering equipment manufacturing.

MANAGEMENT DISCUSSION AND ANALYSIS



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

Regions	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Change in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
China	810.35	32.29	1,295.52	49.81	-37.45	-17.52
Overseas	1,699.21	67.71	1,305.55	50.19	30.15	17.52
The Middle East	1,312.40	52.30	1,029.81	39.59	27.44	12.70
Others ⁽¹⁾	386.81	15.41	275.74	10.60	40.28	4.81
Total	2,509.56	100.00	2,601.07	100.00	-3.52	-

Note: (1) Other regions include Africa, Europe, the Americas, South Asia and Southeast Asia, etc.; due to rounding, there may be slight discrepancies between the sum of the individual figures and the total.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the order backlog, during the reporting period, the Group recorded newly effective orders totalling RMB4,281.72 million, representing a year-on-year decrease of 6.5%, primarily due to the postponement of certain projects in the Middle East market resulting from the US-Israel-Iran conflicts. Despite the headwinds in the Middle East market, the Group's order structure demonstrated two key structural highlights:

For the overseas markets, the Group recorded new orders totalling RMB2,310 million, representing a year-on-year decrease of 9.6%. Against the backdrop of the US-Israel-Iran conflicts hampering the Middle East market, the Group proactively expanded into markets outside the Middle East and achieved significant breakthroughs: it successfully secured contracts for projects such as the 70DBS drilling rigs in Uzbekistan and the 750HP workover rigs in Algeria, while acquiring 10 new overseas customers; in the European market, it secured offshore engineering vessel orders totalling approximately RMB700 million, which marked a significant breakthrough in the region.

The Group continued to make inroads into the offshore industry, while recording new orders totalling RMB2,519 million, representing a year-on-year increase of 27.6% and accounting for 58.8% of total new orders of the Group; the offshore segment has become the "second growth curve" for the Group's industrial development. Specifically, the updates included: securing orders for four specialized offshore engineering vessels, wind power operation and maintenance vessels, SCV vessels and others, which marked a breakthrough in the specialized vessels sector across the high-end markets in Europe; successfully entering the high-end research vessel construction segment; in respect of the offshore oil and gas equipment sector, signing orders for offshore workover rigs and core parts and components while proactively advancing the research and manufacturing of electrical systems for vessels, under which outstanding results were recorded in the market of direct-drive pump units, with contracts signed for a total of 16 sets during the reporting period; and in the offshore wind power sector, signing orders for 50 sets of large-scale jackets, thereby maintaining the Group's leading position in the large-scale jackets segment. The rapid growth in orders for the offshore industry and the continuous increase in its share of revenue fully demonstrated the strategic effectiveness of the Group in cultivating new growth drivers beyond its conventional onshore equipment business.

III. Emergence of Successive Technological Innovations: Breakthroughs Empowering Development

During the reporting period, the Group filed 55 patent applications, of which 40 were for invention patents. As at the end of the reporting period, the Group held a total of 906 valid patents, including 430 invention patents. Centred on the "two deep and one unconventional" strategic direction, the Group has proactively expanded its presence in strategic emerging industries: in the deep-sea sector, the country's first 1,500-metre-class electric-driven active heave compensation LARS system independently developed by the Group completed its maiden offshore operation, while key technological research on deep-sea floating drilling systems secured AIP certification from the China Classification Society (CCS); in the deep-earth sector, the 12,000-metre-class deep-earth intelligent drilling rig independently developed by the Group achieved a drilling depth exceeding 10,000 metres, thereby serving China's fifth 10,000-metre vertical deep well; the fully-electric-driven coiled tubing operation system assisted the 42nd Antarctic Expedition of China in successfully completing the country's first hot water drilling test in the Antarctic ice sheet; the first set of fully flanged, direct-connect 175MPa high-pressure manifold equipment successfully completed fracturing operations across 20 stages of formation fracturing operations; in the digitalisation sector, leveraging the artificial island intelligent drilling rig project in the Middle East, the Group established the "OPERA+" cooperation model with Baker Hughes, thereby completing technical collaboration and interface testing, achieving the first domestic substitution of a drilling rig control system, as well as marking the first deployment of the UNISON system on a non-Honghua drilling rig.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODELS OF THE GROUP

During the reporting period, the Group's revenue from land drilling rigs amounted to RMB1,156.72 million, representing a year-on-year increase of 44.3% and accounting for 46.1% of revenue for the first half of 2026. Revenue from parts and components and others amounted to RMB441.39 million, representing a decrease of 23.2% as compared to the same period last year and accounting for 17.6% of revenue for the first half of 2026. Revenue from drilling engineering services amounted to RMB131.79 million, representing a decrease of 24.5% as compared to the same period last year and accounting for 5.3% of revenue for the first half of 2026. Revenue from the offshore segment amounted to RMB576.61 million, representing a decrease of 6.5% as compared to the same period last year and accounting for 23.0% of revenue for the first half of 2026. Revenue from the fracturing business amounted to RMB203.04 million, representing a decrease of 53.2% as compared to the same period last year and accounting for 8.1% of revenue for the first half of 2026.

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

Types of Business	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Change in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Land drilling rigs	1,156.72	46.09	801.45	30.81	44.33	15.28
Parts and components and others	441.39	17.59	574.75	22.10	-23.20	-4.51
Drilling engineering services	131.79	5.25	174.51	6.71	-24.48	-1.46
Offshore segment	576.61	22.98	616.94	23.72	-6.54	-0.74
Fracturing business	203.04	8.09	433.42	16.66	-53.15	-8.57
Total	2,509.56	100.00	2,601.07	100.00	-3.52	0.00

Note: Due to rounding, there may be slight discrepancies between the sum of the individual figures and the total.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Land Drilling Rigs

In the first half of 2026, the military conflicts among the United States, Israel and Iran had a profound impact on the global landscape of oil and gas exploration and development. As one of the world's most important oil and gas-producing regions, the Middle East saw a surge in geopolitical risks; the Strait of Hormuz was temporarily closed, thus causing significant short-term volatility in international oil prices, which posed severe challenges to energy equipment enterprises in terms of overseas market expansion and supply chain stability. Meanwhile, as the domestic oil and gas equipment market became increasingly saturated, industry competition gradually tended to extend to overseas markets. Domestic peers accelerated their international layouts, thus leading to intensifying competition in the Group's traditional strongholds, such as the Middle East, Southeast Asia and others, where it has long established a strong presence. In the first half of 2026, the Group sold a total of 9 sets of complete land drilling rigs, representing a year-on-year increase of 50%. For the six months ended 30 June 2026, revenue from the land drilling rigs business of the Group amounted to RMB1,156.72 million, accounting for 46.1% of total revenue and representing an increase of 44.3% as compared to the revenue of RMB801.45 million for the same period last year.

During the reporting period, all revenue from the land drilling rigs business of the Group was derived from overseas markets, of which 84.5% and 14.8% were contributed by the Middle East and Europe, respectively. Despite the impact of the US-Israel-Iran military conflict on project execution and supply chain stability in the Middle East, through its excellent project management, the Group achieved notable results, including the delivery of the ABRAJ 3000HP project 32 days ahead of schedule and the delivery of the ADNOC-1 project for commencement of drilling 71 days ahead of schedule despite the severe conflict.

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

Regions	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Changes in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
China	0.00	0.00	61.73	7.70	-100.00	-7.70
Overseas	1,156.72	100.00	739.72	92.30	56.37	7.70
The Middle East	977.70	84.52	682.67	85.18	43.22	-0.66
Europe	170.81	14.77	43.98	5.49	288.38	9.28
Other regions ⁽¹⁾	8.21	0.71	13.07	1.63	-37.18	-0.92
Total	1,156.72	100.00	801.45	100.00	44.33	0.00

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

MANAGEMENT DISCUSSION AND ANALYSIS

II. Parts and Components and Others

For the six months ended 30 June 2026, revenue from parts and components and other businesses of the Group amounted to RMB441.39 million, accounting for 17.6% of total revenue and representing a decrease of 23.2% as compared to revenue of RMB574.75 million for the same period of 2025. The decrease was primarily due to the Group's continuous efforts in the advancement of optimised and adjusted non-core business lines, such as bridge steel structures, in order to further focus on its core business segments. During the reporting period, the Group steadily advanced its "strengthening components" strategy, while focusing on the three core product lines of top drives, mud pumps and automated tools, thereby achieving the strategic effectiveness of "strengthening complete units with components and expanding markets with components".

During the reporting period, the Group's top drive product line continued to advance the deployment of a full product range and tackle key technological challenges; the product portfolio was gradually refined, thereby injecting new momentum into the subsequent development. The 500-tonne gearbox top drive completed industrial trials and a one-year durability test, with favourable effects as reflected from the tests; new breakthroughs were achieved in the research and development (R&D) of the technology for 750-tonne geared top drive, with in-house validation of the prototype expected to be completed within the year; the design of 15,000-metre high-load top drive has been finalised, which enabled the proceeding to the production stage; R&D of the 200T permanent-magnetic top drive was completed, and two sets of permanent-magnetic top drives destined for Algeria have entered the production stage.

During the reporting period, the Group's mud pump product line maintained its internationally leading technical standards, while securing bulk orders for 49 units of high-pressure mud pumps both domestically and internationally. The five-cylinder pumps and three-cylinder pumps separately ranked first in Sinopec's framework tender; the 3200HP five-cylinder pump was recognised as the first of its kind in China due to its ultra-high operating pressure and ultra-high displacement, with its overall technology remaining at the international forefront. The dual-motor offshore direct-drive five-cylinder pump unit obtained certification from the China Classification Society (CCS), while achieving bulk sales and being rolled out to the onshore market; a breakthrough was made in the design of the 10000psi ultra-high-pressure hydraulic end for conventional pumps, thereby further enhancing component reliability.

During the reporting period, the Group's automated tool product line achieved significant breakthroughs by successfully securing orders for intelligent drilling systems for drilling rigs and equipment retrofitting (including power catwalks and iron roughnecks), and completing the first domestic substitution of a drilling rig control system. On the one hand, the "one-key linkage" automated tool system was recognised as the first of its kind in China; it completed commissioning and handover inspections on high-end PDO series drilling rigs such as the ABRAJ 2000HP and Hailong 1000HP, which were well received by customers, while the artificial island offline lifting system was deployed for the first time in the United Arab Emirates and was successfully delivered; on the other hand, new progress was made in the field of offshore tools: the offshore iron roughnecks, high-position back-clamps and vertical transportation systems have proceeded to the production stage, while the upgraded automation and serialised retrofitting of offshore drilling rigs continued to advance; the TP160 and TP80 iron roughnecks completed industrial trials and were rolled out for application.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Drilling Engineering Services

As at 30 June 2026, the Group had 8 drilling teams for providing drilling engineering services to renowned domestic and international customers. During the reporting period, this business recorded revenue of RMB131.79 million, accounting for 5.3% of total revenue, and representing a decrease of 24.5% as compared to revenue of RMB174.51 million for the same period of 2025.

In terms of international projects, operations of a number of drilling teams in the Middle East were suspended due to the US-Israel-Iran warfare and conflict; the Group organised the orderly evacuation of on-site personnel, thus resulting in a year-on-year decrease of 48.1% in revenue from overseas drilling engineering services. In terms of domestic projects, the Group recorded revenue from drilling engineering services in the China market of RMB52.17 million, representing a year-on-year increase of 146.3%; driven by the enhanced operational efficiency and strengthened cost control, the profitability of the business improved.

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

Regions	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Change in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
China	52.17	39.59	21.18	12.14	146.34	27.45
Overseas	79.62	60.41	153.32	87.86	-48.07	-27.45
Total	131.79	100.00	174.50	100.00	-24.47	0.00

IV. Offshore Segment

The Group's Offshore Segment primarily includes the manufacture of offshore oil and gas equipment and offshore engineering equipment, as well as offshore wind power businesses. During the reporting period, the offshore segment secured new orders totalling RMB2,519 million, representing a year-on-year increase of 27.6% and accounting for 58.8% of the Group's total new orders. This segment has currently become one of the primary sources of revenue for industrial development of the Group, thereby effectively offsetting the decline in the land equipment industry and consolidating the foundation for the Group's overall development.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2026, revenue from the offshore segment of the Group amounted to RMB576.61 million, accounting for 23.0% of the Group's total revenue and representing a decrease of 6.5% as compared to the same period of the previous year. The decline in revenue from the offshore segment was primarily due to the year-on-year decrease of 72.7% in revenue from the offshore wind power business as affected by cyclical adjustments in the domestic wind power market. The offshore engineering equipment business recorded revenue of RMB460.62 million, representing a significant year-on-year increase of 75.0%, with its share of the offshore segment's revenue rising from 42.7% in the same period of 2025 to 79.9%. The robust growth in the offshore oil and gas and offshore engineering equipment manufacturing businesses fully demonstrated the Group's continuous breakthroughs and the effectiveness of its strategic layout in the offshore industry.

The table below sets forth the breakdown of revenue from the offshore segment by business types during the reporting periods indicated:

Type of business	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Changes in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Offshore wind power	96.69	16.77	353.75	57.34	-72.67	-40.57
Offshore engineering equipment manufacturing	460.62	79.88	263.19	42.66	75.01	37.22
Offshore oil and gas	19.31	3.35	–	–	–	3.35
Total	576.61	100.00	616.94	100.00	-6.54	0.00

Offshore Wind Power

As at 30 June 2026, revenue from the offshore wind power business of the Group amounted to RMB96.69 million, accounting for 16.8% of revenue from the offshore segment and representing a decrease of 72.7% as compared to revenue of RMB353.75 million for the same period of 2025. The significant decline in revenue from the offshore wind power business was primarily due to cyclical adjustments in the domestic wind power market and a slowdown in the pace of project delivery. During the reporting period, the Group secured newly effective orders for its offshore wind power business totalling RMB800 million. It secured orders for 50 sets of large-scale offshore wind jackets, thereby maintaining its leading position in the large-scale jacket segment. Furthermore, the Group successfully secured new customers such as Zhejiang Provincial Energy Group Co., Ltd., China Energy Engineering Group Zhejiang Thermal Power Construction Co., Ltd.* (中國能源建設集團浙江火電建設有限公司), etc., while participating in and delivering the CNOOC offshore wind power project for the first time, which has laid a favourable foundation for future collaborations.

MANAGEMENT DISCUSSION AND ANALYSIS

Offshore Engineering Equipment Manufacturing

As technical bottlenecks in offshore engineering continue to be overcome, oil and gas development is gradually expanding from the continental shelf into deep-sea areas. As one of the world's leading manufacturers of land drilling rigs in terms of scale, the Group possesses extensive experience in the manufacture of oil and gas exploration and development equipment. The offshore engineering equipment manufacturing business is the core business within the Group's offshore segment, accounting for the highest proportion of revenue. During the reporting period, the business generated revenue of RMB460.62 million, accounting for 79.9% of revenue from the offshore segment and representing a significant increase of 75.0% as compared to revenue of RMB263.19 million for the same period of 2025. In particular, revenue from the China market amounted to RMB214.87 million, while revenue from overseas markets amounted to RMB245.75 million, thereby establishing a development landscape driven by both domestic and overseas markets.

In terms of offshore engineering equipment manufacturing, the Group secured orders for specialized offshore engineering vessels, wind power operation and maintenance vessels, SCV vessels and others during the reporting period, which marked a breakthrough across the high-end markets in Europe; we completed the delivery of 63 segments of COSCO vessels and 7 liquid tanks for CIMC Pacific, while achieving a contract fulfilment rate of 100%; we successfully entered the high-end research vessel construction segment; we proactively advanced our ship electrical research and manufacturing business, while gradually building our core competitiveness in segmented fields by leveraging marine equipment and electrical empowerment. The Group established an offshore Value Engineering (VE) team comprising multidisciplinary professionals in design, procurement, construction and cost management, who were deeply involved throughout all stages of project planning, design, procurement and construction, thereby continuously driving cost reduction and efficiency enhancement in the offshore industry.

Offshore Oil and Gas

For the six months ended 30 June 2026, revenue from the offshore oil and gas business of the Group amounted to RMB19.31 million, accounting for 3.3% of revenue from the business of offshore segment. During the reporting period, the Group's efforts in domestic substitution and technological innovation were implemented in an orderly manner, thus enabling the successful signing of an order for offshore workover rigs with a domestic customer; the practical application of key innovative equipment on actual vessels progressed steadily, with the first set of independently developed active and passive drill string compensators for a water depth of 1,500 metres expected to be delivered to the customer for use by the end of 2026; breakthroughs were made in key technologies for deep-sea floating drilling systems; the detailed design of the overhead drill string heave compensation system was completed, along with AIP certification from the China Classification Society (CCS); the detailed design of the wire-rope-type riser tensioning system has been finalised, and the overall design of the riser tensioner has been completed. As the business unit within the Group's offshore segment that receives the most concentrated investment in resources and boasts the most cutting-edge technological layout, the offshore oil and gas business has achieved key breakthroughs in cutting-edge technological fields such as deep-sea floating drilling systems and LARS systems, which is expected to become the fastest-growing business segment of the Group in the future and serves as the core pillar of the Group for deepening the deep-sea strategy and fostering medium- to long-term growth momentum.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Fracturing Business

For the six months ended 30 June 2026, operating revenue from the fracturing business of the Group amounted to RMB203.04 million, accounting for 8.1% of the total revenue of the Group and representing a significant decrease of 53.2% as compared to RMB433.42 million for the same period of 2025. The decline in revenue from the fracturing business was primarily due to cyclical adjustments in the domestic unconventional oil and gas development market, thus resulting in a substantial reduction in the volume of fracturing service operations. During the reporting period, revenue from the sales of fracturing equipment and fracturing services amounted to RMB147.47 million, representing a year-on-year decrease of 55.1%; revenue from the special power business amounted to RMB55.56 million, representing a year-on-year decrease of 47.1%. Revenue from the business was insufficient to cover its fixed costs and expenses, such that the business remained a loss-making unit within the Group.

During the reporting period, the Group had a total of 16 pumping teams, which completed approximately 681 fracturing operation stages. During the reporting period, the Group steadfastly promoted the development of integrated drilling and fracturing technology in terms of equipment and technological innovation, while proactively expanding into overseas fracturing markets, seizing opportunities for equipment trials, targeting partnerships with leading international companies, and striving to achieve a breakthrough in its overseas fracturing business. During the reporting period, the research and manufacturing as well as application of the Group's 6000HP intelligent complete electric-driven fracturing equipment were selected for inclusion in the 2026 Catalogue of Scientific and Technological Innovation Achievements issued by the China Petroleum and Petrochemical Equipment Industry Association (CPEIA).

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

Type of business	For the six months ended 30 June 2026		For the six months ended 30 June 2025		Change in revenue (%)	Percentage- point change
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Sales of fracturing equipment and fracturing services	147.47	72.63	328.30	75.75	-55.08	-3.12
Special Power	55.56	27.37	105.12	24.25	-47.14	3.12
Total	203.04	100.00	433.42	100.00	-53.15	0.00

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES MANAGEMENT

As at 30 June 2026, the Group had a total of 2,783 employees. In terms of talent development, the Group has prioritised supporting the development of strategic emerging industries, specifically introducing talents on high-end technology in these sectors, refining on-the-job training and cross-functional experience mechanisms, and establishing technical talent pool in areas such as intelligent equipment, digital management, and offshore engineering equipment. Meanwhile, the Group has recruited professionals from the offshore industry with backgrounds in vessel design, construction processes and cost engineering, thereby establishing a “recruitment plus nurturing” dual-drive mechanism for talent team building. In terms of training, a total of 233 training sessions were conducted during the reporting period, covering topics such as R&D of technology, skills enhancement, legal risks and compliance, quality and safety, financial literacy, and employee management. In terms of talent motivation, the Group adheres to the principle of “efficiency comes first, with fairness of no less importance” and employee compensation is linked with the Group’s performance. A new round of term-based performance appraisal schemes has been finalised, and a performance indicator system featuring “five dimensions and ten lines” has been established by centering around the strategic objectives under the “15th Five-Year Plan”. The system comprehensively breaks down the Group’s operational performance targets and tasks across five dimensions: finance, customers, core capabilities, synergistic empowerment and closed-loop iteration. Details of the Company’s share schemes are set out in the sections entitled “Share Option Scheme” and “Restricted Share Award Scheme” of the 2026 interim report.

FUTURE OUTLOOK

Looking back to 2019, international crude oil prices were also in the range of US\$60 per barrel; at that time, the Group’s full-year revenue stood at just RMB3,600 million. Over six years, against the backdrop of comparable oil prices and even more severe geopolitical impacts, the Group’s full-year operating revenue for 2025 increased by nearly RMB2,000 million as compared to 2019. Operational stability has been significantly strengthened, while the Group’s overall strength and confidence in its development have been improved substantially, which represents the Group’s most fundamental source of confidence in its development and its most valuable operational achievement. Adhering to the development principle of “understanding what to pursue and what to avoid”, the Group has resolutely advanced the divestment of non-core businesses, systematically phased out non-core production lines such as steel structures, and gradually shut down non-core production capacity such as casting and forging. It has vigorously implemented the “strengthening components” strategy and the “three offshores” (offshore oil, offshore wind power, and offshore engineering) strategy, while focusing on its core responsibilities and main business to achieve steady development. Although the Group’s overall operations are currently facing certain pressure, the operational data structure reveals that total volumes have not shown a significant increase, the business structure has become more robust and the foundation for development has become more solid. In the second half of the year, the Group will focus its efforts on key tasks such as overcoming challenges in core technologies, optimising market structure, expanding its layout into emerging industries, controlling exchange rate risks, as well as reducing costs and enhancing efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to the significant negative impacts of the US-Israel-Iran conflict on the core market of the Group in the Middle East, the Group has taken a number of measures to proactively address the situation: first, the Group manages risks at the contract level by formulating systematic and comprehensive solutions for risks in the Middle East and incorporating the new situation into routine operational considerations; second, the Group closely monitors developments in the Middle East while adhering to the principle of “not entering dangerous or unstable areas, nor investing in high-risk businesses”, thereby continuously ensuring the safety of personnel on site; third, the Group optimises the development of overseas institutions by implementing a “single region managing the entire business” operational model across ten major regions in overseas markets, with a focus on enhancing the market promotion capabilities of the “ten product lines”; fourth, the Group advances market cultivation in a phased manner to gradually reduce its reliance on traditional Middle Eastern markets such as the United Arab Emirates and Iraq, while prioritising the development of regional markets in Africa, Southeast Asia and Central Asia, in order to enhance the balanced development of the market structure; fifth, the Group strengthens foreign exchange risk management by adjusting foreign exchange settlement strategies as appropriate and conducting hedging operations such as forward settlement and sales of foreign exchange, thereby effectively mitigating external risks and striving to achieve steady development in a volatile market environment.

The Group will continue to foster the cultivation and development of its offshore segment, consolidating the strategic position of the offshore industry as the “second growth curve” of the Group. First, we will deepen the “three offshores” strategy, while integrating internal and external resources to secure offshore oil and offshore wind power orders with full commitment. We will deeply cultivate the markets of Southeast Asia, the Persian Gulf, the Mediterranean and Europe, thereby driving order growth in the offshore engineering segment while keeping risks under control, and promoting the installation and application of more in-house manufactured deck equipment. Second, we will increase investment in the R&D of offshore equipment to develop a series of products suitable for the marine environment, such as top drives, mud pumps and automated tools. We will continue to achieve breakthroughs in key technologies, including deep-sea floating drilling systems, active compensation equipment and deep-sea mining equipment, and apply for national-level projects, while implementing the relevant requirements for the domestic equipment. Third, we will establish an enterprise-level cost database and standard cost system, in order to continuously drive cost reduction and efficiency enhancement in the offshore industry.

FINANCIAL REVIEW

For the six months ended 30 June 2026, the Group’s gross profit and loss attributable to equity shareholders of the Company amounted to approximately RMB265 million and RMB29 million, respectively, and the gross profit margin and net profit margin stood at 10.5% and –1.2%, respectively. In the same period of the previous year, the Group’s gross profit and profit attributable to equity shareholders of the Company amounted to approximately RMB339 million and RMB37 million, respectively, with the gross profit margin and net profit margin standing at 13.0% and 1.4%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Against the backdrop of pressure on performance, the Group continued to advance its efforts in the cost reduction and efficiency enhancement, in order to consolidate its operational fundamentals. During the reporting period, the Group's finance cost decreased by 0.21 percentage point to 2.24%. As at 30 June 2026, the Group's balance of trade and other receivables amounted to approximately RMB3,622 million, representing a decrease of 5.61% as compared to the end of 2025; the average turnover days for trade receivables and bills receivable were 149.65 days, representing a decrease of 6.35 days as compared to the same period of the previous year; the average turnover days of inventory were 146.47 days, representing an increase of 21.71 days as compared to the same period of the previous year. As affected by the delayed project payments resulting from the US-Israel-Iran military conflict and the suspended operations of the drilling service teams in the Middle East, cash flow from operating activities of the Group changed from a net inflow of approximately RMB94 million in the same period of the previous year to a net outflow of approximately RMB194 million in the current period.

The basis of calculation for the above key financial indicators is consistent with that disclosed in the annual report of the Company for the year ended 31 December 2025. For details, please refer to the section headed "Five-Year Financial Highlights" in that annual report.

Turnover

During the period, the Group's revenue amounted to approximately RMB2,510 million, representing a decrease of RMB91 million or 3.5% from RMB2,601 million in the same period of the previous year. The decline in revenue was primarily due to two factors: first, the geopolitical tensions persisted in the Middle East, which caused short-term pressure on the market expansion for land drilling rigs, marine shipbuilding and drilling engineering services in the region; second, the exchange rate between Renminbi and US dollars became increasingly volatile, coupled with the fact that a significant proportion of the overseas projects of the Group were settled in US dollars, thus resulting in lower-than-expected revenue contributions from the region.

Cost of Sales

During the Period, the Group's cost of sales amounted to approximately RMB2,245 million, representing a decrease of RMB17 million or around 0.8% from RMB2,262 million in the same period of the previous year, primarily due to the decrease in revenue, which led to a decrease in corresponding costs.

Gross Profit and Gross Margin

During the Period, the Group's gross profit amounted to approximately RMB265 million, representing a decrease of RMB74 million or approximately 21.9% from RMB339 million in the same period of the previous year.

During the Period, the Group's overall gross profit margin was 10.5%, representing a decrease of 2.5 percentage points from 13.0% in the same period of the previous year. This was primarily due to the ongoing geopolitical turmoil in the Middle East and the increasingly volatile exchange rate between Renminbi and US dollars, which resulted in operating revenue contributions and profitability from that region falling significantly short of expectations. Meanwhile, disruptions to international trade logistics and rising supply chain costs further eroded the consolidated gross profit margin of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses during the Period

During the Period, the Group's distribution expenses amounted to approximately RMB74 million, representing a decrease of RMB1 million or 0.7% as compared to RMB75 million in the same period of the previous year. This was primarily due to the ongoing geopolitical instability in the Middle East, which led to a year-on-year decrease in overseas staff expenses and business expenses.

During the Period, the Group's administrative expenses amounted to approximately RMB137 million, representing a decrease of RMB6 million or 4.6% from RMB143 million in the same period of the previous year. This was primarily due to the effective control of expenses through the continued advancement of cost reduction and efficiency enhancement, the optimisation of the management structure and the streamlining of non-essential expenditure.

During the Period, the Group's R&D expenses amounted to approximately RMB78 million, representing an increase of RMB1 million or 1.2% from RMB77 million in the same period of the previous year. To meet the development needs of automated, digital and intelligent drilling and production equipment, the Group has continued to strengthen its R&D investment. During the Period, the R&D expenditure amounted to RMB168 million, representing an increase of RMB22 million or 15.1% as compared to the same period of the previous year.

During the Period, the Group's net finance expenses amounted to approximately RMB50 million, representing an increase of RMB9 million or 21.5% from RMB41 million in the same period of the previous year. This was primarily due to the expansion of business scale, rising working capital requirements and a corresponding increase in borrowing needs, which led to higher interest expenses.

Loss/Profit before Income Tax

During the Period, the Group's loss before income tax amounted to approximately RMB44 million, representing a decrease of RMB82 million as compared to the profit of RMB38 million in the same period of the previous year.

Income Tax Credit/Expense

During the Period, the Group's income tax credit amounted to approximately RMB4 million, representing a change of RMB5 million compared with the income tax expense of RMB1 million in the same period of the previous year.

Loss/Profit for the Period

During the Period, the loss of the Group amounted to approximately RMB40 million, as compared to the profit of approximately RMB37 million in the same period of the previous year. Specifically, the loss attributable to equity shareholders of the Company amounted to approximately RMB29 million, and the loss attributable to non-controlling interests amounted to approximately RMB11 million. The net loss margin attributable to equity shareholders of the Company for the current period was 1.2%, as compared to the net profit margin attributable to equity shareholders of the Company of 1.4% in the same period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Measures

During the period, the Group's loss before tax amounted to approximately RMB44 million. EBITDA amounted to approximately RMB217 million, as compared with approximately RMB260 million in the same period of the previous year, primarily due to short-term pressure on the Group's profitability arising from the impact of the geopolitical and macroeconomic operating environment. The EBITDA margin was 8.6%, as compared to 10.0% in the same period of the previous year.

EBITDA is not a measure prescribed by International Financial Reporting Standards ("IFRS"). The Group defines EBITDA as (loss)/profit before income tax, plus net finance costs and 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. The table below sets out the quantitative reconciliation between (loss)/profit before income tax and EBITDA as presented by the Group in accordance with IFRS:

	For the six months ended 30 June	
	2026 (RMB100 million)	2025 (RMB100 million)
(Loss)/profit before income tax	(0.44)	0.38
Plus:		
Depreciation and amortisation	2.11	1.81
Finance cost – net	0.50	0.41
EBITDA (unaudited)	2.17	2.60

The Group uses EBITDA as a supplementary financial measure to assist management and investors in assessing and comparing the operating performance of the Group across different periods, free from the effects of the Group's capital structure, financing arrangements and non-cash charges such as depreciation and amortisation. EBITDA should not be considered separately, nor should it be regarded as a substitute for (loss)/profit before income tax or other financial performance indicators presented in accordance with the IFRS. As other companies may adopt different calculation methods, the EBITDA presented by the Group may not be directly comparable with similar indicators presented by other companies.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Source of Capital and Borrowings

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

As at 30 June 2026, the Group's borrowings amounted to approximately RMB4,857 million, representing an increase of RMB171 million as compared to the amount as at 31 December 2025. Specifically, borrowings repayable within one year amounted to approximately RMB1,851 million, representing a decrease of RMB641 million or 25.7% as compared to 31 December 2025.

Details of borrowings are set out in Note 14 to the financial statements.

Adequacy of Liquidity

As at 30 June 2026, the Group had borrowings of approximately RMB1,851 million due for repayment within the next twelve months and capital commitments of approximately RMB58 million. The Group expects to meet the abovementioned capital requirements with cash generated from operating activities, unutilised banking facilities and other financing arrangements. The Directors have reviewed the cash flow forecasts prepared by the management and are of the view that the Group has sufficient working capital to meet its requirements for at least twelve months from the end of the reporting period.

Deposits and Cash Flow

As at 30 June 2026, the Group's cash and cash equivalents amounted to approximately RMB886 million, representing a decrease of approximately RMB114 million as compared to 31 December 2025.

During the Period, the Group's net cash outflow from operating activities amounted to approximately RMB194 million; net cash inflow from investing activities amounted to approximately RMB35 million; and net cash inflow from financing activities amounted to RMB65 million.

Asset Structure and Changes

As at 30 June 2026, the Group's total assets amounted to approximately RMB12,574 million. Specifically, current assets amounted to approximately RMB8,660 million, accounting for approximately 68.9% of total assets, representing an increase of RMB294 million as compared to the amount as at 31 December 2025. This was mainly due to the increase in contract assets. Non-current assets amounted to approximately RMB3,914 million, accounting for approximately 31.1% of total assets, representing a decrease of RMB333 million as compared to the amount as at 31 December 2025. This was mainly due to the decreases in property, plant & equipment and financial assets at fair value through other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

As at 30 June 2026, the Group's total liabilities amounted to approximately RMB9,061 million. Specifically, current liabilities amounted to approximately RMB5,887 million, accounting for approximately 65.0% of total liabilities, representing a decrease of RMB702 million as compared to 31 December 2025. Non-current liabilities amounted to approximately RMB3,175 million, accounting for approximately 35.0% of total liabilities, representing an increase of RMB793 million as compared to 31 December 2025. As at 30 June 2026, the Group's gearing ratio was 72.1%, representing an increase of 1 percentage point as compared to 31 December 2025. The gearing ratio is calculated by dividing total liabilities by total assets.

Equity

As at 30 June 2026, the total equity amounted to approximately RMB3,513 million, representing a decrease of RMB128 million as compared to 31 December 2025. The total equity attributable to equity shareholders of the Company amounted to approximately RMB3,328 million, representing a decrease of RMB118 million as compared to 31 December 2025. Non-controlling interests amounted to approximately RMB185 million, representing a decrease of RMB10 million as compared to 31 December 2025. During the Period, the Group's basic loss per share was RMB0.32 cents, and diluted loss per share was RMB0.32 cents.

Capital Expenditure, Material Investment and Capital Commitments

For the six months ended 30 June 2026, capital expenditure of the Group on infrastructure and technical improvements amounted to approximately RMB76 million, representing an increase of approximately RMB24 million 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.

As at 30 June 2026, the capital commitment of the Group amounted to approximately RMB58 million, which mainly comprised the purchase of property, plant and equipment and was used to optimize and adjust the Group's business and production capacity.

Save as disclosed, the Group had no other significant investment or capital expenditure plans for the coming year as at the date of this report.

As at 30 June 2026, the Group did not hold any material investments.

Material Acquisitions and/or Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2026, the Group did not carry out any material acquisitions or disposals of subsidiaries, associates or joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

Mortgages and Guarantees

Details of mortgages and guarantees of the Group are set out in Note 14 to the financial statements.

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. To avoid the impact of significant exchange rate fluctuations on operating results, enhance the efficiency in capital utilisation of foreign currencies and strengthen its financial robustness, the Group adheres to the principle of “risk neutrality”. For different categories of assets and transactions in foreign currencies, the Group implements tiered and categorised strategies on exchange rate risk management, thereby making reasonable use of financial derivatives to hedge against risks: first, for existing foreign currency funds, the Group considers expected returns against expected exchange rates to optimally choose between making deposits or spot settlements; second, for assets and liabilities in foreign currencies, the Group prioritises achieving natural hedging through structural adjustments; third, when executing contracts, the Group dynamically aligns the due dates of project receipts and payments, and flexibly allocates derivatives such as forward foreign exchange settlements and foreign currency swaps to smooth out fluctuations in exchange gains and losses. During the reporting period, the Group’s forward foreign exchange contracts had an aggregate contract value of US\$8 million.

Contingencies

As at 30 June 2026, the Group had no material contingent liabilities.

CORPORATE GOVERNANCE REPORT

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

The Group is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance its transparency, accountability and corporate value.

The Group's corporate governance principles emphasize a quality Board, effective internal controls and accountability to Shareholders, to ensure transparency and accountability.

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting Shareholder value and investor confidence, formulating the Company's business strategies and policy frameworks, and increasing the corporate value.

The Company has adopted the principles and code provisions 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 basis for the Company's corporate governance practices.

With effect from 12 August 2026, Mr. Wang Xu resigned as the Chairman of the Board, an executive Director, the Chairman of both the nomination committee (the "Nomination Committee") and the strategic investment committee (the "Strategic Investment Committee") of the Company due to changes in his work arrangements. From that date until 2 September 2026, the positions of Chairman of the Board, Chairman of the Strategic Investment Committee and Chairman of the Nomination Committee were temporarily vacant. During that period, as no new Chairman of the Board or Chairman of the Nomination Committee had been appointed, the Company was unable to comply with Rule 3.27A of the Listing Rules, which stipulates that an issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director. To comply with the requirements of the Listing Rules and maintain a high standard of corporate governance, the Board actively sought suitable candidates to fill the vacancies and made the appointments as soon as practicable. For details, please refer to the announcement published on 12 August 2026.

With effect from 3 September 2026, the Board appointed Mr. Zhu Hua, the then executive Director and President, as the Chairman of the Board, the chairman of the Nomination Committee and the chairman of the Strategic Investment Committee of the Company. In order to facilitate the reallocation of responsibilities of the management of the Company and enable Mr. Zhu Hua to focus on performing his duties as the Chairman of the Board, he ceased to be the President of the Company with effect from the same date, while he continues to serve as an executive Director and in the relevant positions in the committees under the Board.

With effect from 3 September 2026, Mr. Zhang Xiaodong has been appointed as an executive Director and the President of the Company, and a member of the Strategic Investment Committee.

CORPORATE GOVERNANCE REPORT

With the appointment of Mr. Zhu Hua as the Chairman of both the Board and the Nomination Committee, the Company has once again complied with Rule 3.27A of the Listing Rules with effect from 3 September 2026 and has restored compliance within three months after its failure to comply with Rule 3.27A, in compliance with Rule 3.27C of the Listing Rules. For details, please refer to the announcement published on 3 September 2026.

The Company has complied with all the code provisions of the CG Code from 1 January 2026 up to the date of this report.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing and monitoring its corporate governance practices from time to time in order to maintain a high standard of corporate governance and ensure compliance with the CG Code, as well as aligning with the latest developments of the Company.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a 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.

Having made specific enquiries of all Directors, the Company received confirmation from all Directors 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 2026.

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 with the Employees' Written Guidelines by the employees was noted by the Company.

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the six months ended 30 June 2026, 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 the requirement that independent non-executive Directors represent at least one-third of the Board.

Up to the date of this report, the Company had three independent non-executive Directors, namely Mr. Zhang Shiju, Ms. Li Yuedong and Mr. Wang Junren. One of the independent non-executive Directors possesses the 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.

CORPORATE GOVERNANCE REPORT

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 including but not limited to review and supervise the adequacy and effectiveness of the Company’s financial reporting information and process, internal control policy 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.

With effect from 19 January 2026, Mr. Yang Yangzhuang ceased to serve as a member of the Audit Committee due to work reallocation. Up to the date of this report, the Audit Committee currently comprises three members of the Board, including two independent non-executive Directors, namely Ms. Li Yuedong (Chairlady of Audit Committee) and Mr. Zhang Shiju, and one non-executive Director, namely Mr. Liu Hui. One of the 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 the auditor’s views, internal control, risk management and financial reporting.

The Audit Committee has reviewed the unaudited interim results and the interim report for the six months ended 30 June 2026 of the Company and the Group.

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 include, but are not limited to, reviewing and approving the remuneration packages of the executive Directors and the senior management, compensation arrangements for termination of employment or engagement, and reviewing and making 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.

With effect from 19 January 2026, Mr. Wang Xu ceased to serve as a member of the Remuneration Committee due to adjustments in the Company’s governance arrangements. Up to the date of this report, the Remuneration Committee currently comprises three members of the Board, all of whom are independent non-executive Directors, namely Mr. Zhang Shiju (Chairman of Remuneration Committee), Ms. Li Yuedong and Mr. Wang Junren. One of independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

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.

CORPORATE GOVERNANCE REPORT

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, but are not limited to, reviewing the Board’s structure, size and composition (including skills, knowledge and experience), formulate relevant procedures for the nomination and appointment of directors, make recommendations to the Board on the appointment and succession planning of directors, and assess the independence of independent non-executive directors.

With effect from 12 August 2026, Mr. Wang Xu ceased to serve as the Chairman of both the Board and the Nomination Committee due to changes in his work arrangements. From that date until 2 September 2026, the positions of Chairman of the Board and Chairman of the Nomination Committee were temporarily vacant. During that period, as no new Chairman of the Board or Chairman of the Nomination Committee had been appointed, the Company was unable to comply with Rule 3.27A of the Listing Rules, which stipulates that an issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director. To comply with the requirements of the Listing Rules and maintain a high standard of corporate governance, the Board actively sought suitable candidates to fill the vacancies and made the appointments as soon as practicable. For details, please refer to the announcement published on 12 August 2026.

With effect from 3 September 2026, the Board appointed Mr. Zhu Hua, who is currently an executive Director of the Company, as the Chairman of both the Board and the Nomination Committee.

With the appointment of Mr. Zhu Hua as the Chairman of both the Board and the Nomination Committee, the Company has once again complied with Rule 3.27A of the Listing Rules with effect from 3 September 2026 and has restored compliance within three months after its failure to comply with Rule 3.27A, in compliance with Rule 3.27C of the Listing Rules. For details, please refer to the announcement published on 3 September 2026.

Save as disclosed above, up to the date of this report, the Nomination Committee currently comprises three members of the Board, one executive Director, namely Mr. Zhu Hua (Chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. Zhang Shiju and Ms. Li Yuedong. One of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

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.

CORPORATE GOVERNANCE REPORT

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

The changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- (1) Due to work reallocation, Mr. Yang Yangzhuang resigned as a non-executive Director and a member of each of the Audit Committee and the Strategic Investment Committee, with effect from 19 January 2026.
- (2) Mr. Liu Hui has been appointed as a non-executive Director and a member of each of the Audit Committee and the Strategic Investment Committee, with effect from 19 January 2026.
- (3) Due to adjustments in the Company's governance arrangements, Mr. Wang Xu ceased to serve as a member of the Remuneration Committee with effect from 19 January 2026, while his other positions with the Company remained unchanged.
- (4) Ms. Li Yuedong has been appointed as an independent non-executive director, the chairlady of the Audit and Risk Committee and the ESG and Sustainable Development Committee, and a member of the Remuneration and Appraisal Committee of Tianqi Lithium Corporation (listed on the Main Board of the Hong Kong Stock Exchange, stock code: 9696), with effect from 28 April 2026.
- (5) Due to changes in work arrangements, Mr. Wang Xu resigned as the Chairman of the Board, an executive Director, the Chairman of both the Nomination Committee and the Strategic Investment Committee, with effect from 12 August 2026.
- (6) Mr. Zhang Xiaodong has been appointed as an executive Director, the President and a member of the Strategic Investment Committee of the Board of the Company with effect from 3 September 2026.
- (7) Mr. Zhu Hua, currently an executive Director, has been appointed as the Chairman of the Board, the Chairman of both the Nomination Committee and the Strategic Investment Committee, with effect from 3 September 2026.
- (8) To coordinate the reallocation of responsibilities within the Company's management and to enable Mr. Zhu Hua to focus on his duties as the Chairman of the Board, he ceased to hold the office of President of the Company with effect from 3 September 2026, whilst continuing to serve as an Executive Director of the Company and in his relevant roles on the committees of the Board.

Save as disclosed above, 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 since the publication of the Company's latest annual report.

REPORT OF THE DIRECTORS

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

At 30 June 2026, 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 2026, 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 do not include the interests of the Directors and the Chief Executive of the Company disclosed above.

Name	Capacity/Nature of interest	Long/Short Position	Number of shares held				% of the issued share capital of the Company
			Shares Interest	Corporate interest	Trustee interest	Total	
Tricor Equity Trustee Limited	Trustee	Long	-	-	491,576,295	491,576,295 ⁽¹⁾	5.44%
Dongfang Electric International Investment Co., Limited	Beneficial owner	Long	5,290,494,251	-	-	5,290,494,251 ⁽²⁾	58.52%
Dongfang Electric Corporation	Interest of corporation controlled by you	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 knowledge of the Directors and the Chief Executive of the Company, as at 30 June 2026, 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 Share Option Scheme remained in force for a period of ten years from the date of adoption and expired on 20 January 2018. All share options granted under the Share Option Scheme have fully vested. Save as disclosed below, no options were granted or to be granted under the Share Option Scheme. As at 1 January 2026 and 30 June 2026, no options were available for grant under the scheme mandate. For the six months ended 30 June 2026, 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 as at 30 June 2026 are as follows:

Date of grant	Number granted (shares)	Exercise price per Share (HK\$)	Vesting period of share options	Valid period 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 2026 were as follows:

Name or category of participant	Outstanding as at 01/01/2026	Number of share options				Outstanding as at 30/06/2026	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 2026	Exercised during the six months ended 30 June 2026	Lapsed during the six months ended 30 June 2026	Cancelled during the six months ended 30 June 2026					
Employee	28,401,000	-	-	250,000	-	28,151,000	21/09/2016	21/09/2017-20/09/2026	0.44	0.435
Total	28,401,000	-	-	250,000	-	28,151,000				

REPORT OF THE DIRECTORS

(B) SHARE OPTION SCHEME OF 2017

The 2017 Share Option Scheme was adopted by the Shareholders at the annual general meeting held on 14 June 2017. As at 30 June 2026, 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 2026 and 30 June 2026, 513,742,090 and 513,742,090 options (each representing approximately 5.68% of the issued share capital of the Company as at 30 June 2026) 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 expired on 30 December 2021 after remaining in force for ten years from 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 2026 and a total of 36,917,700 Shares were granted to the Selected Participants, 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 2026).

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 6 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 2026 and 30 June 2026, 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 2026) 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 2026 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 purchased, sold or redeemed any of the Company’s listed securities during the reporting period.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events affecting the Company or any of its subsidiaries occurred from the end of the reporting period up to the date of publication of this interim report.

By the order of the Board

Honghua Group Limited

Chairman

Zhu Hua

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Notes	Unaudited Six months ended 30 June	
		2026 RMB'000	2025 RMB'000
Revenue	4	2,509,557	2,601,073
Cost of sales		(2,244,980)	(2,262,488)
Gross profit		264,577	338,585
Distribution costs		(74,077)	(74,582)
Administrative expenses		(136,529)	(143,047)
Research and development expenses		(77,692)	(76,745)
Net impairment reversal on financial assets and contract assets		9,010	8,836
Other income		30,670	21,386
Other gains or losses, net		(7,391)	6,878
Operating profit	5	8,568	81,311
Finance income		8,658	15,501
Finance expenses		(58,447)	(56,478)
Finance expenses – net		(49,789)	(40,977)
Share of results of an associate and a joint venture accounted for using the equity method		(2,927)	(2,790)
(Loss)/profit before income tax		(44,148)	37,544
Income tax credit/(expenses)	6	4,053	(997)
(Loss)/profit for the period		(40,095)	36,547
(Loss)/profit for the period attributable to:			
– Owners of the Company		(28,922)	37,095
– Non-controlling interests		(11,173)	(548)
		(40,095)	36,547
(Loss)/earnings per share attributable to the owners of the Company (expressed in RMB cents per share)			
Basic and diluted	7	(0.32)	0.41

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

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Unaudited Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
(Loss)/profit for the period	(40,095)	36,547
Other comprehensive income/(loss) for the period		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	66,219	19,596
Fair value gain/(loss) on hedging instruments designated as cash flow hedges	5,111	(721)
Income tax relating to items that will be reclassified subsequently to profit or loss	(767)	108
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	(159,548)	(64,679)
Change in the fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	(1,622)	–
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,090	–
Other comprehensive loss for the period, net of tax	(88,517)	(45,696)
Total comprehensive loss for the period	(128,612)	(9,149)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(117,439)	(8,601)
Non-controlling interests	(11,173)	(548)
	(128,612)	(9,149)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2026

	Notes	Unaudited 30 June 2026 RMB'000	Audited 31 December 2025 RMB'000
Non-current assets			
Property, plant and equipment	9	2,365,754	2,497,882
Right-of-use assets	10	532,985	586,440
Intangible assets	11	442,989	441,299
Investments accounted for using the equity method	12	27,357	44,401
Deferred tax assets		273,334	261,693
Financial assets at FVTOCI	19	–	95,329
Trade and other receivables	13	165,426	202,182
Contract assets		62,833	71,276
Other non-current assets		43,153	46,042
		3,913,831	4,246,544
Current assets			
Inventories		1,521,089	1,495,792
Contract costs		344,580	239,591
Contract assets		2,350,390	1,884,378
Trade and other receivables	13	3,456,803	3,635,164
Current tax recoverable		15,241	15,154
Financial assets at fair value through profit or loss	19	678	678
Financial assets at FVTOCI	19	26,955	37,027
Pledged bank deposits		46,180	45,175
Cash and cash equivalents		885,516	999,972
		8,647,432	8,352,931
Assets classified as held for sale		12,617	12,617
		8,660,049	8,365,548
Total assets		12,573,880	12,612,092

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2026

	Notes	Unaudited 30 June 2026 RMB'000	Audited 31 December 2025 RMB'000
EQUITY			
Share capital		823,804	823,804
Other reserves		4,615,462	4,713,629
Accumulated losses		(2,111,113)	(2,091,841)
Equity attributable to owners of the Company		3,328,153	3,445,592
Non-controlling interests		184,502	195,675
		3,512,655	3,641,267
Non-current liabilities			
Borrowings	14	3,005,975	2,193,522
Deferred income		22,700	13,121
Lease liabilities	10	145,897	175,425
		3,174,572	2,382,068
Current liabilities			
Contract liabilities		652,478	486,226
Trade and other payables	15	3,267,032	3,437,815
Income tax payable		10,920	30,951
Borrowings	14	1,850,608	2,492,155
Other financial liabilities	19	74	5,184
Provisions for other liabilities and charges	16	14,242	26,023
Deferred income		23,418	34,482
Lease liabilities	10	67,881	75,921
		5,886,653	6,588,757
Total liabilities		9,061,225	8,970,825
Total equity and liabilities		12,573,880	12,612,092

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	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 2026	823,804	4,076,012	35,782	506,613	453,639	(241,356)	7,557	(124,618)	(2,091,841)	3,445,592	195,675	3,641,267
Loss for the period	-	-	-	-	-	-	-	-	(28,922)	(28,922)	(11,173)	(40,095)
Other comprehensive (loss)/income for the period	-	-	-	-	-	(93,329)	4,812	-	-	(88,517)	-	(88,517)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(93,329)	4,812	-	(28,922)	(117,439)	(11,173)	(128,612)
Transactions with owners												
Disposal of financial assets at FVTOCI	-	-	-	-	-	-	(12,430)	-	12,430	-	-	-
Utilisation of surplus reserve	-	-	-	-	2,780	-	-	-	(2,780)	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	2,780	-	(12,430)	-	9,650	-	-	-
Balance at 30 June 2026	823,804	4,076,012	35,782	506,613	456,419	(334,685)	(61)	(124,618)	(2,111,113)	3,328,153	184,502	3,512,655
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
Profit/(loss) for the period	-	-	-	-	-	-	-	-	37,095	37,095	(548)	36,547
Other comprehensive loss for the period	-	-	-	-	-	(45,083)	(613)	-	-	(45,696)	-	(45,696)
Total comprehensive loss for the period	-	-	-	-	-	(45,083)	(613)	-	37,095	(8,601)	(548)	(9,149)
Transactions with owners												
Optional 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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Unaudited Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Operating activities		
Cash (used in)/generated from operations	(168,133)	127,925
Income tax paid	(26,309)	(34,252)
Net cash (used in)/generated from operating activities	(194,441)	93,673
Investing activities		
Payment for additions of property, plant and equipment, intangible assets and construction in progress	(50,937)	(71,015)
Proceeds on disposal of property, plant and equipment	1,845	83
Proceeds on disposal of financial assets at FVTOCI	83,773	–
Dividends received	–	1,035
Net cash generated from/(used in) investing activities	34,681	(69,897)
Financing activities		
Repayments of borrowings	(2,023,088)	(1,368,524)
Proceeds from borrowings	2,194,020	1,992,526
Payments of lease liabilities	(50,313)	(32,030)
Interest and charges paid	(55,580)	(52,854)
Net cash generated from financing activities	65,039	539,118
Net (decrease)/increase in cash and cash equivalents	(94,721)	562,894
Cash and cash equivalents at the beginning of the period	999,972	790,586
Effect of foreign exchange rate changes	(19,735)	3,009
Cash and cash equivalents at end of the period	885,516	1,356,489

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing of oil and gas exploration equipment, providing drilling services, fracturing and offshore engineering equipment manufacturing.

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 28 August 2026.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim financial reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2025 except as described below.

In the current period, the Group has adopted, for the first time, the amended IFRS Accounting Standards, which includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by IASB, that are effective for accounting periods beginning on 1 January 2026 and which are relevant to its operations. The amended IFRS Accounting Standards adopted by the Group in the interim condensed consolidated financial information are set out below:

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11

The adoption of the amended IFRS Accounting Standards had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

4 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.

Specifically, 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 2026

4 SEGMENT AND REVENUE INFORMATION (Continued)

(i) Description of segments (Continued)

The senior executive management 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 2026 and 2025 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	
	2026 RMB'000	2025 RMB'000	2026 RMB'000	2025 RMB'000	2026 RMB'000	2025 RMB'000	2026 RMB'000	2025 RMB'000	2026 RMB'000	2025 RMB'000	2026 RMB'000	2025 RMB'000
Revenue from external customers	1,156,720	801,453	441,390	574,751	131,794	174,505	203,038	433,421	576,615	616,943	2,509,557	2,601,073
Timing of revenue recognition												
At a point in time	269,260	97,143	411,798	549,960	-	-	9,384	5,859	35,283	185,446	725,725	838,408
Over time	887,460	704,310	165	-	131,794	174,505	193,654	427,562	541,332	431,497	1,754,405	1,737,874
Lease income	-	-	29,427	24,791	-	-	-	-	-	-	29,427	24,791
Reportable segment (loss)/profit	(8,466)	44,758	11,113	32,987	25,764	11,598	(29,967)	(31,913)	6,962	10,506	5,406	67,936

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

4 SEGMENT AND REVENUE INFORMATION (Continued)

(ii) Segment information (Continued)

Given the manufacturing processes of the Group's businesses 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 2026, such information was not reviewed by the Group's CODM. Accordingly, no segment assets and liabilities are presented.

During the current interim period, the CODM began assessing the performance of the Group's operating segments based on revised segment information that focuses on revenue from external customers and excludes inter-segment revenue. Accordingly, inter-segment revenue is no longer included in the segment revenue measure regularly reviewed by the CODM. This change reflects management's revised internal reporting approach, under which the CODM focuses on revenue from external customers when evaluating segment performance and allocating resources. This represents a change in the presentation of segment revenue only, rather than a change in the composition of the Group's operating or reportable segments.

As inter-segment revenue is no longer included in the segment revenue measure regularly provided to the CODM, it is not separately disclosed in the segment information for the current interim period. Comparative segment revenue information for the six months ended 30 June 2025 has been re-presented on the same basis to enhance comparability with the current interim period.

A reconciliation of segment profit to (loss)/profit before income tax is provided as follows:

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Segment profit		
Segment profit derived from Group's external customers	5,406	67,936
Share of results of an associate and a joint venture	(2,927)	(2,790)
Other income	30,670	21,386
Other gains or losses, net	(7,391)	6,878
Finance income	8,658	15,501
Finance expenses	(58,447)	(56,478)
Unallocated head office and corporate expenses	(20,117)	(14,889)
(Loss)/profit before income tax	(44,148)	37,544

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

4 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	
	2026 RMB'000	2025 RMB'000
Middle East	1,312,397	1,029,806
Including: United Arab Emirates	758,349	721,801
Oman	440,538	73,930
Iraq	81,886	153,323
Saudi Arabia	19,046	31,994
Kuwait	11,403	47,722
The PRC (country of domicile)	810,351	1,295,528
Europe	206,657	191,541
South Asia and South East Asia	104,507	25,277
Americas	57,984	42,140
Africa	17,661	16,781
Including: Egypt	10,427	3,864
Algeria	7,234	12,870
	2,509,557	2,601,073

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

	30 June 2026 RMB'000	31 December 2025 RMB'000
The PRC (country of domicile)	2,969,209	3,139,115
Middle East	476,963	501,971
Including: Iraq	450,238	472,815
Africa	22,396	37,757
Americas	5,932	6,806
Europe	571	1,691
	3,475,071	3,687,340

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

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

The following table sets out the external customers of the corresponding periods contributing over 10% of the total revenue of the Group:

	30 June 2026 RMB'000	30 June 2025 RMB'000
Customer A ¹	605,598	569,620
Customer B ¹	343,901	N/A ²
	949,499	569,620

1 Revenue from "Land drilling rigs" and "Parts and components and others".

2 The corresponding revenue did not contribute over 10% of the revenue of the Group.

5 OPERATING PROFIT

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

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Write down of inventories	8,003	27,508
Reversal of impairment of financial assets	(12,104)	(8,351)
Provision for/(reversal of) impairment of contract assets	3,094	(485)
Provision for impairment of property, plant and equipment	6,941	—
Gains on disposal of property, plant and equipment and other intangible assets	(262)	(6,669)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

6 INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Current income tax		
– Hong Kong (i)	–	–
– The PRC (ii)	637	1,265
– Other jurisdictions (iii)	5,553	7,500
Deferred tax	(10,243)	(7,768)
	(4,053)	997

(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 2026 and 2025.

(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 2026 and 2025, 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)") and Han Zheng Testing Technology Co., Ltd. ("Han Zheng Testing")*

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 2026 and 2025.

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

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 and Sichuan Oil & Gas Services 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

6 INCOME TAX (CREDIT)/EXPENSE *(Continued)***(iii) Others jurisdictions**

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 Company's directors revisited the dividend policy of the Group during the six months ended 30 June 2026 and 2025. 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.

7 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2026	2025
(Loss)/profit for the period attributable to owners of the Company (RMB'000)	(28,922)	37,095
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 (loss)/earnings per share (RMB cents per share)	(0.32)	0.41

For the six months ended 30 June 2026, the effect of the exercise of outstanding share options was anti-dilutive and diluted loss per share during the period is therefore equal to basic loss per share. For the six months ended 30 June 2025, the computation of diluted earnings per share does not assume the exercise of the outstanding share options as the exercise prices of those options are higher than the average market price of the ordinary shares during the period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

8 DIVIDENDS

No dividend was approved or paid in respect of the previous financial years during the six months ended 30 June 2026 (six months ended 30 June 2025: 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 2026 (six months ended 30 June 2025: not recommend).

9 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 1 January 2026						
Cost	1,720,420	1,938,984	743,202	60,880	139,054	4,602,540
Accumulated depreciation and impairment	(690,315)	(766,840)	(587,043)	(24,410)	(36,050)	(2,104,658)
Net book amount	1,030,105	1,172,144	156,159	36,470	103,004	2,497,882
Six months ended 30 June 2026						
Opening net book amount	1,030,105	1,172,144	156,159	36,470	103,004	2,497,882
Additions	317	23,441	6,458	608	6,386	37,210
Transfer from construction in progress	2,317	1,399	686	–	(4,402)	–
Transfer from inventories	–	6,904	–	–	–	6,904
Transfer to right-of-use assets	–	–	–	–	(8,745)	(8,745)
Transfer to inventories	–	(18,356)	–	–	–	(18,356)
Disposals	(27)	(1,843)	(831)	(34)	–	(2,735)
Depreciation charges	(51,126)	(55,993)	(16,533)	(1,102)	–	(124,754)
Impairment provision	–	(6,941)	–	–	–	(6,941)
Currency translation difference	(73)	(12,530)	(2,096)	(12)	–	(14,711)
Closing net amount	981,513	1,108,225	143,843	35,930	96,243	2,365,754
At 30 June 2026						
Cost	1,721,294	1,879,060	733,105	60,370	132,293	4,526,122
Accumulated depreciation and impairment	(739,781)	(770,835)	(589,262)	(24,440)	(36,050)	(2,160,368)
Net book amount	981,513	1,108,225	143,843	35,930	96,243	2,365,754

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

10 LEASES

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

(i) Amounts recognised in the interim condensed consolidated statement of financial position

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

	30 June 2026 RMB'000	31 December 2025 RMB'000
Right-of-use assets		
Lease prepayments for land use rights	278,603	273,594
Buildings and equipment	254,382	312,846
	532,985	586,440
Lease liabilities		
Current	67,881	75,921
Non-current	145,897	175,425
	213,778	251,346

Additions to the right-of-use assets during the six months ended 30 June 2026 was approximately RMB12,288,000 (six months ended 30 June 2025: RMB40,808,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

10 LEASES (Continued)

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

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

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Depreciation charge of right-of-use assets		
Lease prepayments for land use rights	4,273	4,489
Buildings and equipment	51,878	18,244
Interest expense (included in finance expenses)	4,921	1,774
Expense (included in cost of sales and distribution costs) relating to:		
– Short-term leases	51,174	100,227
– Variable lease payment (not included in short-term leases)	10,160	18,224

The total cash outflow for leases during the six months ended 30 June 2026 was approximately RMB137,476,000 (six months ended 30 June 2025: RMB149,051,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

11 INTANGIBLE ASSETS

	Technical know-how RMB'000	Development cost and others RMB'000	Total RMB'000
At 1 January 2026			
Cost	348,839	676,583	1,025,422
Accumulated amortisation and impairment	(348,839)	(235,284)	(584,123)
Net book amount	–	441,299	441,299
Six months ended 30 June 2026			
Opening net book amount	–	441,299	441,299
Additions	–	30,063	30,063
Disposals	–	(84)	(84)
Amortisation	–	(28,354)	(28,354)
Currency translation difference	–	65	65
Closing net book amount	–	442,989	442,989
At 30 June 2026			
Cost	364,819	676,586	1,041,405
Accumulated amortisation and impairment	(364,819)	(233,597)	(598,416)
Net book amount	–	442,989	442,989

During the six months ended 30 June 2026, the Group capitalised development cost amounted to approximately RMB36,417,000 (six months ended 30 June 2025: RMB36,551,000).

12 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 2026:

	30 June 2026 RMB'000	31 December 2025 RMB'000
Initial cost of investments accounted for using the equity method	151,508	151,508
Share of post-acquisition profits and other comprehensive income, net of dividends received	(124,151)	(107,107)
	27,357	44,401

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

13 TRADE AND OTHER RECEIVABLES

	30 June 2026 RMB'000	31 December 2025 RMB'000
Trade receivables (i)	2,042,956	2,305,411
Bills receivables	199,336	91,439
Less: provision for impairment of trade receivables and bills receivables	(255,307)	(270,889)
	1,986,985	2,125,961
Amounts due from related parties		
Trade	173,692	179,911
Non-trade	211,901	216,385
Less: provision for impairment for amounts due from related parties	(142,382)	(143,520)
	243,211	252,776
Finance lease receivables	148,130	158,966
Less: provision for impairment of finance lease receivables	(50,310)	(52,860)
Value-added tax recoverable	253,840	275,980
Prepayments to related parties	225,118	211,700
Prepayments to non-related parties	661,260	727,480
Less: provision for impairment of prepayments	(13,863)	(13,868)
Other receivables	292,283	277,573
Less: provision for impairment of other receivables	(124,425)	(126,362)
	3,622,229	3,837,346
Representing by:		
Current portion	3,456,803	3,635,164
Non-current portion	165,426	202,182
	3,622,229	3,837,346

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

13 TRADE AND OTHER RECEIVABLES *(Continued)*

- (i) As at 30 June 2026 and 31 December 2025, the ageing 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 2026 RMB'000	31 December 2025 RMB'000
Within 1 year	1,825,980	1,969,912
Over 1 year	325,746	327,611
	2,151,726	2,297,523

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

14 BORROWINGS

	30 June 2026 RMB'000	31 December 2025 RMB'000
Bank loans		
Unsecured		
– Current portion	718,477	1,208,112
– Non-current portion	2,577,520	1,237,870
	3,295,997	2,445,982
Unsecured loan from related party (i)		
– Current portion	1,097,000	1,248,760
– Non-current portion	382,400	892,500
	1,479,400	2,141,260
Other borrowing (ii)		
– Current portion	35,131	35,283
– Non-current portion	46,055	63,152
	81,186	98,435
Total borrowings	4,856,583	4,685,677
Analysed as:		
– Current portion	1,850,608	2,492,155
– Non-current portion	3,005,975	2,193,522

- (i) On 3 March 2023, Honghua (China) Investment Co., Ltd. (“Honghua China”), a subsidiary of the Company, obtained a syndicated bank facility from Dongfang Electric Finance Co., Ltd (東方電氣集團財務有限公司, “Dongfang Electric Finance”), Sichuan Bank Co., Ltd (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, totalling to RMB1,470,000,000. The facility was guaranteed by the Company and Honghua Holdings Limited, 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

14 BORROWINGS (Continued)

(i) (Continued)

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%.

On 10 December 2024, the Group entered into a Financial Services Framework Agreement with Dongfang Electric Finance, effective from 1 January 2025 to 31 December 2027. Under the agreement, Dongfang Electric Finance provides deposit, lending and settlement services on commercial terms.

Borrower	Drawdown Date	Repayment Date	Interest Rate %	As at 31 December 2025 RMB'000	Drawdowns in the Period RMB'000	Repayments in the Period RMB'000	As at 30 June 2026 RMB'000
Honghua China	13/3/2023	6/3/2026	2.45%	464,860	-	464,860	-
	22/1/2026	22/1/2029	2.34%	-	139,400	-	139,400
Honghua Company	14/6/2024	14/6/2027	1.00%	150,000	-	-	150,000
	6/3/2025	6/3/2026	2.30%	94,900	-	94,900	-
	28/5/2025	21/5/2028	2.38%	79,000	-	1,000	78,000
	29/8/2025	21/8/2027	2.32%	90,000	-	1,000	89,000
	29/8/2025	29/8/2026	2.28%	100,000	-	-	100,000
	2/9/2025	2/9/2028	1.50%	80,000	-	-	80,000
	31/10/2025	31/10/2026	2.28%	54,000	-	-	54,000
	28/11/2025	28/11/2026	2.28%	70,000	-	-	70,000
	22/12/2025	21/12/2027	2.32%	200,000	-	200,000	-
	22/12/2025	22/12/2026	2.28%	296,000	-	-	296,000
	23/12/2025	21/12/2028	2.34%	317,500	-	317,500	-
	10/2/2026	10/2/2027	2.28%	-	42,000	-	42,000
	18/3/2026	17/3/2027	2.11%	-	32,000	-	32,000
	30/3/2026	30/3/2027	2.11%	-	18,000	-	18,000
	29/4/2026	29/4/2027	2.11%	-	40,000	-	40,000
	8/5/2026	29/4/2027	2.11%	-	7,113	-	7,113
	14/5/2026	29/4/2027	2.11%	-	43,553	-	43,553
	21/5/2026	29/4/2027	2.11%	-	9,334	-	9,334
	30/6/2026	29/6/2027	2.11%	-	22,000	-	22,000

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

14 BORROWINGS (Continued)

(i) (Continued)

Borrower	Drawdown Date	Repayment Date	Interest Rate %	As at 31 December 2025 RMB'000	Drawdowns in the Period RMB'000	Repayments in the Period RMB'000	As at 30 June 2026 RMB'000
Honghua (Jiangsu)	24/7/2025	24/7/2026	2.28%	40,000	–	–	40,000
	16/9/2025	16/9/2026	2.28%	20,000	–	–	20,000
	27/12/2025	27/12/2026	2.28%	20,000	–	–	20,000
	22/12/2025	22/12/2026	2.28%	30,000	–	30,000	–
	10/2/2026	10/2/2027	2.28%	–	10,000	–	10,000
	16/6/2026	16/6/2027	2.11%	–	20,000	–	20,000
	16/6/2026	16/6/2027	2.11%	–	15,000	–	15,000
Honghua Electric	10/7/2025	10/7/2026	2.28%	15,000	–	–	15,000
	19/8/2025	19/8/2026	2.11%	20,000	–	–	20,000
	12/5/2026	12/5/2027	2.11%	–	49,000	–	49,000
				2,141,260	447,400	1,109,260	1,479,400

- (ii) The amount of approximately RMB81,186,000 as at 30 June 2026 (31 December 2025: RMB98,435,000) 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.

As at 30 June 2026, the Group's total borrowings amounted to approximately RMB4,856,583,000 (31 December 2025: RMB4,685,677,000), all of which were denominated in RMB. Of these, fixed-rate borrowings amounted to approximately RMB1,560,900,000 (31 December 2025: RMB2,564,700,000), with annual interest rates ranging from 1.00% to 2.40% (31 December 2025: 1.00% to 2.80%); floating-rate borrowings amounted to approximately RMB3,295,683,000 (31 December 2025: RMB2,120,977,000), which are priced by reference to the Loan Prime Rate ("LPR") published by the People's Bank of China, with interest calculated at agreed margins.

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

	30 June 2026 RMB'000	31 December 2025 RMB'000
Expiring within one year	4,817,000	3,960,000

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

15 TRADE AND OTHER PAYABLES

	30 June 2026 RMB'000	31 December 2025 RMB'000
Trade payables	2,516,173	2,573,298
Amounts due to related parties		
Trade	275,340	494,115
Non-trade	4,262	4,274
Bills payable	163,322	159,510
Other payables	307,935	206,618
	3,267,032	3,437,815
Representing:		
Current portion	3,267,032	3,437,815

As at 30 June 2026 and 31 December 2025, 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 2026 RMB'000	31 December 2025 RMB'000
Within 1 year	2,605,809	2,803,975
Over 1 year	349,026	422,948
	2,954,835	3,226,923

16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	RMB'000
At 1 January 2026	26,023
Provisions during the period	377
Utilised during the period	(12,158)
At 30 June 2026	14,242

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

17 EQUITY SECURITIES ISSUED

No security was issued by the Group during the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

18 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 2026 and 2025, and balances arising from related party transactions as at 30 June 2026 and 31 December 2025.

(a) Related parties relationship

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 2026

18 RELATED-PARTY TRANSACTIONS (Continued)

(a) Related parties relationship (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
Dongfang Electric (Chengdu) Hydrogen Energy Technology Co., Ltd. 東方電氣(成都)氫能科技有限公司 ("Dongfang Hydrogen (Chengdu)")	Subsidiary of DEC

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

18 RELATED-PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Purchases of parts and components		
– Sichuan Property	40,520	321,827
– DEDTC	4,249	645
– Electric Control	21	1,166
– Dongfang Electric (Indonesia)	–	4,432
– Dajian Logistics	–	2,636
– Wind Power	–	1,743
– Other related companies	–	39
	44,790	332,488
Sales of drilling rigs, parts and components and others		
– Dongfang Electric Machine	51,237	45,340
– Deyang Electric Auto Technology	13,959	8,224
– Dongfang Furnace	9,001	22,448
– Dongfang Turbine	5,965	16,977
– Dongfang Electric Hydrogen Energy Technology	3,938	–
– Auto Control Engineering	2,804	2,618
– Dongfang Electric (Indonesia)	2,267	–
– HH Egyptian Company	1,393	–
– Sichuan Property	26	1,439
– Science Technology Research	–	19,005
– Lingri Boiler	–	8,310
– Dongfang KWH	–	4,328
– Dongfang Innovation (Chengdu)	–	1,327
– Other related companies	32	531
	90,622	130,547
Service income		
– Dongfang Turbine	26,323	3,920
– Dongfang Furnace	3,890	3,255
– GZ Heavy Machine	1,649	1,723
– Dongfang Electric Machine	1,152	644
– HH Egyptian Company	831	177
– Deyang Electric Auto Technology	317	491
– Auto Control Engineering	–	283
– Other related companies	676	5
	34,838	10,498

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

18 RELATED-PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Service provided		
– Dajian Logistics	23,156	893
– Other related companies	150	–
	23,306	893
Short-term lease expenses		
– Honghua (Shenzhen) (i)	9,236	22,346
– Dajian Logistics	53	36
– Dongfang Turbine	–	60
	9,289	22,442
Interest on lease liabilities paid to related companies (ii)		
– Honghua (Shenzhen)	1,314	1,300
– Dajian Logistics	15	–
– Dongfang Furnace	37	–
	1,366	1,300
Payment of lease liabilities in relation to leases with related parties		
– Honghua (Shenzhen)	21,824	24,661
– Dajian Logistics	603	–
– Dongfang Furnace	262	–
	22,689	24,661

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

18 RELATED-PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

- (i) According to the tripartite agreements signed by the Group, Honghua (Shenzhen) and third party leasing companies, for the year ended 31 December 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 2026, the total operating lease expense incurred and charged to the profit or loss from the above mentioned lease agreements was approximately RMB7,808,000 (six months ended 30 June 2025: RMB22,346,000).

- (ii) 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 2026, the Group recognised right-of-use assets and lease liabilities in connection with the Lease Arrangements of approximately RMB101,574,000 (as at 31 December 2025: RMB93,597,000) and RMB53,172,000 (as at 31 December 2025: RMB59,065,000), respectively.

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Receipts of loans from related parties – Dongfang Electric Finance	447,400	404,900
Repayments of loans from related parties – Dongfang Electric Finance	1,109,260	50,000
Interest expense		
– Dongfang Electric Finance	17,013	14,129
– Honghua (Shenzhen)	1,314	–
– Dongfang Furnace	37	–
– Dajian Logistics	15	–
	18,379	14,129
Interest income		
– Dongfang Electric Finance	589	38

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

18 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Cash and cash equivalents

	30 June 2026 RMB'000	31 December 2025 RMB'000
– Dongfang Electric Finance	764,051	532,989

(d) Amounts due from related parties

	30 June 2026 RMB'000	31 December 2025 RMB'000
Trade		
– Honghua (Shenzhen)	223,916	210,458
– Dongfang Electric Machine	49,533	43,432
– HH Egyptian Company	42,233	45,038
– Other related companies	74,177	84,334
	389,859	383,262
Non-trade		
– Honghua (Shenzhen)	64,725	65,042
– HH Egyptian Company	11,526	14,198
– Other related companies	2,219	1,974
	78,470	81,214

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

The balance of the provision for impairment of the amounts due from related parties was approximately RMB142,382,000 (as at 31 December 2025: RMB143,520,000).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

18 RELATED-PARTY TRANSACTIONS (Continued)

(e) Amounts due to related parties

	30 June 2026 RMB'000	31 December 2025 RMB'000
Trade		
– Sichuan Property	163,245	394,477
– Dajian Logistics	52,294	29,480
– Honghua (Shenzhen)	38,695	41,444
– HH Egyptian Company	1,946	2,221
– Other related companies	32,722	35,906
	288,902	503,528
Non-trade		
– Dongfang Electric Finance	1,479,400	2,141,260
– HH Egyptian Company	1,411	1,456
– Other related companies	2,851	2,818
	1,483,662	2,145,534

(f) Key management compensation

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Basic salaries, allowances and other benefits in kind	8,587	2,416
Contributions to defined contribution retirement schemes	180	355
	8,767	2,771

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

19 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 2026 and 31 December 2025 on a recurring basis:

At 30 June 2026

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Bill receivables at FVTOCI	–	–	26,955	26,955
Financial assets at FVTPL				
– Investment in unlisted companies	–	–	678	678
Derivative financial liabilities				
– Foreign currency forward contracts	–	(74)	–	(74)

At 31 December 2025

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	95,329	95,329
– Bill receivables at FVTOCI	–	–	37,027	37,027
	–	–	132,356	132,356
Financial assets at FVTPL				
– Investment in unlisted companies	–	–	678	678
Derivative financial liabilities				
– Foreign currency forward contracts	–	(5,184)	–	(5,184)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

19 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 2026 and 2025. There were no other changes in valuation techniques for the six months ended 30 June 2026 and 2025.

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.

(ii) 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.
- 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 2026

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

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

	Investment in unlisted companies RMB'000	Bill receivables at FVTOCI RMB'000	Total RMB'000
Opening balance 1 January 2026	96,007	37,027	133,034
Acquisitions	–	50,298	50,298
Fair value change	(1,622)	–	(1,622)
Disposals	(93,707)	(60,370)	(154,077)
Closing balance 30 June 2026	678	26,955	27,633

(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
Foreign currency forward contracts	Discounted cash flow method	Discount rate	Negative

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

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

(iii) Fair value measurements using significant unobservable inputs (level 3) *(Continued)*

(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.

(iv) 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.

20 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2026

21 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 2026 RMB'000	31 December 2025 RMB'000
Contracted for	58,123	39,603

22 EVENTS OCCURRING AFTER REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2026 and up to the date of approval of these condensed consolidated financial statements.

