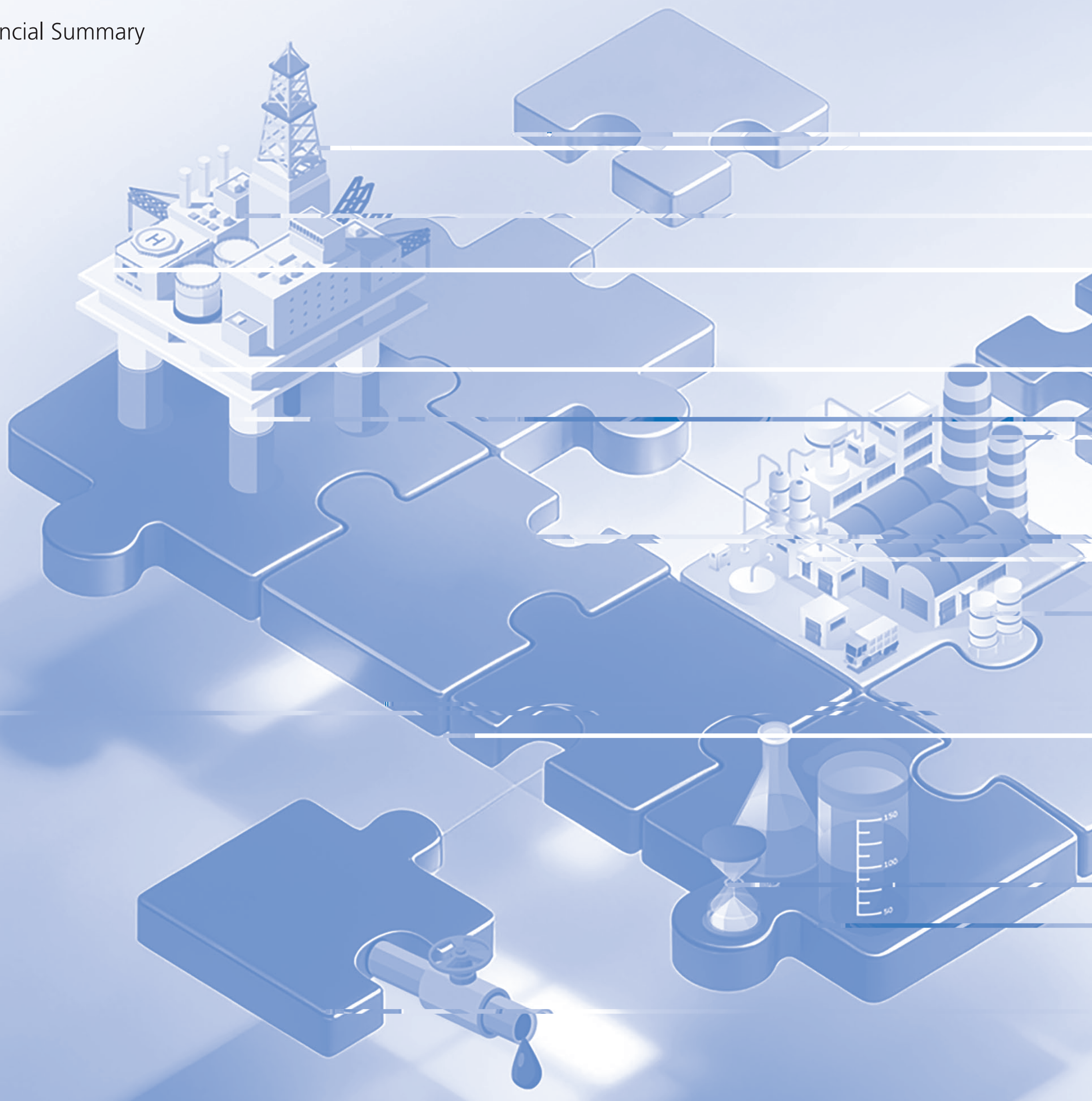
CONTENTS



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Hilong Holding Limited ("**Hilong**", "**we**", "**us**", "**our**" or the "**Company**"), I hereby present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2025 (the "**reporting period**") to our shareholders.

RESULTS

In 2025, the Group constantly introduced high-end products with new technologies, optimized its production processes and market layout and introduced digital production system. The Group adopted a scientific management approach and enhanced the efficiency of its cash flow management. As it intensified its market development efforts, the Group also placed strong emphasis on scientific development and technological innovation, prioritized international expansion, and enhanced its internal control system. These efforts are driving the Group toward becoming an intelligence-empowered high-tech enterprise with a focus on asset-light, digital and high-tech intelligent operations. The digital and intelligent transformation of Hilong has achieved remarkable results, further empowering the development and growth of its products and businesses. With stable workloads across its business units, the Group achieved breakthroughs with high-end customers in both mature and emerging markets across its three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services, laying a solid foundation for its long-term development. Throughout 2025, Hilong maintained its stable and efficient scientific operations and adhered to the strategy of scientific and technological innovation, intelligent and high-quality development, which has achieved good results in key countries and regions such as the United States, Canada and the Middle East. The Group implemented active financial measures, such as strengthening its accounts receivable management and inventory management, enhancing the overall operating efficiency and securing relatively stable revenue. Overall performance recorded a slight increase as compared with the same period last year. During the reporting period, Hilong recorded a total revenue of RMB4,875.2 million, representing a slight increase of 4.4% compared with 2024.

YEAR UNDER REVIEW

During the reporting period, the revenue of the oilfield equipment manufacturing and services segment was RMB1,325.1 million, representing a decrease of 37.6% compared with 2024. In 2025, the oilfield equipment manufacturing and services segment has made significant business breakthroughs in markets such as the United States, Canada, the Middle East, and Southeast Asia, achieving outstanding results in the Americas. The American market achieved strong growth in drilling tool sales revenue throughout the year. Despite the significant tariff increases in the United States and the fluctuating tariff policies in Canada, Hilong adopted proactive planning and inventory arrangements, and increased the sales of drill pipes with special buckles, resulting in excellent sales performance, which provided strong support and contribution to the achievement of the oilfield equipment segment's 2025 operating results. Order realization for key customers was exceptionally good. Following the comprehensive promotion of special buckles in Canada and the United States in 2024, 2025 witnessed a significant surge in drilling tool sales. Hardbanding drill pipes achieved sales, and thickened drill pipes received positive feedback. A customer in the United States planned to trial 200 units of helical hardbanding drill pipes, such that we successfully entered the door of the largest drilling company in the United States, securing substantial orders. Hilong launched high-tech drill tools such as the high-tech sulfur-resistant drill pipe series and drill pipes with radio frequency identification tags, Hilong special buckles, high strength U165 drill pipes designated for 10,000-meter ultra-deep wells, super high-torque drill pipes designated for extended-reach horizontal wells and anti-wear drill pipes. By continuously enhancing the quality of its products and services, Hilong has achieved product performance and service standards that meet or exceed those of its international competitors. Hilong has once again secured important orders from major clients such as Ensign and Precision Drilling, and has become a primary drilling tool supplier to high-end customers such as PD and SAVANA. Hilong's sulfur-resistant drilling tools with special buckles enabled Hilong to remain ahead of the competition in the market, marking a key milestone resulting from its advanced layout and planning in the North American market. This demonstrated that the comprehensive capability of the Group's high-tech and high-end drilling tools is gaining recognition from international high-end customers. Significant breakthroughs were also made in the Middle East market, where Hilong secured more long-term contracts with major customers such as ADNOC Drilling. Hilong also achieved business breakthroughs and entered the Thailand market, laying a solid foundation for further expansion into the Southeast Asia market. The promotion of radio frequency identification tags also resulted in secured orders. Hilong's V150 products also secured drilling tool orders. During the reporting period, Hilong signed a series of contracts with major and high-end customers across key regions worldwide for the supply of drilling tools and bottomhole assemblies. In the domestic market, Hilong also received projects and orders from both important domestic and international partners. Through deep cultivation of drilling rig supporting services and overseas drilling projects for large state-owned enterprises, Hilong achieved commendable sales performance despite the overall market downturn. Hilong strengthened the exchange of scientific research achievements, and developed a research team with extensive experience in product technical services and system management, demonstrating Hilong's strategic commitment of continuously developing new products and expanding into new markets through technological innovation. Starting from March 2025, petroleum drill pipes have obtained approval from customs and relevant government departments, allowing products such as drill pipes and heavy-weight drill pipes to enjoy export tax exemptions, deductions, and refunds, which has significantly boosted Hilong's profits.

In 2025, the oilfield services segment recorded a total revenue of RMB2,090.3 million, representing an increase of 32.3% compared with 2024. Hilong's oilfield services segment seized the business opportunity to vigorously develop oilfield management and address market demand for increasing production, which was highly conducive to its development. The Oilfield Service Division adopted multiple approaches focused on transitioning toward a "light-asset and technology-driven" operational model, and the Company actively pursued turnkey drilling projects to develop high-tech integrated turnkey business. Hilong's turnkey business capabilities have reached a new level. Hilong closely monitored the dynamic information regarding the transfer of important overseas oil and gas fields and asset mergers and acquisitions, seeking suitable ways to participate. Key countries and projects included projects such as production enhancement in Ecuadorian oil fields, and partnerships for oil fields in Kazakhstan. Hilong interacted with local partners to explore cooperation opportunities in oil field development projects in Libya, cooperated with local companies in Iraq on the Daimah block management project, collaborated with local partners in Brazil on production enhancement and development across 11 blocks, and pursued cooperative development with Nigeria's Globe Energy on two onshore blocks and one offshore block. Clients from Brazil and Oman observed the digital and intelligent oilfield management and on-site automated workover rig operations, and exchanged views on new technologies such as workover operations. Hilong developed an electronic fencing project in Brazil, planning to pilot it based on pump data collection. Hilong adhered to market-oriented and technology-driven strategies, and established a "One Body, Two Wings" business development model. Alongside rapid growth, the safety management capabilities of the drilling fleet were also significantly enhanced. In terms of technical business, Hilong completed a number of applications involving oilfield sludge treatment and pipeline gathering and transportation viscosity reduction technology. Hilong systematically integrated various businesses of drilling and workover services, technical services, and trading services. Apart from conventional well drilling and workover services, the Company also actively promoted other technical service projects and constantly explored new business areas to drive revenue growth for the Group. The Group maintained steady progress in the fields of environmental protection technologies and services, including drilling and workover mud solutions (such as oil-based mud alternative solutions and high-performance water-based mud solutions), rock fragment processing, and well site restoration, coiled tubing operations, production enhancement technologies based on nanofluid flooding, refined managed pressure drilling ("**MPD**") techniques, RSS directional and horizontal well drilling, and other comprehensive technical services. Hilong further diversified its technical service businesses, covering well completion and production enhancement, drilling speed and efficiency improvement, oilfield environmental protection, rotary steering technology, and the establishment of maintenance bases. In terms of oilfield trading, the trading service business of this segment also improved significantly compared with 2024 and achieved new breakthroughs in the tubing and casing trading business.

In 2025, the offshore engineering services segment recorded a total revenue of RMB1,459.8 million, representing a 51.5% increase from 2024. Hilong Offshore Engineering made remarkable progress in infrastructure management, operational capability and business development, laying a solid foundation for its strategic direction toward a light-asset model with integrated turnkey capabilities. Construction projects at the company-level progressed smoothly, with 8 projects completed, some of which were finished ahead of schedule: for instance, the offshore installation work for the T&I Phase II project was completed one month ahead of plan; the Congo modification project completed its modifications 2 days ahead of the planned shutdown schedule. Project quality management improved by 26% compared to last year; the average welding pass rate and average NDT pass rate exceeded both company and project requirements. Project deliveries were highly praised by the project owners. For example, the Congo WHP4 modification project received an incentive bonus from the project owner, and the Huisheng project received a project award. The safety management of the Congo Phase II project and the Chevron project received written commendations and medals from the project owners. Thorough early-stage preparations ensured smooth project execution. The Company's execution capabilities have been highly recognized by the project owners, who entrusted us with additional projects such as platform renovation. Hilong Offshore Engineering also secured new high-end projects in Southeast Asia and other regions, with continued improvement in its project management capabilities. Projects in key regions such as Africa have been completed. Project deliveries were highly praised by the project owners. Project economic benefits have met or exceeded expectations. Adhering to a professional and youth-oriented talent strategy, the Company introduced high-level and high-quality personnel into core positions, while supplementing junior positions with high-tech talent, resulting in the completion of over 20 scientific research projects. Hilong Offshore Engineering has made significant steps toward becoming a specialized offshore engineering company with integrated EPCIC turnkey capabilities, establishing comprehensive business capacity across the entire industry chain. The digital intelligent system integrated with the Group has been in operation and the Intelligent Control Technology Center had record-high number of projects, which effectively supported both market development and project execution. In 2025, the Company successfully applied for recognition as a "Highly Specialized and Innovative" Small and Medium-sized Enterprise and a Comprehensive Service Provider for Digital Transformation, obtained Level 3 qualification for Digital Transformation and won the Second Prize of the 2025 Machinery Industry Science and Technology Award. The Company also applied for low-interest loans as a nationally recognized High-Tech Enterprise and filed for government subsidies, effectively alleviating the Company's financial pressure. The Company was certified as a high-tech technology enterprises, obtained the Level 1 qualification for Electronic and Intelligent Engineering and the Level 2 qualification for General Mechanical and Electrical Contracting, and completed the upgrade of its CMMI Level 5 certificate in the United States.

OUTLOOK

Looking forward to 2026, the Group will adhere to its high-tech development strategy, and will continue to develop new high-end customers in the United States, Middle East, Southeast Asia, South America and other countries and

In terms of the international drill pipe market, the Company will continue to promote high value-added products of drilling tools which meet the differentiated needs of high-end customers, pursuing deeper integration of market development with product development more deeply, introduce more versatile talents and professional talents, and conduct focused product development and research on HL120SS and HL145MS high strength sulfur-resistant service drill pipe products. We will further explore the high-end demand in the Middle East, the United States and Canada, and further enhance the market reputation of Hilong drilling tools. We will intensify the promotion of large-scale, thick-walled HLU165 ultra high strength special drill pipes, high pressure-resistant special buckle for offshore riser, HLNST special buckles, HL130S and HL135MS high strength sulfur-resistant drill pipes, drill pipes with eco-friendly screws, hardbanding drill pipes, special alloy drill pipes and drill pipes with radio frequency identification tags aiming to secure high-end orders, while strengthening the promotion of intelligent drill pipes and establishing presence in major markets. We will also strengthen the research and development and promotion of the automatic transformation of production line, digitalization of production management system, drill pipe heat treatment technology, thickening and identification inspection technology, and other related products. In the domestic drill pipe market, Hilong will actively pursue existing business opportunities and vigorously develop differentiated markets to provide customers with high-end drilling tool products that meet their differentiated needs.

Regarding the oil services business, we will stabilize the existing drilling and workover rig equipment business, maintain a relatively high level of utilization rate of our drilling rigs, adjust the business layout in a timely manner, and ensure effective equipment management and operational safety, and continue to expand our turnkey drilling technical team to attain upstream level in the industry as soon as possible. We will fully leverage our existing business platform to continue developing trading, oilfield environmental protection and other related businesses to generate profits; and leverage our market development and management capabilities to strive to identify social resources, reduce business risks, expand scale, and create value. The Company will make every effort to improve its technical ability and scientific research level and build the core competitiveness of Hilong's oil service business. We will seek sales opportunities for existing drilling rigs, align with customer needs for new and existing drilling rig replacement, introduce new drilling rigs, and optimize the age profile of our rig fleet to enhance market competitiveness and overall efficiency. We will shorten the drilling and well completion cycle, so as to achieve a relatively high profit level. The Company will make full use of its existing business platform, continue to carry out business such as trade and oilfield environmental protection and generate profits. We will make use of the Company's market development and management capabilities, strive to identify social resources, reduce business risks, and amplify the platform effect and economy scale. We will actively develop various types of business, including drilling turnkey, oilfield environmental protection, nanofluids production enhancement, drilling tool repair and trading services, to provide more diversified services on top of traditional drilling and workover services. We will make every effort to improve our technical ability and scientific research level. We will adhere to scientific and technological innovation, light assets and digital management transformation, break through the bottleneck of traditional business development, and demonstrate strong technical and management capabilities. We will actively explore foreign markets, and strive to enter into new businesses and new contracts in new and existing markets such as Nigeria, Ecuador, Brazil and Kuwait. On the basis of consolidating the existing business, the Company will actively expand the directional well and horizontal well technical service capability using the RSS rotary steering system. At the same time, the Company will vigorously develop MPD technical services in the domestic market and develop overseas MPD service markets. Taking nanotechnology used in production enhancement as a breakthrough point, we will actively explore the sales of drilling and workover rig equipment and spare parts, and tubing and casing trading business.

In offshore engineering services, we will strengthen overseas market staffing, enabling sales teams to reach the front lines and engage closely with customers. While maintaining existing customers, we will actively acquire new customers, pursue more bidding opportunities, and expand into project types such as decommissioning and platform maintenance. We will conduct reviews for completed projects to form organizational assets for guiding the bidding and execution of new projects and emphasize process management focusing on safety, quality, resources, budgets, procurement, costs and risks. We aim to reduce costs and enhance efficiency to strive for achieving comprehensive operational targets. Our departments will implement strategic planning at the execution level, further refine the Company's internal control systems, and build a compliant and efficient operational management system centered on the Company's core business while integrating high technology to materialize the Group's cost reduction and efficiency enhancement management. Each business center will strengthen capacity building. Our companies in Southeast Asia will focus on market development, enhancing local market development in existing personnel deployment regions such as Thailand, Brunei, West Africa, and Singapore. We will continue our efforts in the Middle East, leveraging the Saudi branch as a base to actively seek bidding opportunities and speed up the layout and construction in Southeast Asia and West Africa. We will focus on strengthening digital delivery and management capability of offshore engineering by leveraging our offshore engineering experience. We will actively pursue and execute projects such as engineering commissioning, digital and intelligence in the international market. We will focus on areas such as pipeline laying, jacket installation and dismantling and block floating, with continuous efforts to improve our turnkey project integrated service capabilities. Excavating technical hotspots, tracking the latest technological frontiers, and improving the comprehensive technical capabilities of the Company's offshore engineering remain our priorities. We will strengthen market development and construction, expand key projects in key areas of the market and improve profitability.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, management team and staff. The Group's past achievements are all due to their efforts and contributions, and future development requires their efforts to continuously enhance the Company's leading position in domestic and foreign markets.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Zhang Jun (張軍) *(Chairman, Executive Chairman and Co-Chief Executive Officer)*

Non-executive Directors

Ms. Zhang Shuman (張姝嫚)
Dr. Yang Qingli (楊慶理)
Mr. Cao Hongbo (曹宏博)
Dr. Fan Ren Da Anthony (范仁達)

Independent Non-executive Directors

Mr. Wang Tao (王濤) *(resigned on 1 April 2026)*
Mr. Wong Man Chung Francis (黃文宗)
Mr. Shi Zheyan (施哲彥)
Mr. Yan Jiantao (閆建濤) *(appointed on 9 January 2026)*

AUTHORIZED REPRESENTATIVES

Mr. Zhang Jun (張軍)
Ms. Sham Ying Man (岑影文)

AUDIT COMMITTEE

Mr. Wong Man Chung Francis (黃文宗) *(Chairman of Audit Committee)*
Mr. Wang Tao (王濤) *(resigned on 1 April 2026)*
Ms. Zhang Shuman (張姝嫚)
Mr. Shi Zheyan (施哲彥) *(appointed on 1 April 2026)*

REMUNERATION COMMITTEE

Mr. Wang Tao (王濤) *(Chairman of Remuneration Committee)* *(resigned on 1 April 2026)*
Mr. Shi Zheyan (施哲彥) *(Chairman of Remuneration Committee)* *(appointed on 1 April 2026)*
Mr. Wong Man Chung Francis (黃文宗)
Mr. Yan Jiantao (閆建濤) *(appointed on 1 April 2026)*

NOMINATION COMMITTEE

Mr. Wang Tao (王濤) *(Chairman of Nomination Committee)* *(resigned on 1 April 2026)*
Mr. Shi Zheyan (施哲彥) *(Chairman of Nomination Committee)* *(appointed on 1 April 2026)*
Dr. Yang Qingli (楊慶理)
Ms. Zhang Shuman (張姝嫚) *(appointed on 29 August 2025)*
Mr. Wong Man Chung Francis (黃文宗) *(appointed on 29 August 2025)*
Mr. Yan Jiantao (閆建濤) *(appointed on 1 April 2026)*

COMPANY SECRETARY

Ms. Sham Ying Man (岑影文)

AUDITOR

Crowe (HK) CPA Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER

No. 1825, Luodong Road
Baoshan Industrial Zone
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank, Yuepu Branch
Bank of China, Baoshan Branch
Industrial & Commercial Bank of China, Baoshan Branch
Shanghai Pudong Development Bank, Baoshan Branch

STOCK CODE

1623

WEBSITE

www.hilonggroup.com

FINANCIAL REVIEW

Revenue

The following table sets forth our revenue by business segment for the years indicated:

The following table sets forth the revenue analysis of the drill pipe sales for the years indicated:

	Year ended 31 December	
	2025	2024
Sales of drill pipes		
– International market		
– volume *(tonnes)*	**45,035**	63,851
– unit price *(RMB/tonne)*	**23,307**	28,620
Subtotal *(RMB'000)*	**1,049,623**	1,827,419
– The PRC market		
– volume *(tonnes)*	**7,781**	8,115
– unit price *(RMB/tonne)*	**18,653**	20,663
Subtotal *(RMB'000)*	**145,142**	167,686
Total *(RMB'000)*	**1,194,765**	1,995,105

Revenue from sales of drill pipes in the international market decreased by RMB777.8 million, or 42.6%, from RMB1,827.4 million in 2024 to RMB1,049.6 million in 2025. The decrease reflected not only a decrease of 29.5% in the volume of drill pipes sold from 63,851 tonnes in 2024 to 45,035 tonnes in 2025, but also a decrease of 18.6% in the average selling price of drill pipes sold from RMB28,620 in 2024 to RMB23,307 in 2025. Such decrease in the sales volume and the average selling price reflected much more intense market competition in the Middle East market.

Revenue from sales of drill pipes in the PRC market decreased by RMB22.5 million, or 13.4%, from RMB167.7 million in 2024 to RMB145.1 million in 2025. The decrease reflected not only a decrease of 4.1% in the volume of drill pipes sold from 8,115 tonnes in 2024 to 7,781 tonnes in 2025, but also a decrease of 9.7% in the average selling price of drill pipes sold from RMB20,663 in 2024 to RMB18,653 in 2025. Such decrease in the sales volume and the average selling price reflected the decreased demands and fierce price competition from domestic markets.

Oilfield services. Revenue from the oilfield services segment increased by RMB510.4 million, or 32.3%, from RMB1,579.9 million in 2024 to RMB2,090.3 million in 2025. Such increase primarily reflected the increase in revenue from tubing and casing trading business and the integrated drilling and completion technology service in 2025 as compared to 2024.

Offshore engineering services. Revenue from the offshore engineering service segment increased by RMB496.0 million, or 51.5%, from RMB963.8 million in 2024 to RMB1,459.8 million in 2025. The increase primarily reflected revenue increase due to the three key segments: subsea pipeline laying, offshore drilling platform construction, and offshore platform transportation and installation.

Cost of Sales and Provision of Services

Cost of sales/services increased by RMB129.6 million, or 3.7%, from RMB3,546.6 million in 2024 to RMB3,676.2 million in 2025.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB77.1 million, or 6.9%, from RMB1,121.8 million in 2024 to RMB1,198.9 million in 2025. Gross profit margin was 24.6% in 2025, increased by 0.6% from that in 2024.

Selling and Marketing Expenses

Selling and marketing expenses decreased by RMB2.7 million, or 2.9%, from RMB92.9 million in 2024 to RMB90.2 million in 2025. These expenses, amounting to 1.9% of revenue in 2025, were lower than 2.0% in 2024.

Administrative Expenses

Administrative expenses increased by RMB179.3 million, or 32.5%, from RMB551.1 million in 2024 to RMB730.4 million in 2025. Such increase primarily reflected the increase in staff costs and service charge.

Impairment losses on property, plant and equipment

The Group recognized impairment loss of RMB322 million on the remeasurement of the Vessel.

Other Losses – Net

The Group recognized net loss of RMB13.9 million in 2025 and net loss of RMB68.1 million in 2024. The net loss recognized in 2025 primarily reflected the fair value loss on financial asset mandatorily measured at FVPL and Inventory written off.

Finance Costs – Net

Finance costs – net decreased by RMB90.7 million, or 35.4%, from RMB255.9 million in 2024 to RMB165.2 million in 2025. Such decrease is primarily due to the decrease of RMB24.2 million interest expenses due to decline of the balance of borrowings and the increase in net foreign exchange gain of RMB77.0 million from the financing activities resulting from the depreciation of USD compared with that of 2024.

Profit before Income Tax

As a result of the foregoing, the Group recognized profit before income tax of RMB115.9 million in 2024 and loss before income tax of RMB167.2 million in 2025.

Income Tax Expense

The Group recognized income tax expense of RMB85.8 million in 2024 and RMB152.8 million in 2025. Effective tax rate was approximately 74.0% in 2024 and -91.4% in 2025, the decrease of effective tax rate mainly reflected the unbalanced distribution of profit among the Group's subsidiaries and the increase of tax losses of subsidiaries that did not recognize deferred income tax.

Loss for the year attributable to equity owners of the Company

As a result of the foregoing, the Group recognized profit for the year attributable to equity owners of the Company of RMB28.3 million in 2024 and loss for the year attributable to equity owners of the Company of RMB323.6 million in 2025.

Inventories

Inventories generally consist of raw materials, work-in-progress and finished goods, as well as packing materials and low value consumables. The following table sets forth the inventory balances as of the dates indicated as well as the turnover days of average inventory for the years indicated:

	As at/for the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Inventory	**1,059,871**	1,095,842
Turnover days of inventory (in days)[1]	**107**	112

(1) Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2024 and 2025. Average inventory equals inventory balance at the beginning of the year plus inventory balance at the end of the year, divided by two.

The decrease in turnover days of inventory from 112 days as at 31 December 2024 to 107 days as at 31 December 2025 primarily reflected (i) a decrease in inventory balance for the oilfield equipment manufacturing and services segment, and (ii) higher revenue derived from provision of services, which generally requires lesser consumption of inventory compared to that from sales of goods.

Trade and Other Receivables

Trade and other receivables of RMB3,445.4 million (2024: RMB2,620.8 million) included gross trade receivable of RMB2,423.3 million (2024: RMB2,054.5 million).

The following table sets forth an aging analysis of trade receivables from sales of products and provision of services to third parties and related parties as at the dates indicated and turnover days of the gross trade receivables for the years indicated:

	As at/for the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables		
– Within 90 days	**1,247,954**	1,307,989
– Over 90 days and within 180 days	**546,423**	374,921
– Over 180 days and within 360 days	**202,437**	61,613
– Over 360 days and within 720 days	**253,530**	157,615
– Over 720 days	**172,982**	152,397
	2,423,326	2,054,535
Turnover days of trade receivables[1]	**168**	154

(1) Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365 for each of the years ended 31 December 2024 and 2025. Average trade receivables equals balance of trade receivables at the beginning of the year plus balance at the end of the year, divided by two.

The increase in turnover days of trade receivables from 154 days as at 31 December 2024 to 168 days as at 31 December 2025 primarily reflected that the settlement for trade receivables due from certain oil and gas companies in the international market was less active and slowed down in 2025.

(i) During the period from January to March 2026, the Group received the subsequent settlement of approximately RMB871,660,000 from the overseas customers, which accounted for 44% of the Other Than China Receivables as at 31 December 2025.

(ii) The increase in accounts receivable past due within one year is mainly due to i) the increase in business scale of overseas operations, including establishment of certain new overseas subsidiaries together with the commencement of business relationship with new customers in overseas, resulting in an increase in accounts receivable balance; ii) in general the global economic performance in 2025 was still impacted by the high interest rates and geopolitical conflicts which created the challenges to overseas customers, resulting in the slowdown of settlement and it was common that customers usually settle the trade receivables after the agreed credit terms; and iii) certain customers requested the Group to provide the bank guarantee to secure the Group's performance obligations under the contracts, which the Group was at the progress of application of the bank guarantee at 31 December 2025, resulting in the holding of payment by the customers.

The increase in accounts receivable past due within 1-2 years is mainly due to i) the global economic performance in 2025 was still impacted by high interest rates and geopolitical conflicts which created challenges to overseas customers, resulting in the slowdown of settlement and it was common that the customers usually settle the trade receivables after the agreed credit terms; and ii) long project cycles with some customers resulting in the incentive for these customers to slowdown the settlement to the Group.

For those major customers with outstanding balances as at 31 March 2026, the Company has made collection calls for the payments and is maintaining ongoing follow-up.

(iii) In addition, the Group adopted the following measures to strengthen accounts receivable management:

- i) identify and analyze aged receivables, prioritizing significant aged balances, and establish dedicated collection teams for top 10 customers;
- ii) enhance finance and business departments collaboration to accelerate receivable recovery;
- iii) reinforce credit controls through stricter approval thresholds and regular credit reviews; and
- iv) pursue legal action for long-overdue receivables, including formal demand letters and litigation.

(iv) The Group measured the expected credit loss ("**ECL**") for trade receivables in accordance with HKFRS 9 Financial Instruments. The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL, which is estimated using a provision matrix based on the Group's historical credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the "Gross Domestic Product" ("**GDP**") and "Rule of Law" ("**RoL**") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For the preparation of the Group's consolidated financial statements for the year ended 31 December 2025, the Group engaged an independent professional valuer to assist in estimation of the ECL for the trade receivables including the Other Than China Receivables.

In the valuation of ECL, the valuer adopted the below 2 key valuation assumptions:

i) Loss rate: The loss rate is calculated based on historical default record of the portfolio of receivable. Loss rates are calculated with a provision matrix which historical data are categorized based on 1) nature of debtor (i.e. state owned/privately owned); 2) geographical location of the debtors; and 3) aging of the receivables.

ii) Forward-looking adjustment: Estimated by countries using in-house model of the valuer, taking into account macroeconomic factor forecast such as GDP and RoL index.

As stated in the valuer's report, most of the market data adopted in the valuation are obtained from S&P Capital IQ as well as other public sources.

The expected credit loss rates are determined by historical loss rate and then adjusted for the forward-looking adjustment for each country. The range of ECL for the overseas countries for each ageing category is as below:

	As at 31 December	
	2025	2024
Current	**0.03% to 0.06%**	0.04% to 0.08%
Past due within 1 year	**0.11% to 0.25%**	0.17% to 0.32%
Past due 1-2 years	**0.99% to 2.15%**	1.17% to 2.14%
Past due 2-3 years	**2.19% to 4.73%**	2.20% to 4.03%
Past due more than 3 years	**11.29% to 24.41%**	13.5% to 43.01%

Based on the above, the range of ECL for receivables under "current"," Past due within 1 year" and "past due more than 3 years" for 2025 decreased as compared to that of 2024, reflected the fact that though the recovery slowed down in 2025, certain long aged receivables of Past due more than 3 years were recovered by the Group from the customers, resulting the sightly drop in historical loss rate for receivables that are "current" and "past due within 1 years".

With the combination effect of i) more receivables are past due within 1 year and 1 to 2 years for 2025; and ii) the increase in receivables for 2025, which is offset by the effect of i) drop in receivables past due more than 3 years; and ii) decrease in ECL rates for receivables that are "current" and "past due within 1 years", the loss allowance for Other Than China Receivables slightly increased from RMB5.8 million at 31 December 2024 to RMB6.0 million at 31 December 2025, which for presentation in the consolidated financial statements it is about 0.4% and 0.3% of the overall gross carrying amount of Other than China Receivables for 2025 and 2024.

As of the date of this annual report, the Company's management team considers that the level of loss allowance at 31 December 2025 was adequate based on the below reasons:

i) about 44% of the Other Than China Receivables at 31 December 2025 were already settled by the overseas customers up to 28 March 2026;

ii) certain customers will settle the outstanding amounts after the banks approved the Group's application of the bank guarantees in favor of the customers;

iii) the Group has already taken certain actions to recover the unsettled receivables; and

iv) the Group's customers would usually settle all outstanding receivables within 5 years based on the past experience.

Trade and Other Payables

Trade and other payables of RMB2,036.8 million (2024: RMB1,737.7 million) included trade payables of RMB1,259.7 million (2024: RMB1,261.0 million).

Trade payables represent payables due to third party suppliers and related parties. The following table sets forth an aging analysis of trade payables due to third parties and related parties as at the dates indicated and turnover days of trade payables for the years indicated:

	As at/for the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables		
– Within 90 days	**698,225**	785,331
– Over 90 days and within 180 days	**142,767**	322,212
– Over 180 days and within 360 days	**75,779**	32,818
– Over 360 days and within 720 days	**258,872**	116,201
– Over 720 days	**84,068**	4,467
	1,259,711	1,261,029
Turnover days of trade payables(1)	**125**	116

(1) Turnover days of trade payables for a year equals average trade payables divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2024 and 2025. Average trade payables equals to balance of trade payables at the beginning of the year plus balance at the end of the year, divided by two.

Liquidity and Financial Resources

As at 31 December 2025, the Group had total cash and cash equivalents amounting to RMB777.6 million (2024: RMB721.6 million). The Group's net borrowing as at 31 December 2025 was RMB1,571.4 million (2024: RMB1,964.9 million), being total borrowing of RMB2,349.1 million (2024: RMB2,686.5 million) less cash and cash equivalents of RMB777.6 million (2024: RMB721.6 million). After taking into account the restricted cash of RMB112.1 million (2024: RMB44.7 million), the Group's net borrowing as at 31 December 2025 was RMB1,459.3 million (2024: RMB1,920.2 million), being total borrowing less cash and cash equivalents and restricted cash.

As at 31 December 2025, cash and cash equivalent were mainly denominated in RMB, USD and RUB.

The current ratio of the Group as at 31 December 2025 was 131.1% (2024: 110.2%), calculated on the basis of

Treasury Policy

The Company has its own treasury policy setting out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy.

According to such treasury policy, the Company can invest in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time.

According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the chief financial officer. During the reporting period, the Company did not have any short-term investment at FVPL (balance as at 31 December 2024: Nil).

Capital Expenditures

Capital expenditures were RMB410.7 million and RMB500.3 million in 2024 and 2025, respectively. The increase in capital expenditures in 2025 was mainly due to the continuous recovery of overseas business in the oilfield segment.

Indebtedness

As at 31 December 2025, the outstanding indebtedness of RMB2,349.1 million was mainly denominated in USD and RMB. The following table sets forth the breakdown of the indebtedness as at the dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-current		
Bank borrowings	**–**	429
Less: Current portion of non-current borrowings		
– secured	**–**	(429)
	–	–
Current		
Bank borrowings	**133,940**	409,368
Other borrowings	**4,230**	15,585
2024 Notes	**2,210,881**	2,261,082
Less: Current portion of non-current borrowings		
– secured	**–**	429
	2,349,051	2,686,464
	2,349,051	2,686,464

As at 31 December 2025, borrowings of RMB2,349.1 million were obtained at a fixed rate (31 December 2024: RMB2,645.8 million).

Reference is made to the announcements of the Company dated 30 October 2024, 18 November 2024, 30 December 2024, 30 March 2025, 31 March 2025, 30 June 2025, 31 October 2025, 11 December 2025, 13 January 2026, 23 January 2026 and 29 January 2026, and the 2023 annual report published on 28 November 2024, the 2024 interim report published on 16 December 2024, the 2024 annual report published on 29 April 2025, and the 2025 interim report published on 29 September 2025, in relation to, among other things, the proposed offshore debt restructuring of its 9.75% Senior Secured Notes due 2024 (the "**2024 Notes**"). On 11 December 2025, the Company launched a consent solicitation (the "**Consent Solicitation**") directed at the holders (the "**Holders**") of the 2024 Notes, to amend certain terms of the indenture entered into by and between, among others, the Company and The Bank of New York Mellon, London Branch, as trustee governing the 2024 Notes, including an extension of the maturity of the 2024 Notes and certain other changes. See "Other significant events" in this annual report for details.

Gearing Ratio

The Group's objectives in capital management are to maintain the Group's ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with peers in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios as at 31 December 2024 and 31 December 2025 are as follows:Ge6 -15.83etails Gearing Ratio Gea

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

On 11 August 2025 (after trading hours), Hilong Shipping Holding Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, and PT CAKRA BUANA RESOURCES ENERGI TBK (the "**Purchaser**") entered into a written memorandum of agreement dated 11 August 2025, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Vessel named "HAI LONG 106" at the consideration of US$100 million according to the terms and conditions set out therein (the "**Disposal**"). For details of the Disposal, please refer to the announcement and circular of the Company in relation to the very substantial disposal of the Company dated 11 August 2025 and 25 September 2025, respectively.

Save as disclosed above, the Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended 31 December 2025.

Significant Investments Held

The Group did not make any other significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 December 2025) during the year ended 31 December 2025.

Foreign Exchange

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of RMB into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the USD. Under this policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 11.3% appreciation of RMB against the USD from 21 July 2005 to 31 December 2025. There remains significant pressure on the PRC government to adopt a more flexible currency policy, which could result in a more fluctuated exchange rate of the RMB against USD. The Group may consider entering into currency hedging transactions to further manage its exposure to fluctuations in exchange rates, or nature hedging by actively matching the currency structure of monetary assets and liabilities. However, the effectiveness of such transactions may be limited. The revenue denominated in USD represented 37.7% and 44.6% of the total revenue of the Group in 2025 and 2024, respectively.

Staff and Remuneration Policy

As at 31 December 2025, the total number of full-time employees employed by the Group was 2,810 (31 December 2024: 2,453). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 31 December 2025:

On-site workers	1,804
Administrative	379
Engineering and technical support	436
Research and development	103
Sales, marketing and after-sales services	70
Company management	18
	2,810

Employee costs excluding the Director's remuneration totaled RMB1,063.9 million.

Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills. The Group offers employees remuneration packages mainly on the basis of individual performance and experience and also pays regard to industrial practice, which include basic wages, performance related bonuses and the social security

BUSINESS REVIEW

In 2025, the Group constantly introduced high-end products with new technologies, optimized its production processes and market layout and introduced digital production system. The Group adopted a scientific management approach and enhanced the efficiency of its cash flow management. As it intensified its market development efforts, the Group also placed strong emphasis on scientific development and technological innovation, prioritized international expansion, and enhanced its internal control system. These efforts are driving the Group toward becoming an intelligence-empowered high-tech enterprise with a focus on asset-light, digital and high-tech intelligent operations. The digital and intelligent transformation of Hilong has achieved remarkable results, further empowering the development and growth of its products and businesses. With stable workloads across its business units, the Group achieved breakthroughs with high-end customers in both mature and emerging markets across its three segments, namely oilfield equipment manufacturing and services, oilfield services and offshore engineering services, laying a solid foundation for its long-term development. Throughout 2025, Hilong maintained its stable and efficient scientific operations and adhered to the strategy of scientific and technological innovation, intelligent and high-quality development, which has achieved good results in key countries and regions such as the United States, Canada and the Middle East. The Group implemented active financial measures, such as strengthening its accounts receivable management and inventory management, enhancing the overall operating efficiency and securing relatively stable revenue. Overall performance recorded a slight increase as compared with the same period last year. During the reporting period, Hilong recorded a total revenue of RMB4,875.2 million, representing a slight increase of 4.4% compared with 2024.

Oilfield Equipment Manufacturing and Services

During the reporting period, the revenue of the oilfield equipment manufacturing and services segment was RMB1,325.1 million, representing a decrease of 37.6% compared with 2024. In 2025, the oilfield equipment manufacturing and services segment has made significant business breakthroughs in markets such as the United States, Canada, the Middle East, and Southeast Asia, achieving outstanding results in the Americas. The American market achieved strong growth in drilling tool sales revenue throughout the year. Despite the significant tariff increases in the United States and the fluctuating tariff policies in Canada, Hilong adopted proactive planning and inventory arrangements, and increased the sales of drill pipes with special buckles, resulting in excellent sales performance, which provided strong support and contribution to the achievement of the oilfield equipment segment’s 2025 operating results. Order realization for key customers was exceptionally good. Following the comprehensive promotion of special buckles in Canada and the United States in 2024, 2025 witnessed a significant surge in drilling tool sales. Hardbanding drill pipes achieved sales, and thickened drill pipes received positive feedback. A customer in the United States planned to trial 200 units of helical hardbanding drill pipes, such that we successfully entered the door of the largest drilling company in the United States, securing substantial orders. Hilong launched high-tech drill tools such as the high-tech sulfur-resistant drill pipe series and drill pipes with radio frequency identification tags, Hilong special buckles, high strength U165 drill pipes designated for 10,000-meter ultra-deep wells, super high-torque drill pipes designated for extended-reach horizontal wells and anti-wear drill pipes. By continuously enhancing the quality of its products and services, Hilong has achieved product performance and service standards that meet or exceed those of its international competitors. Hilong has once again secured important orders from major clients such as Ensign and Precision Drilling, and has become a primary drilling tool supplier to high-end customers such as PD and SAVANA. Hilong’s sulfur-resistant drilling tools with special buckles enabled Hilong to remain ahead of the competition in the market, marking a key milestone resulting from its advanced layout and planning in the North American market. This demonstrated that the comprehensive capability of the Group’s high-tech and high-end drilling tools is gaining recognition from international high-end customers. Significant breakthroughs were also made in the Middle East market, where Hilong secured more long-term contracts with major customers such as ADNOC Drilling. Hilong also achieved business breakthroughs and entered the Thailand market, laying a solid foundation for further expansion into the Southeast Asia market. The promotion of radio frequency identification tags also resulted in secured orders. Hilong’s V150 products also secured drilling tool orders. During the reporting period, Hilong signed a series of contracts with major and high-end customers across key regions worldwide for the supply of drilling tools and bottomhole assemblies. In the domestic market, Hilong also received projects and orders from both important domestic and international partners. Through deep cultivation of drilling rig supporting services and overseas drilling projects for large state-owned enterprises, Hilong achieved commendable sales performance despite the overall market downturn. Hilong strengthened the exchange of scientific research achievements, and developed a research team with extensive experience in product technical services and system management, demonstrating Hilong’s strategic commitment of continuously developing new products and expanding into new markets through technological innovation. Starting from March 2025, petroleum drill pipes have obtained approval from customs and relevant government departments, allowing products such as drill pipes and heavy-weight drill pipes to enjoy export tax exemptions, deductions, and refunds, which has significantly boosted Hilong’s profits.

Oilfield Services

In 2025, the oilfield services segment recorded a total revenue of RMB2,090.3 million, representing an increase of 32.3% compared with 2024. Hilong's oilfield services segment seized the business opportunity to vigorously develop oilfield management and address market demand for increasing production, which was highly conducive to its development.

Offshore Engineering Services

In 2025, the offshore engineering services segment recorded a total revenue of RMB1,459.8 million, representing a 51.5% increase from 2024. Hilong Offshore Engineering made remarkable progress in infrastructure management, operational capability and business development, laying a solid foundation for its strategic direction toward a light-asset model with integrated turnkey capabilities. Construction projects at the company-level progressed smoothly, with 8 projects completed, some of which were finished ahead of schedule: for instance, the offshore installation work for the T&I Phase II project was completed one month ahead of plan; the Congo modification project completed its modifications 2 days ahead of the planned shutdown schedule. Project quality management improved by 26% compared to last year; the average welding pass rate and average NDT pass rate exceeded both company and project requirements. Project deliveries were highly praised by the project owners. For example, the Congo WHP4 modification project received an incentive bonus from the project owner, and the Huisheng project received a project award. The safety management of the Congo Phase II project and the Chevron project received written commendations and medals from the project owners. Thorough early-stage preparations ensured smooth project execution. The Company's execution capabilities have been highly recognized by the project owners, who entrusted us with additional projects such as platform renovation. Hilong Offshore Engineering also secured new high-end projects in Southeast Asia and other regions, with continued improvement in its project management capabilities. Projects in key regions such as Africa have been completed. Project deliveries were highly praised by the project owners. Project economic benefits have met or exceeded expectations. Adhering to a professional and youth-oriented talent strategy, the Company introduced high-level and high-quality personnel into core positions, while supplementing junior positions with high-tech talent, resulting in the completion of over 20 scientific research projects. Hilong Offshore Engineering has made significant steps toward becoming a specialized offshore engineering company with integrated EPCIC turnkey capabilities, establishing comprehensive business capacity across the entire industry chain. The digital intelligent system integrated with the Group has been in operation and the Intelligent Control Technology Center had record-high number of projects, which effectively supported both market development and project execution. In 2025, the Company successfully applied for recognition as a "Highly Specialized and Innovative" Small and Medium-sized Enterprise and a Comprehensive Service Provider for Digital Transformation, obtained Level 3 qualification for Digital Transformation and won the Second Prize of the 2025 Machinery Industry Science and Technology Award. The Company also applied for low-interest loans as a nationally recognized High-Tech Enterprise and filed for government subsidies, effectively alleviating the Company's financial pressure. The Company was certified as a high-tech technology enterprises, obtained the Level 1 qualification for Electronic and Intelligent Engineering and the Level 2 qualification for General Mechanical and Electrical Contracting, and completed the upgrade of its CMMI Level 5 certificate in the United States.

Technology Research and Development

Hilong has been adhering to leading enterprise transformation through scientific and technological innovation and digitalization, leveraging technology to comprehensively improve the Company's operations and management. In terms of drilling tool products, the Company continued to strengthen research and promote the application of high sulfur-resistant, high-strength and high torsion-resistant drill pipe technology. Based on preliminary high strength sulfur-resistant drill pipe projects, Hilong has developed HL120SS/HL145MS high strength sulfur-resistant service drill pipes. Through process optimization and research into additional sulfur-resistant testing method, the sulfur-resistant performance evaluation system was further refined. By studying existing sulfur-resistant materials and developed new materials, the Company advanced the design and development of HL120SS and HL145MS sulfur-resistant drill pipes. The relationship between the microstructure of sulfur-resistant drill pipe materials and their sulfur-resistant performance was investigated, providing guidance for the subsequent development of sulfur-resistant drill pipe products. For existing sulfur-resistant materials, multiple small-scale heat treatment trial protocols were designed. The physical, chemical, and sulfur-resistant performance of various materials was evaluated, and two materials were identified as meeting the 145MS sulfur-resistant performance requirements. Trials for evaluation using production-scale heat treatment furnace lines are planned. We completed the development of large-scale, thick-walled HLU165 ultra high strength special drill pipes, laying a solid foundation for the development and promotion of high strength special drill pipes for 10,000-meter ultra-deep wells. We completed the development of high pressure-resistant special buckles for offshore risers. Based on the existing five types of sulfur-resistant materials, experiments were conducted to evaluate the sulfur-resistant performance of the materials from multiple dimensions, quantifying the differences in sulfur-resistant properties among various alloy compositions. Several new materials were developed through collaboration, and small-scale heat treatment process trials and preliminary sulfur-resistant performance evaluations were carried out for these new materials, laying the groundwork for the research and development of 120SS. Projects such as the development of HLNST special screw heads have been completed, and orders have been obtained from the North American market which formed large-scale sales with recognition from high-end customers in the United States and Canada. We have completed the software development of information management of drill pipes and drilling tools with radio frequency identification tags, and have currently received orders for drill pipes with radio frequency identification tags from high-end customers, achieving significant breakthroughs. The research and development of intelligent drill pipes is in progress. The production processes, equipment and systems of drilling tools are constantly optimized and upgraded, which improves production efficiency and saves production costs. In conjunction with the Group's digital transformation, we carried out automation and intelligent transformation of production equipment. In the oilfield services sector, we continuously improved our technical service capabilities for drilling and well completion turnkey projects, including the drilling technical ability of extended-reach horizontal wells. We have strengthened the localized development and promotion of key drilling equipment components for refined MPD, the finalization and promotion of MPD managed pressure drilling technology as well as the upgrading, promotion and application of rotary steering technology and nanofluids flooding production enhancement technology. In terms of offshore engineering, in order to enhance the offshore construction capabilities, we have carried out a number of research projects such as offshore engineering technology and offshore engineering digital technology. Several subsidiaries of the Hilong Group were newly granted the qualification of "Highly Specialized and Innovative" (專精特新) enterprise at both the national and Shanghai municipal levels, fully demonstrating Hilong's overall technological advantages and brand competitiveness.

OUTLOOK

Looking forward to 2026, the Group will adhere to its high-tech development strategy, and will continue to develop new high-end customers in the United States, Middle East, Southeast Asia, South America and other countries and regions to secure high-end orders. We will sustain our growth momentum, breakthrough performance ceilings, mitigate various risks, and implement intelligent empowerment, striving to make greater breakthroughs in new markets and new businesses and continuously enhance the international market share and brand service image. We expect to obtain more orders from owners of oil companies in overseas countries. In terms of the market, the Group will expand the reach and depth of its product offerings, such as acquiring more high-end customers and orders in regions such as the Middle East.

In offshore engineering services, we will strengthen overseas market staffing, enabling sales teams to reach the front lines and engage closely with customers. While maintaining existing customers, we will actively acquire new customers, pursue more bidding opportunities, and expand into project types such as decommissioning and platform maintenance. We will conduct reviews for completed projects to form organizational assets for guiding the bidding and execution of new projects and emphasize process management focusing on safety, quality, resources, budgets, procurement, costs and risks. We aim to reduce costs and enhance efficiency to strive for achieving comprehensive operational targets. Our departments will implement strategic planning at the execution level, further refine the Company's internal control systems, and build a compliant and efficient operational management system centered on the Company's core business while integrating high technology to materialize the Group's cost reduction and efficiency enhancement management. Each business center will strengthen capacity building. Our companies in Southeast Asia will focus on market development, enhancing local market development in existing personnel deployment regions such as Thailand, Brunei, West Africa, and Singapore. We will continue our efforts in the Middle East, leveraging the Saudi branch as a base to actively seek bidding opportunities and speed up the layout and construction in Southeast Asia and West Africa. We will focus on strengthening digital delivery and management capability of offshore engineering by leveraging our offshore engineering experience. We will actively pursue and execute projects such as engineering commissioning, digital and intelligence in the international market. We will focus on areas such as pipeline laying, jacket installation and dismantling and block floating, with continuous efforts to improve our turnkey project integrated service capabilities. Excavating technical hotspots, tracking the latest technological frontiers, and improving the comprehensive technical capabilities of the Company's offshore engineering remain our priorities. We will strengthen market development and construction, expand key projects in key areas of the market and improve profitability.

OTHER SIGNIFICANT EVENTS

(1) Completion of offshore debt restructuring

In connection with the previously announced results of its consent solicitation (the "**Consent Solicitation**") launched pursuant to the consent solicitation statement dated as of 11 December 2025 (as amended and supplemented by the announcements dated 13 January 2026, 23 January 2026 and 29 January 2026, the "**Consent Solicitation Statement**"), the restructuring effective date has occurred on 5 February 2026. Its offshore debt restructuring was completed.

For details, please refer to the Company's announcement dated 6 February 2026.

(2) Dismissal of Winding-Up Petition

A winding-up petition (the "**Petition**") dated 27 May 2025 was filed by The Bank of New York Mellon, London Branch (the "**Petitioner**") against the Company at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") in relation to the 2024 Notes. Upon the joint application of the Petitioner, the Company and the opposing creditors, the High Court made an order dismissing the Petition on 9 February 2026. For details, please refer to the Company's announcements dated 9 February 2026.

Save for the matters disclosed above, there were no other important events affecting the Company nor any of its subsidiaries since the end of the reporting period and up to the date of this annual report.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The table below sets forth the information regarding the Board:

Name	Age	Management Position
ZHANG Jun (張軍)	58	Chairman, Executive Director, Executive Chairman and Co-Chief Executive Officer
ZHANG Shuman (張姝嫚)	52	Non-executive Director
YANG Qingli (楊慶理)	69	Non-executive Director
CAO Hongbo (曹宏博)	62	Non-executive Director
FAN Ren Da Anthony (范仁達)	65	Non-executive Director
WONG Man Chung Francis (黃文宗)	61	Independent Non-executive Director
SHI Zheyan (施哲彥)	69	Independent Non-executive Director
YAN Jiantao (閆建濤)	51	Independent Non-executive Director *(appointed on 9 January 2026)*

Executive Director

Mr. ZHANG Jun (張軍), aged 58, is an Executive Director, the chairman of the Board and executive chairman of the Company. Mr. Zhang has also been appointed as the chief executive officer of the Company on 15 October 2024 and act as the co-chief executive office of the Company since 23 December 2024. He is also a substantial and controlling shareholder of the Company. He has been a director of the Company since 15 October 2008 and was appointed as an Executive Director on 2 December 2010. Mr. Zhang served as the chief executive officer of the Company from 2 December 2010 to 15 December 2017, responsible for the overall business operations and strategy formulation of the Company. He was re-designated to executive chairman of the Company on 15 December 2017, responsible for the overall strategic planning of the Group, new market development, and capital market related and investor relations management. Mr. Zhang serves as the director of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司), the director of Hilong Marine Engineering (Hong Kong) Limited and the director of Hilong Petroleum Marine Engineering Technical Services (Hong Kong) Limited. He also serves as the director/senior management of other subsidiaries of the Group. Mr. Zhang has over 35 years of experience in the petroleum industry. From 2001 to 2007, he was engaged in the formation of several subsidiaries of the Group. Mr. Zhang began his career in the petroleum industry at First Machinery Factory of Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠), a subsidiary of China National Petroleum Corporation, which is a state-owned enterprise, in 1990 upon graduation from Hebei Radio and TV University (河北廣播電視大學). He served as a technician and participated in the introduction of the first petroleum drill pipe coating production line from the United States into China in 1993. During his employment with First Machinery Factory of Huabei Petroleum Administration Bureau, Mr. Zhang held a number of positions, including vice general manager. During his service as vice general manager, he was responsible for the financial, operational and infrastructural management of the factory. He resigned from the factory in 2001 to fully focus on the management of the Group. Mr. Zhang received a Diploma in Mechanical Manufacturing Process and Equipment from Hebei Radio and TV University in 1990. In 2009, he was a "Top 10 Influential Leader in China's Petroleum and Petrochemistry Equipment Manufacturing Industry in 2009 (2009中國石油石化裝備製造業十大最具影響力領軍人物)", a title conferred by the National Energy Commission (國家能源委員會). Mr. Zhang is the elder brother of Ms. ZHANG Shuman, Non-executive Director of the Company, and the younger brother-in-law of Mr. CAO Hongbo, Non-executive Director of the Company. He is also the sole director of Hilong Group Limited, a substantial and controlling shareholder of the Company.

Non-executive Directors

Ms. ZHANG Shuman (張姝嫚), aged 52, is a Non-executive Director, a member of the Audit Committee and a member of Nomination Committee of the Company. She has been a director of the Company since 15 October 2008 and was appointed as an Executive Director on 2 December 2010. She was re-designated to a Non-executive Director of the Company on 29 March 2012. Ms. Zhang served as the chief strategy officer of the Company from 2 December 2010 to 24 March 2017, primarily responsible for the financial affairs and strategic investment activities of the Group. She also served as the joint company secretary of the Company from 10 February 2011 to 24 March 2017. She also served as a director of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) from 2008 to August 2021. Ms. Zhang has over 29 years of experience in the oil service industry, including the experience as a translator of First Machinery Factory of Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠) from 1996 to 2003. From 2003 to 2006, Ms. Zhang acted as the joint secretary to the board of directors and coordinator of a Chinese joint venture invested by UMW Ace (L) Ltd. Ms. Zhang received a Bachelor's Degree in International Economics Law from China University of Political Science and Law (中國政法大學) in 1997 and an Executive Master of Business Administration degree through a distance learning program organised by Sino-European International Management Institute (中歐國際管理學院) in 2009. She holds a Certificate of Accounting Professional issued by the Beijing Municipal Financial Bureau (北京市財政局). Ms. Zhang is the younger sister of Mr. ZHANG Jun, Executive Director and chairman of the Board, executive chairman, co-chief executive officer and substantial and controlling shareholder of the Company, and the younger sister-in-law of Mr. CAO Hongbo, Non-executive Director of the Company.

Dr. YANG Qingli (楊慶理), aged 69, is a Non-executive Director of the Company. He was appointed as a Non-executive Director on 21 August 2015 and a member of the Nomination Committee of the Company on 15 October 2024. Dr. Yang is a senior engineer of professor level. He has over 43 years of experience in operation technologies, practices and management of petroleum engineering. Dr. Yang started his career in 1982 when he joined Changqing Oilfield as a technician of the drilling team. In 1984, he became the deputy manager of No. 2 Drilling Company of Changqing Petroleum Exploration Bureau (長慶石油勘探局第二鑽井公司) and was mainly in charge of technology, production and operation. In 1998, he served as the assistant to the director of Changqing Petroleum Exploration Bureau (the "**Bureau**") where he assisted in managing the Bureau's business operation. From 2000 to 2005, Dr. Yang served as the deputy director and Party Committee Secretary of the Bureau, and was in charge of production, safety management, human resources and stability management. During 2005 to 2008, he served as the director of marketing management department and the director of engineering technology and marketing department of China National Petroleum Corporation ("**CNPC**"), respectively. From 2008 to February 2015, Dr. Yang was the general manager of CNPC Technical Service Company (中國石油天然氣集團公司工程技術分公司) where he was directly in charge of the technology research and development as well as operation and business management of geophysical exploration, drilling, testing, logging, borehole operation and fracturing operated by CNPC. Dr. Yang graduated from East China Petroleum Institute (華東石油學院) (currently known as China University of Petroleum) with a Bachelor's Degree in Drilling in 1982, and obtained a Doctoral Degree in Oil-and-gas Well Engineering from China University of Petroleum in 2008.

Mr. CAO Hongbo (曹宏博), aged 62, is a Non-executive Director of the Company. He was appointed as a Non-executive Director on 28 August 2020. He joined the Group in 2007. He has served as an officer of the strategic development and management advisory committee of the Group, a director of Shanghai Hilong Drill Pipe Co., Ltd. (上海海隆石油鑽具有限公司), a director of Shanghai Hilong Tubular Goods Manufacturing Co., Ltd. (上海海隆複合鋼管製造有限公司). From 2007 to July 2020, he served first as the deputy general manager, and later as the vice president of Hilong Group of Companies Ltd. (海隆石油工業集團有限公司). He has over 38 years of experience in petroleum industry. Prior to joining the Group, from 1987 to 2001, he worked at Huabei Petroleum Administration Bureau (華北石油管理局第一機械廠) starting out as the technician, and later serving as the deputy head and the head of quality inspection station. From 2001 to 2004, he served as the deputy general manager of North China Petroleum Steel Pipe Co., Ltd. (華油鋼管有限公司). From 2004 to 2006, he served as the deputy general manager of Wuxi Seamless Oil Pipe Co., Ltd. (無錫西姆萊斯石油專用管製造有限公司). He graduated from Huabei Oilfield Technical School (華北油田技工學校) (currently known as Bohai Petroleum Vocational College (渤海石油職業學院)) in 1980. He received a Diploma in Electronic Automation from Hebei Radio and TV University (河北廣播電視大學). He also studied in Hebei Party School (河北黨校) from 1997 to 1998. He is the elder brother-in-law of Mr. ZHANG Jun, the Executive Director and chairman of the Board, executive chairman, co-chief executive officer and substantial and controlling shareholder of the Company, and Ms. ZHANG Shuman, the Non-executive Director of the Company and the younger sister of Mr. ZHANG Jun.

Dr. FAN Ren Da Anthony (范仁達), aged 65, is a Non-executive Director of the Company. He was appointed as a Non-executive Director on 25 July 2022. He has extensive experience in corporate finance, mergers and acquisitions, venture capital, company consolidation and restructuring. He is currently the chairman and managing director of AsiaLink Capital Limited.

Dr. Fan has been a director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, since August 2011 and is currently serving as an executive director of that company. Dr. Fan is also an independent non-executive director of UniPresident China Holdings Ltd. (Stock Code: 220), Shanghai Industrial Urban Development Group Limited (Stock Code: 563) and Semiconductor Manufacturing International Corporation (Stock Code: 981), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Fan served as an independent non-executive director of Raymond Industrial Limited (Stock Code: 229), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 1994 to May 2021, Hong Kong Resources Holdings Company Limited (currently known as 3DG Holdings (International) Limited) (Stock Code: 2882), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from September 2008 to February 2024, China Development Bank International Investment Limited (Stock Code: 1062), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from March 2012 to March 2024, China Dili Group (Stock Code: 1387), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from August 2008 to August 2024, Haitong Securities Co Ltd (Stock Code: 6837), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from October 2023 to March 2025, CITIC Resources Holdings Limited (Stock Code: 1205), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from August 2000 to March 2025, Neo-Neon Holdings Limited (Stock Code: 1868), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from August 2014 to June 2025, and Technovator International Limited (Stock Code: 1206), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from September 2011 to June 2025. Dr. Fan is the Founding President of The Hong Kong Independent Non-Executive Director Association. Dr. Fan holds a master's degree in Business Administration from the United States of America and a PhD in Economics.

Note:

According to the enforcement news issued by the Securities and Futures Commission dated 14 March 2025 (the "**News**") in relation to the commencement of legal proceedings in the Court of First Instances to seek disqualification and compensation orders against eight former directors of Hong Kong Resources at the material time for their alleged failure in preventing misappropriation of HK$74.41 million in corporate funds. The eight former directors of Hong Kong Resources include Dr. Fan, a non-executive director of the Company. The News relates to Hong Kong Resources only and (other than Dr. Fan mentioned above) does not involve any director or senior management of the Company. For further details, please refer to the announcement of the Company dated 17 March 2025.

Independent Non-executive Directors

Mr. WONG Man Chung Francis (黃文宗), aged 61, is an Independent Non-executive Director and the chairman of the Audit Committee, a member of the Remuneration Committee and a member of Nomination Committee of the Company. He was appointed as an Independent Non-executive Director on 24 March 2017. He is currently an independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited including China Oriental Group Company Limited (stock code: 581), Wai Kee Holdings Limited (stock code: 610), Integrated Waste Solutions Group Holdings Limited (stock code: 923) and Greenheart Group Limited (stock code: 94). He served as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768), a company listed on The Stock Exchange of Hong Kong Limited, from June 2016 to August 2018 and an independent non-executive director of China New Higher Education Group Limited (stock code: 2001), a company listed on The Stock Exchange of Hong Kong Limited, from March 2017 to December 2019. He also served as an independent non-executive director of GCL Technology Holdings Limited (formerly known as GCL-Poly Energy Holdings Limited, stock code: 3800), a company listed on The Stock Exchange of Hong Kong Limited, from April 2016 to May 2022, Digital China Holdings Limited (stock code: 861), a company listed on The Stock Exchange of Hong Kong Limited, from August 2006 to June 2024, IntelliCentrics Global Holdings Ltd. (stock code: 6819), the listing of the company's shares on The Stock Exchange of Hong Kong Limited was withdrawn on 8 May 2024, from January 2020, Shanghai Dongzheng Automotive Finance Co., Ltd. (stock code: 2718), the listing of the company's shares on The Stock Exchange of Hong Kong Limited was cancelled on 29 April 2024, from February 2020 and Qeeka Home (Cayman) Inc. (stock code: 1739), a company listed on The Stock Exchange of Hong Kong Limited, from June 2018 to June 2025. He holds a Master's Degree in Management from Guangzhou Jinan University (廣州暨南大學) in the People's Republic of China. Mr. Wong is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Certified Tax Advisor of the Taxation Institute of Hong Kong and a fellow member of the Society of Chinese Accountants and Auditors. He is a senior Certified Public Accountant (Practising) and has over 37 years of experience in auditing, taxation, internal control and governance, acquisition and financial consultancy, restructuring and liquidation, family trust and wealth management matters. Mr. Wong worked at KPMG, an international accounting firm, for over six years and Hong Kong Securities Clearing Company Limited for one year and ten months. Mr. Wong is a founding director and member of Francis M.C. Wong Charitable Foundation Limited, a charitable organisation.

Mr. SHI Zheyan (施哲彥), aged 69, is an Independent Non-executive Director of the Company. He was appointed as an Independent Non-executive Director of the Company on 25 August 2017 and was appointed as a member of the Nomination Committee and the Remuneration Committee of the Company on 21 June 2019 and 19 June 2020 respectively. Mr. Shi has nearly 51 years of work experience in the petroleum industry. From April 2014 to July 2016, he was the deputy chief economist and the head of the security department of CNPC. He served as the head of the security department in April 2007. From December 2000 to April 2007, he was the deputy director of the general office of CNPC. From July 1995 to December 2000, he served as the deputy general manager of China Petroleum Engineering & Construction Corporation. From March 1992 to July 1995, he was the secretary (director level) at the general office secretariat of CNPC. From October 1985 to March 1992, he worked at the CNPC Managers Training Institute of the Ministry of Petroleum Industry (石油工業部北京石油管理幹部學院), where he successively served as the deputy director and director of the general office of CPC Party Committee, and the director of the institute head's office and the head of the human resources department. From October 1979 to October 1985, he served as the officer and deputy head of the Department of Transport under East China Oil Transport Administration Bureau (華東輸油管理局運輸處). Starting his work at Liaohe Oil Field (遼河油田) in January 1975, he served as the confidential secretary of the CPC Party Committee's general office for the transportation division of Liaohe Oil Field from May 1978 to October 1979. Mr. Shi is a senior engineer. He holds a Bachelor's Degree in Business Administration from Southwest Petroleum University (西南石油學院).

Mr. Yan Jiantao (閆建濤), aged 51, is an Independent Non-executive Director of the Company. He was appointed as an Independent Non-executive Director of the Company on 19 January 2026. Mr. Yan has been an executive director of Fidelity Energy Holding Ltd. and Fidelity Enterprise Management Consulting (Beijing) Co., Ltd. since January 2018 and January 2022 respectively. Mr. Yan is also an independent director of Senton Energy Co., Ltd. (Stock Code: 001331), a company listed on the Shenzhen Stock Exchange, since February 2021. From 1995 to 1996, he served as an united nations program officer of China International Center for Economic and Technical Exchanges (中國國際經濟技術交流中心). From 1996 to 1998, he acted as the project development manager of the Wing Group. From 2003 to 2007, he was the China manager of Worldwide Energy Group. From 2007 to 2011, Mr. Yan served as the business development manager and senior strategic consultant of IHS (Beijing) Trading Company Limited. From 2011 to 2014, he acted as the executive director of Beijing Gao Hua Securities Company Limited. From February 2014 to May 2018, Mr. Yan was the head of policy, industry and regulatory affairs of BP (China) Holdings Ltd. Mr. Yan received a Bachelor's Degree in Economics from the University of International Business & Economics (對外經濟貿易大學) in 1995 and a Master's Degree in Business Administration from Rice University in United States of America in 2003.

SENIOR MANAGEMENT

For the biography of Mr. ZHANG Jun, please refer to "– Executive Director" in this section. Other members of the senior management team of the Company consist of the following:

Mr. GAO Zhihai (高智海), aged 56, joined the Group in June 2005 and has been appointed as the co-chief executive officer of the Company with effect from 23 December 2024. Mr. Gao has been the vice president of the Company and the chairman of the board of Shanghai Boteng Welding Consumable Co., Ltd. (上海博騰焊接材料有限公司) ("**Shanghai Boteng**") since 2020, and is responsible for the Group's research and development and technology management, and project engineering management and Shanghai Boteng's overall development planning and operation management planning. Mr. Gao has over 30 years of experience in the petroleum industry. Prior to joining the Group, Mr. Gao worked at CNPC Tubular Goods Research Institute (中國石油天然氣集團管材研究所) from 1995 to 2005. Mr. Gao received a Bachelor's Degree in Engineering from Southwest Petroleum University (西南石油大學) in 1992 and a Master's Degree in Engineering in 1995. Mr. Gao became an engineer in 1998, a senior engineer in 2003 and a senior engineer (professor level) in 2008. He is the inventor of High Performance Anti-wear and Friction Reduction Flux Cored Wire for Drill Pipe (鑽桿高性能防磨減摩耐磨帶藥芯焊絲).

Mr. CHEN Yong (陳勇), aged 52, is the chief financial officer of the Company. After joining the Group in August 2008, Mr. Chen served in various positions in Hilong Group of Companies Ltd., including finance controller, audit supervisor, assistant to the president and internal control director. He was appointed as the chief financial officer of the Company in 2016. As the chief financial officer, Mr. Chen is responsible for overall financial and corporate finance management. Mr. Chen received a Master's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學). He is a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom (FCCA), and has obtained the Legal Professional Qualification Certificate (法律職業資格證書) of the PRC.

Mr. ZHANG Bingzhong (張丙中), aged 53, is the vice president of the Company and the general manager of Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司) ("**Hilong Oil Service**"). Since joining the Group in August 2008, Mr. Zhang has held various positions such as assistant to the general manager of Hilong Oil Service, general manager of Hilong Oil Service in Ecuador, general manager of the oilfield equipment segment of the Group in Russia, and was appointed as the vice president of the Company and the general manager of Hilong Oil Service in 2023. Mr. Zhang has over 26 years of experience in the petroleum industry. Prior to joining the Group, Mr. Zhang worked in North China Petroleum Drilling Bureau No. 3 Drilling Company (華北石油鑽探局第三鑽井公司) and CNPC Greatwall Drilling Company (中國石油集團長城鑽探工程有限公司) successively, from 1997 to 2008. He received a Bachelor's Degree in petroleum mine machinery from Jianghan Petroleum University (江漢石油學院) (now known as Yangtze University (長江大學)) in 1997 and a Master Degree in mechanical design and theory from China University of Petroleum (中國石油大學) in 2003.

Mr. GU Hong (顧洪), aged 57, serves as the general manager of Hilong Petroleum Offshore Engineering Limited (海隆石油海洋工程有限公司) since joining the Group in December 2023. He has over 33 years of experience in the petroleum industry.

Prior to joining the Group, from March 2018 to December 2021, Mr. Gu served as the assistant to the president of China Offshore Oil Engineering Co., Ltd. (中國海洋石油工程股份有限公司). From August 2008 to March 2018, he was the general manager of Offshore Oil Engineering International Company (海洋石油工程國際工程公司). From August 2004 to August 2008, he held the position of senior facilities manager at China National Offshore Oil Corp. ("**CNOOC**") Southeast Asia Branch (中國海洋石油集團有限公司東南亞分公司). Mr. Gu worked as a director at Devon Energy China Limited (丹文能源中國有限公司) from 2002 to 2004. He served as the chief engineer at the CNOOC Energy Development Co., Ltd. Oilfield Construction Engineering Branch (中海油能源發展股份有限公司油田建設工程分公司) from 1999 to 2001, and as the director of the design office at CNOOC's Platform Company (中海油平台公司) from 1995 to 1999. From 1993 to 1995, Mr. Gu served as an engineer at CNOOC Bohai Platform Company (中海油渤海平台公司).

Mr. Gu obtained a bachelor's degree in power systems and automation in 1992 from Tianjin University (天津大學) and a master's degree in power system and automation in 1997 from Tianjin University. He was certified as an Engineer in 1997 and later became a Senior Engineer in 2003.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2025.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that its shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Company and its member companies (the "**Group**") to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Company has applied the principles set out in Part 2 of the CG Code during the year under review. The manner in which the principles and code provisions set out in Part 2 of the CG Code are applied and implemented during the year ended 31 December 2025 is explained in this Corporate Governance Report.

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations.

Save as disclosed in "Board of Directors – Chairman and Chief Executive Officer", the Company has complied with all the applicable code provisions set out in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has established written guidelines for Directors, senior management and employees regarding securities transactions (the "**Securities Transactions Guideline**") on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Specific enquiries have been made to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the reporting period.

No incident of non-compliance of the Securities Transactions Guideline by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The following are the members of the Board during the reporting period and as at the date of this annual report:

Executive Director:
Mr. Zhang Jun *(Chairman, Executive Chairman and Co-Chief Executive Officer)*

Non-executive Directors:
Ms. Zhang Shuman
Dr. Yang Qingli
Mr. Cao Hongbo
Dr. Fan Ren Da Anthony

Independent Non-executive Directors:
Mr. Wang Tao
Mr. Wong Man Chung Francis
Mr. Shi Zheyan
Mr. Yan Jiantao *(appointed on 9 January 2026)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Mr. Yan Jiantao, who has been appointed as Independent Non-executive Director on 9 January 2026, has obtained the legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 9 January 2026, and he has confirmed he understood his obligations as a director of the Company.

Mr. Zhang Jun is the elder brother of Ms. Zhang Shuman; and Mr. Cao Hongbo is the elder brother-in-law of Mr. Zhang Jun and Ms. Zhang Shuman.

Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members and in particular.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication of a majority of Directors.

During the year, the Board held four meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Mr. Zhang Jun	4/4
Ms. Zhang Shuman	4/4
Dr. Yang Qingli	4/4
Mr. Cao Hongbo	4/4
Dr. Fan Ren Da Anthony	4/4
Mr. Wang Tao	4/4
Mr. Wong Man Chung Francis	4/4
Mr. Shi Zheyan	4/4
Mr. Yan Jiantao (appointed on 9 January 2026)	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. Zhang currently serves as the co-chief executive officer of the Company and chairman of the Board. Mr. Gao Zhihai serves as the co-chief executive officer of the Company to assist Mr. Zhang in the overall business operations and strategy formulation of the Company. Despite the deviation from code provision C.2.1 of the CG Code, the Board believes that Mr. Zhang, being the chairman of the Board, is familiar with the Company's business operation and has excellent knowledge and experience of the Company's business which will be conducive to improve the efficiency of the Company's overall strategic planning. Further, the Board is of the view that the balanced composition of the Executive, the Non-executive and the Independent Non-executive Directors on the Board and the various committees of the Board in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. As such, the Board considers that the deviation from code provision C.2.1 is appropriate in the current situation. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Independent Non-executive Directors

Throughout the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director regarding his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism since 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the reporting period, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the reporting period, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Terms of Directors

Each of the Directors of the Company is engaged on a service contract (in the case of Executive Director) or on a letter of appointment (in the case of Non-executive Director and Independent Non-executive Director) for a term of three years, and is subject to retirement by rotation and re-election at least once every three years in accordance with the Articles of Association of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company, oversees the businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Group. The Directors of the Board make decisions objectively in the interests of the Company.

The Board reserves for its decision on all major matters of the Company including the approval and monitoring of all policy matters, overall strategies and budgets, internal control system and risk management system, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the Co-Chief Executive Officers and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have full and timely access to all the information of the Company and may seek independent professional

All Directors carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

Continuing Professional Development of Directors

The Directors have to always pay attention to their responsibilities as the Directors of the Company and pay attention to the operation mode, business activities and development of the Company.

Each newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for the Directors and trainings conducted/hosted by external advisers will be arranged. Also, reading materials on relevant topics will be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year, the Company and its professional advisors organised training for all Directors. In addition, relevant reading materials including legal and regulatory updates, particularly the updates on the CG Code and relevant Listing Rules amendments, healthy practice in auditor appointments and audit fee setting, updates of guide on preparation of annual report, ongoing public float requirements, have been provided to the Directors for their reference and studying.

The training records of the Directors for the year are summarised as follows:

Directors	Type of Training[Note]
Executive Director	
Mr. Zhang Jun	A&B
Non-executive Directors	
Ms. Zhang Shuman	A&B
Dr. Yang Qingli	A&B
Mr. Cao Hongbo	A&B
Dr. Fan Ren Da Anthony	A&B
Independent Non-executive Directors	
Mr. Wang Tao	A&B
Mr. Wong Man Chung Francis	A&B
Mr. Shi Zheyan	A&B
Mr. Yan Jiantao (appointed on 9 January 2026)	N/A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 7 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, overseeing the Company's financial reporting system, risk management system and internal control system, reviewing and monitoring effectiveness of internal audit function, making recommendation to the Board on the re-appointment, remuneration and terms of engagement of external auditor and monitoring the independence of external auditor, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, risk management and internal control or other matters of the Company.

During the year, the Audit Committee held three meetings to review annual financial results and report in respect of the year ended 31 December 2024, interim financial results and report in respect of the six months ended 30 June 2025, the unaudited consolidated financial statements for the nine months ended 30 September 2025, the preliminary financial budget and internal audit plan of the Company for the year 2026, and significant issues on financial reporting and compliance procedures, risk management system and internal control system, relationship with auditors including the remuneration, terms of engagement, independence and re-appointment of auditors, non-exempt continuing connected transactions, arrangements for employees to raise concerns about possible improprieties, the implementation and effectiveness of the Whistleblowing Policy and to evaluate and assess the effectiveness of the Audit Committee and the adequacy of the terms of reference of the Audit Committee and consider whether any update or amendment is required.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors. The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Wong Man Chung Francis	3/3
Mr. Wang Tao	3/3
Ms. Zhang Shuman	3/3

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of the Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year, the Remuneration Committee met three times to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the Directors and senior management, key terms of the new service contract entered with one Executive Director and the new letters of appointment entered with three Non-executive Directors and other related matters and the proposed grant of awards to eligible participants under the 2023 Award Scheme, and to evaluate and assess the effectiveness of the Remuneration Committee and the adequacy of the terms of reference of the Remuneration Committee and consider whether any update or amendment is required.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wang Tao	3/3
Mr. Wong Man Chung Francis	3/3
Mr. Shi Zheyan	3/3

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy, as appropriate, reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy, and monitoring the progress on achieving the objectives, and assessing the independence of Independent Non-executive Directors; reviewing and assessing the adequacy of the corporate governance guidelines of the Company and making recommendations to the Board for any proposed changes.

In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy to implement the corporate strategy of the Company. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year, the Nomination Committee met three times to review the structure, size, composition and diversity of the Board, the "Board Diversity Policy" and consider whether any update or amendment is required, to access the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting, to consider and make recommendation to the Board on the service contract for one Executive Director and letters of appointment for three Non-executive Directors, and to evaluate and assess the effectiveness of the "Nomination Policy" and the Nomination Committee and the adequacy of the terms of reference of the Nomination Committee and consider whether any update or amendment is required.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Wang Tao	3/3
Ms. Zhang Shuman	3/3
Mr. Wong Man Chung Francis	3/3
Mr. Shi Zheyan	3/3
Dr. Yang Qingli	3/3

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Board has adopted the "Board Diversity Policy" with a view to achieving sustainable and balanced development in the Board. Selection of board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional and industry experience, skills, knowledge and length of service with the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

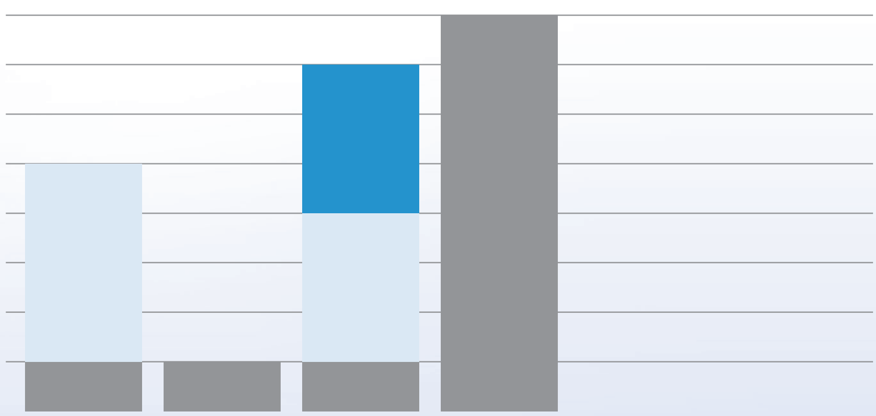
The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The following chart shows the diversity profile of the Board as at 31 December 2025:



Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	12.5%	87.5%
Senior Management	0%	100%
Other employees	9.4%	90.6%
Overall workforce	**9.3%**	**90.7%**

The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group and wishes to achieve at least 15% of female Directors, 15% of female senior management and 15% of female employees by the end of 2026.

The Board will continue, taking into account the business needs of the Company and changes from time to time that may affect the Company's business plans, to ensure the gender diversity when recruiting staff at senior level, so that the female senior management and potential successors will join the Board in due course to ensure gender diversity of the Board. The Company will continue to focus on training talent in different gender and providing long-term development opportunities for staff in different gender.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and nomination of suitable candidate for appointment as Directors to the Nomination Committee of the Company.

The Board has adopted a Nomination Policy which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors and ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Policy sets out the criteria for the selection of a proposed candidate, including but not limited to the following:

- Reputation for integrity;
- Accomplishment and experience;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Policy also sets out the criteria for evaluation and recommendation to the Board on the re-appointment of retiring Director(s) and the position(s) of the Independent Non-executive Directors, and the process and procedures for the nomination of Directors:

- The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

- Pursuant to the Articles of Association of the Company, if a shareholder wishes to propose a person for election as a Director, such shareholder shall have given a notice in writing of the intention to propose that person for election as a Director and also a notice in writing by that person of his willingness to be elected shall be given to the Company at least seven (7) days before the date of general meeting. Such period for lodgment of the notices shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board met twice to review the Company's corporate governance policies and practices, contribution required from directors for performing their responsibilities, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Securities Transactions Guideline, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, and review the dividend policy of the Company.

DIRECTORS' RESPONSIBILITIES FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

The Directors have prepared the financial statements in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 75 to 80 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the remuneration paid/payable to the Group's external auditor and its affiliate, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	6,335
Non-audit Services	
– Others[1]	459
Total	6,794

(1) Other non-audit services included the review of the Company's Environmental, Social and Governance Report.

DIVIDEND POLICY

Subject to the Cayman Islands Companies Law and the Articles of Association of the Company, the Company may from time to time in general meeting declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) results of operations;

(ii) cash flows and financial condition;

(iii) operation and capital requirements;

(iv) shareholders' interests;

(v) general business conditions and strategies;

(vi) taxation considerations;

(vii) contractual, statutory and regulatory restriction, if any; and

(viii) any other factors that the Board may deem relevant.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the profits of the Company, and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such

interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. The Board may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment. At the time when dividend payment is made, the Company should consider reserving appropriate amount of reserve for present or future circumstances and make no declaration or payment thereon.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the risk management system and internal control system and reviewing their effectiveness on an ongoing basis. Such risk management system and internal control system are designed for managing instead of eliminating the risks of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee that set up by the Board is responsible for oversee and review the risk management system and internal control system of the Group, and monitor the design, implementation and monitoring functions on the risk management system and internal control system. Through the reporting and recommendation given by the internal audit team, the Audit Committee is responsible to review and comment the effectiveness of the risk management system and internal control system.

The Company established the risk management system and internal control system according to the following principles, main features are shown as below:

(1) **Alignment to the Company's strategy:** The enterprise risk management is aligned to the Company's strategic targets;

(2) **Compliance:** The Company complies with relevant laws and regulations including the Listing Rules and relevant management systems, including but not limited to the compliance with the terms of the agreements on the Company's continuing connected transactions and listing rules requirements on continuing connected transactions;

(3) **Comprehensiveness:** Enterprise risk management involves all employees of the Company, and plays important roles in decision-making, management and execution in all areas of businesses;

(4) **Materiality:** The Company focuses on risk management of key businesses and high risk areas; and

(5) **Cost effectiveness:** The Company optimises existing resources, and implements effective risk control procedures at a reasonable cost to enhance the efficiency and effectiveness of risk management system and internal control system.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment;
- Determines the risk management strategies and internal control procedures to prevent, avoid or mitigate the risks; and
- Strengthens the monitoring and warning function of the system continuously based on the result of risk assessment.

Risk Monitoring and Reporting

- Establishes hierarchical supervisory responsibilities in the Group to ensure that risk monitoring is objective and effective;
- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place;
- Revises the risk management strategies and internal control procedures in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Review of Risk Management and Internal Control Systems

Management together with the Audit Committee have reviewed the Group's risk management system and internal control system for the year ended 31 December 2025 and reported to the Board. Reference is made to the announcement of the Company dated 18 June 2024, the Company received a letter from Stock Exchange setting out one of the conditions in the Resumption Guidance is to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls. To address such Resumption Guidance and to further enhance the internal controls of the Company, the Company engaged Acclime Consulting (Hong Kong) Limited (凱晉諮詢顧問有限公司) as the internal control consultant (the "**Internal Control Consultant**") to conduct an independent review of the internal control procedures of the Company and all the subsidiaries identified in the Investigation for the review period from 1 July 2023 to 30 June 2024 and the follow-up review period from 1 July 2024 to 29 May 2025 ("**Internal Control Review**"). On 29 May 2025, the Internal Control Consultant submitted its final report in respect of the Internal Control Review (the "**Internal Control Review Report**") to the Board. Unless otherwise defined herein, capitalized terms used in this sub-section shall have the same meaning as defined in the announcement published on 29 May 2025. Set out below is a summary of the major key findings of the Internal Control Review, the rectification recommendations of the Internal Control Consultant based on these findings and the implementation of remedial actions following the rectification recommendations of the Internal Control Consultant:

Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
Conflict of Interest Declaration		
1. The employee handbook did not require employees to report conflicts of interest; 2. No requirement for senior management and employees to declare conflicts of interest on a regular basis; and 3. No conflict of interest was declared, and no approval was obtained for the establishment of MTC and the transactions between the Russian Subsidiaries and MTC.	1. Employee handbook should specifically require employees to regularly submit conflict of interest declarations; 2. Require senior management and employees to submit declaration of interest form on a regular basis for ongoing monitoring of potential conflict of interest, and incorporate such requirements into the Anti-fraud and Whistleblowing Policy; and 3. Enhance internal audit functions and compile them into a written report to the Directors.	The Group has revised the Anti-fraud and Whistleblowing Policy and the employee handbook, which are distributed to all employees of the Group and require both new employees and existing employees to complete the conflict of interest declaration form annually. In addition, the Group's internal audit department has incorporated conflict of interest management into regular audit procedures and report its findings to the Board regularly.
Securities Trading Rules for Directors, Senior Management and Employees		
The Group did not establish internal guidelines for Directors, senior management and employees regarding securities transactions.	The Group should establish internal guidelines to define the rules and procedures for securities transactions and standardize trading behavior of internal personnel.	The Group has established the guidelines as recommended. These guidelines have been approved by the management and distributed.
Compliance with Connected Transactions under Chapter 14A of the Listing Rules		
The Group failed to timely disclose certain connected transactions between Drilling Technology and Technomash and transactions involving MTC, Technomash and Pipeline Surgut after the completion of disposal of Hilong Pipeline and consolidation of MTC.	1. Provide training to the management and employees of the Group on a periodic basis to improve their knowledge in accounting and the Listing Rules; and 2. Review all previous transactions which require reporting and comply with annual audit and disclosure requirements.	The Group has adopted the following measures: 1. the implementation of a management system on connected transactions; 2. provide periodic training to the management and employees of the Group; and 3. complete the review of all transactions in relation to the disposal of the equity interest of Hilong Pipeline and the consolidation of MTC and disclose relevant continuing connected transactions.

Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
Internal Control Findings and Recommendations of Investigation Report		
Approval and reporting process of material contracts 1. The legal affairs management policy of the Group did not state whether procurement and sales contracts of subsidiaries fell under the category of material operating contracts; and 2. Such policy did not specify whether a framework contract without a total amount was a material operating contract that needed to be approved or reported at the Group level or how to determine the standard amount of material operating contracts. **Oversight of the Group's subsidiaries** The Group did not establish written policy for subsidiaries regarding the reporting and submission of material transactions to comply with Listing Rules. **Financing and Guarantees** The Financial Management Policy stipulated that material financing and guarantee contracts must be approved by the Group. However, the Russian Guarantees were verbally discussed among the Russian Managers without reporting to or approval from the Board, which did not comply with the Financial Management Policy. In addition, the annual audit work plan did not clearly require external guarantee matters be included in the scope of regular audits.	The Group should review the definitions and reporting requirements for material contracts, establishing more precise rules on monetary thresholds and update the scope of such policies. Furthermore, management should establish written policy for all subsidiaries. Each subsidiary should conduct size tests and report notifiable transactions, connected transactions and inside information to its respective business unit, the Group and the Board. All subsidiaries should report to each business unit on signing of material contracts, major mergers and acquisitions, establishment of joint ventures and connected transactions on a monthly basis. Business units should report to the management of the Group and the Board with written record. The chief financial officer, the head of internal audit department and head of legal and compliance department should report to the Board monthly. All subsidiaries must refrain from providing guarantees to external entities. The management should require the internal audit department to include the approval and reporting procedures for material contracts into the scope of regular audits. The management should require the internal audit department to include the approval and reporting procedures for material contracts into the scope of regular audits.	The Group has revised its sales management policy, procurement management policy, and legal affairs management policy, clarifying material contract definitions and implementation requirements, and requiring submission of monthly contract registers from subsidiaries. The Group has revised its financial management policy, which requires all guarantees provided to controlled subsidiaries to obtain the Board's approval, and prohibits guarantees to and from external entities. The internal audit department has adopted the following measures: 1. established global management policies to enhance oversight of overseas subsidiaries; 2. established a management system to oversee material matters of overseas subsidiaries; and 3. incorporated supplier admission processes, conflict of interest, periodic supplier evaluations, financing activities, external guarantees, equity and fixed asset investments, accounts receivable and payable management and seal management into the scope of annual audit. The internal audit department will conduct on-site audits on all Russian subsidiaries.

Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
Onboarding Process of New Suppliers		
1. Certain subsidiaries did not appoint another person to review the credit information collected by procurement personnel on partner suppliers or retain written record; 2. No written documentation for procurement personnel performed background checks on partner suppliers; 3. Procurement management policy lacked a clear workflow for upgrading partner suppliers to key suppliers and did not require the use of third-party public platforms to conduct background checks on them; and 4. Some sample supplier evaluation forms did not contain review records.	1. Require procurement personnel to use third-party public platforms to conduct background checks on all new suppliers; 2. Adopt a standardized new supplier application form and procurement personnel should attach a credit report on the form; 3. Enhance the relevant management policies and retain relevant records; and 4. Establish due diligence procedures for related parties and conflict of interest, which shall be conducted by personnel independent of the procurement department and relevant supporting documents should be retained.	The Group has revised its supplier management implementation rules, which been approved and distributed by the management. The subsidiaries have conducted self-checks based on the revised rules to ascertain if their policies and procedures require updates and approval. All written records of suppliers' due diligence, evaluations and approvals are retained by the Company's procurement department. In addition, the Group's internal audit department is required to review the implementation of supplier onboarding procedures bi-annually.
Procurement Contract Signing Process		
1. a certain subsidiary was unable to provide the framework contract for a procurement sample; 2. certain procurement contracts lacked proper approval records and could not ascertain approval processes; and 3. certain subsidiaries did not require signatories to include the signing date on the procurement contract at the time of signing.	1. Immediately sign outstanding framework contracts with the relevant suppliers to ensure that all terms and conditions are clearly outlined in the contracts and enhance the management of contract files; 2. Update relevant policies to prohibit backdating of contracts. Procurement personnel are required to follow the established approval process for contracts and maintain complete records; and 3. Require signatories to specify the contract signing date in the contracts.	1. Certain subsidiaries have signed new framework contracts with the relevant suppliers and have strengthened the management of relevant processes; 2. Procurement management policy has been revised; and 3. Actual signing date to be included in the contract at the time of signing.

Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
Prepayment		
1. There were no policies that require the subsidiaries to prepare prepayment aging analysis table; and 2. Certain subsidiaries failed to maintain written records of followups with suppliers regarding goods that had remained to be delivered for an extended period.	The Group is advised to establish written policies for prepayments and prepare monthly prepayment aging analysis table. Subsidiaries should submit contract registers to business units quarterly for review and record any anomalies. Furthermore, the Group should enhance procurement contract management by conducting quarterly spot checks on procurement contract/order contract register.	1. Established the Group's prepayment management policy, which requires subsidiaries to prepare monthly prepayment aging analysis table; and 2. Required each subsidiary to prepare prepayment register and submit contract register to relevant business units for review.
Reserve Fund Management		
1. The finance department relied on the financial system to review details of reserve fund without maintaining a separate register; 2. The financial management policy of the Oilfield Equipment Segment did not clearly require reserve fund borrowers to regularly submit payment vouchers for record, and there was no upper limit for reserve fund borrowings; and 3. Large reserve fund loans had not been timely offset and renewal of borrowing procedures did not comply with such policy	1. Set up a maximum borrowing limit for reserve fund; applications that exceed such limit should require higher management approval; 2. Increase the frequency of reserve fund collections from annually to quarterly, maintain written records, annually review borrowing procedures, and report any non-compliance to the management; 3. Require long-term and revolving reserve fund borrowers to submit receipts and related documents quarterly; 4. Establish a written reserve fund register; and 5. Require the internal audit department to perform quarterly audits on the reserve fund register and associated processes.	The Group requires employees to maintain and quarterly review reserve fund registers. Reserve fund borrowers are reminded via email to reconcile or repay the borrowings, with follow-ups through calls or meetings. The financial management policy of the Oilfield Equipment Segment regarding reserve funds has been updated.

Summary of Key Findings	Rectification Recommendation	Implementation of Remedial Actions following the Rectification Recommendations of the Internal Control Consultant
Seal Management (Including Storage, Usage, Borrowing and Return)		
1. Failure to require seal custodians to sign a seal management responsibility letter; 2. Seal borrowing records were not in chronological order and some records were not registered; 3. Infrequent review of the seal borrowing and return procedures; 4. Certain contract seals were held by departments responsible for contract execution and performance, which may lead to excessive centralization of authority; 5. No requirements for applicants to upload stamped documents for record; and 6. Lack of indications in approval form to record the details of seal borrowing.	1. Require employees to record the details of borrowings in chronological order on the register and centralise custody of contract seals; 2. Require the contract seals held by supply chain management center to be transferred to general affairs department for custody; 3. separate the management authority of the legal representative seal and financial seal, and transfer these seals to the general affairs department for custody; and 4. Require seal custodians to sign responsibility letters and enhance its review of seal usage, borrowing and return procedures	The Group's seal management policy has been revised and requirements have been clearly implemented for the safe and compliant use of seals. Contract seals have been retrieved and transferred to the general affairs department for custody and register has been updated. The finance department has transferred the legal representative seals of two subsidiaries to the general affairs department and has established comprehensive seal register. Seal management approval process and supervision have been enhanced. In addition, the internal audit department of the Group will conduct quarterly spot checks on the register.

As of the date of the Internal Control Report, certain remedial actions were not available for implementation. Therefore, the Internal Control Consultant conducted a supplemental independent review on the rectification recommendations and the implementation of remedial actions of the Internal Control Review for the review period from 1 June 2025 to 31 December 2025 ("**Supplemental Internal Control Review**"). On 30 January 2026, the Internal Control Consultant submitted its final report in respect of the Supplemental Internal Control Review (the "**Supplemental Internal Control Review Report**") to the Board. Set out below is a summary of the outstanding rectification recommendations as of the date of the Internal Control Report and the implementation status of the remedial actions in the Supplemental Internal Control Review:

Outstanding Rectification Recommendation as of the date of the Internal Control Report	Implementation of Remedial Actions as of the date of the Supplemental Internal Control Review Report
New Customers Admission, Sales and Accounts Receivable Management Policy (MTC)	
The Group did not engage any new customers or conduct any external third-party sales during the Internal Control Review, the relevant workflow and documentation were not available for assessment by the Internal Control Consultant.	Based on the sales and accounts receivable records of MTC provided by the Group, there were no new customers or external third-party sales during the second half of 2025.
New Suppliers Admission, Procurement and Accounts Payable/Prepayment Management Policy (MTC)	
The Group did not conduct any procurement from third party suppliers during the Internal Control Review, no procurement related workflow documentation was available for assessment by the Internal Control Consultant other than samples relating to the new supplier onboarding process.	The Group has provided records of new supplier onboarding and confirmed that relevant Russian subsidiaries have implemented the required procedures, including conducting background checks on suppliers through third party public service platforms and obtaining signed undertakings to confirm the absence of any other economic dealings or connected relationships before approving new suppliers. The Group has provided worksheets and reports relating to on-site audit work performed on various subsidiaries. The audit scope for the second half of 2025 covered several overseas subsidiaries, including new supplier onboarding, accounts payable and prepayment management, and company seal management. The Group's legal department and the internal audit department have issued monthly progress reports to the Directors (including the chairman of the Audit Committee). In addition, the internal audit department presented its audit findings at the semiannual Audit Committee meeting held on 29 August 2025. No material issues were identified.
Calculation and Payment of Final Salary for Departing Employees	
No employee departures occurred up to the date of the Internal Control Report. Therefore, no execution records relating to employee departing procedures were available for review.	Based on the sample review of two departing employee departures in July and November 2025, both employees had duly acknowledged and confirmed receipt of their final salary. No material issues were identified.

The Company is pleased to announce that all remedial actions recommended by the Internal Control Consultant in the Internal Control Review Report and Supplemental Internal Control Review Report have been completed as at the date of this annual report. For details of (i) the key findings of the Internal Control Review; (ii) the rectification recommendations of the Internal Control Consultant based on these findings; and (iii) the implementation of remedial actions following the rectification recommendations, please refer to the announcement of the Company dated 29 May 2025.

Internal Audit Function

The Group has established an internal audit team, which assesses the adequacy and effectiveness of the risk management system and internal control system of the Group regularly, and reports to the Audit Committee and the Board on the audit results semi-annually and makes recommendations to the Board and the management to address the significant deficiencies of the system or problems that identified during the monitoring process.

Company Inside Information Management

Important inside message delivered through Company's mailbox and important electronic files were encrypted by password. In addition, the Company has set up "whistle-blowing" window to enhance control of inside information leakage.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

COMPANY SECRETARY

Ms. Sham Ying Man is the company secretary of the Company. The primary contact person at the Company is Mr. Chen Yong (Chief Financial Officer). Ms. Sham Ying Man is a senior manager of Company Secretarial Services of Tricor Services Limited, a member of Vistra Group. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2025 to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution would be proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the Company's Articles of Association and results of the poll will be posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company after each general meeting.

Pursuant to the Company's Articles of Association, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The purpose of the meeting must be stated in the written requisition.

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

As regards proposing a person for election as a Director of the Company, please refer to the procedures posted on the Company's website.

Shareholders may send written enquiries or requests to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: No. 1825, Luodong Road, Baoshan Industrial Zone, Shanghai, People's Republic of China (For the attention of Mr. Chen Yong, Chief Financial Officer)

Email: chenyong@hilonggroup.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The attendance records of Directors at the general meetings held during the year are as follows:

Name of Directors	Attendance
Mr. Zhang Jun	4/4
Ms. Zhang Shuman	4/4
Dr. Yang Qingli	4/4
Mr. Cao Hongbo	4/4
Dr. Fan Ren Da Anthony	4/4
Mr. Wang Tao	4/4
Mr. Wong Man Chung Francis	4/4
Mr. Shi Zheyan	4/4
Mr. Yan Jiantao (appointed on 9 January 2026)	N/A

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Company continues to enhance communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer questions at their enquires.

During the year, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited. Shareholders may refer to the Company's Articles of Association for further details of their rights.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy aims to set out the principles of the Company in relation to the shareholders' communications, with the objective of ensuring that its communications with the shareholders of the Company are timely, transparent, accurate and open. The Board reviewed the implementation and effectiveness of the shareholders' communication policy and the results were satisfactory, considering the channels of communication and engagement in place to promote effective and ongoing communication between the Company and its Shareholders, and to ensure that the Shareholders' views are communicated to the Board and appropriately addressed.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(a) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar.

Enquiries to the Company

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

(b) Corporate Communication

"Corporate Communications" have the meaning ascribed thereto in the Listing Rules, which include but not limited to (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communications of the Company should be made available to the shareholders in a timely manner. Corporate Communications will be provided to shareholders in both English and Chinese versions to facilitate shareholders' understanding. Shareholders shall have the right to choose the language (either English or Chinese or both) or means of receipt of the Corporate Communications (in printed form or through electronic means).

(c) Corporate Website

Any information or documents of the Company posted on the Hong Kong Exchanges and Clearing Limited's website will also be published on the Company's website (www.hilonggroup.com) immediately thereafter. Other corporate information, such as principal business activities and latest development of the Company and its subsidiaries, as well as the share price and dividend history of the Company will also be available on the Company's website.

The Company shall publish its results announcement on the Company's website after the results have been approved by the Board. The results announcement contains the business performance and results of the Group, details on the dividend payment and closure of the register of members and any other information required to be disclosed under the Listing Rules from time to time.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company provide an opportunity for constructive communication between the Company and its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Board members, in particular, the chairmen of Board committees or their delegates, appropriate senior executives and the external auditors will attend annual general meeting of the Company to answer shareholders' questions (if any).

Notices of annual general meeting, related circulars and forms of proxy will be distributed to the shareholders at least 20 clear business days (or any other period required under the Listing Rules from time to time) prior to the respective annual general meeting. The circulars will set out details of the proposed resolutions and other relevant information. The forms of proxy will also be provided to the shareholders for appointing proxies to attend and vote at the annual general meeting on their behalf.

REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Group is an integrated oil field equipment and services provider and is principally engaged in manufacturing and distribution of oil and gas drilling equipment, and provision of oilfield and offshore engineering services. The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements of this annual report.

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in "Management Discussion and Analysis" from pages 8 to 23 of this annual report. Such section constitutes part of this directors' report.

Environmental Policies and Performance

Our production processes primarily involve the manufacture and assembly of components and we do not operate in a highly-polluted industry. Our operations in the PRC are subject to a number of environmental laws and regulations including the Environmental Protection Law, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution and its Implementing Regulations, etc. Pursuant to such laws and regulations, the discharge and disposal of contaminants, toxic and hazardous materials, including manufacturer's waste water, solid waste and waste gases, must comply with the applicable national and local standards. For the year ended 31 December 2025, the Group has been committed to complying with such applicable standards and the aforesaid environmental protection laws and regulations. Further, the Group did not incur any material cost in complying with such laws and regulations during the reporting period.

The Company places environmental protection as one of its top priorities. The Group has developed its own HSE management system with an objective that its operations do not cause any damage to the environment. The HSE policy has been strictly followed. In addition, several of the Group's subsidiaries have obtained certifications from Beijing CNP CHSE Conformity Center (北京中油健康安全環境認證中心) and ABS Quality Evaluations Inc. that their environmental management systems, particularly in relation to their drilling, offshore pipe-lying, offshore technical service activities, are in conformity with the requirements of the ISO 14001 standards.

When providing services to our clients, Hilong not only complies with the applicable local environmental laws and regulations of places it operates, but also fully commits to assisting clients in reducing waste and lowering waste treatment costs by optimizing its operation procedures and adopting new technologies even it is clients' responsibility to take charge of the waste produced (such as cuttings, waste mud, greenhouse gases emission) from their operation activities. Since its foundation in 2008, Hilong and its overseas subsidiaries have never received any complaints or fines from clients or local governments.

Our operations involve welding, handling of heavy machinery and components and hazardous chemicals. As a result, our employees may face the risk of various work-related injuries and accidents. We are subject to relevant rules and regulations on occupational health and safety such as the Safe Production Law and Law of the PRC on the Prevention and Control of Occupational Diseases. We have established HSE and safety production policies and management system to ensure that all parts of our operations are in compliance with existing laws and regulations on occupational, safety and health. In addition, several subsidiaries of the Group have obtained certifications from American Bureau of Shipping (ABS) and Beijing CNP CHSE Conformity Center (北京中油健康安全環境認證中心) that their health and safety management systems, particularly in relation to their drilling, offshore pipe-lying, offshore technical service activities, are in conformity with the requirements of certain international standards in relation to occupational, health and safety system such as the OHSAS 18001. For the year ended 31 December 2025, there had been no instance of major work related injuries or casualties which could have a material and adverse impact upon our business and operations.

The Group also implemented several measures in order to mitigate emissions produced by the Group's offices, such as reducing energy consumption by switching off lightings and electrical appliances and using of LED lamps, implementing double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper.

Compliance with relevant Laws and Regulations

For the year ended 31 December 2025, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those that have significant impact on the Group.

On environmental matters, occupational health and safety, the Group is subject to various laws and regulations in relation to environmental protection and workplace safety. As mentioned in the section headed "Environmental Policies and Performance" above, for the year ended 31 December 2025, the Group has been committed to complying with the applicable standards on discharge and disposal of contaminants, toxic and hazardous materials and the applicable environmental protection laws and regulations. Regarding production safety, the Group has policies and measures in place to prevent and eliminate occupational damages and ensure safe production environment including (i) designating staff to be responsible for managing production safety; (ii) providing relevant employees of appropriate safety classes and training to ensure they possess the required knowledge and management skills on production safety; (iii) erecting appropriate safety signage on dangerous equipment and installations; (iv) ensuring safety-related equipment comply with national or industry standards; and (v) formulating emergency response plan for occupational diseases and accidents.

Our business involves production of hazardous chemicals and production, usage, and inspection of special equipment such as pressure pipelines. We are required by the relevant laws and regulations such as Regulations on the Administration of Permits for the Production of Industrial Products and Regulation to obtain production permits from designated authorities before manufacturing such products and equipment. For the year ended 31 December 2025, the Group obtained necessary production permits from the relevant authorities before commencing the production of hazardous chemical and special equipment.

On employees' rights and interests, the Group has been committed in complying with the requirements of the Labour Law of the People's Republic of China and Law of People's Republic of China on Employment Contracts and other relevant overseas laws and regulations in relation to employees' rights in order to safeguard all employees' rights and interests. All full-time employees in the PRC are covered by a state-managed retirement benefit plan operation by the government of the PRC, and are entitled to an annual pension. The Group has made annual contributions to the state – managed retirement benefit as required under the relevant law. The Group has also made contributions to a defined contribution mandatory provident fund for all full-time employees in Hong Kong.

On taxation, the Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in note 23 to the consolidated financial statements of this annual report.

On corporate compliance, during the reporting period, save as disclosed in this annual report, the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "**SFO**") and the applicable provisions set out in the CG Code for, among other things, the disclosure of information and corporate governance.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company has always been actively fulfilling its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for customers, employees, shareholders and community.

Relationship with customers – Our customers primarily include a number of major PRC and international oil and gas companies. We have maintained well-established relationships with some of the largest PRC oil and gas companies by the provision of quality products, services and after-sales services. We have also maintained regular communications with these customers in order to understand their concerns, standards and industry trends. So far, our performance is widely recognised by the customers.

Relationship with employees – The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, trainings and guidelines are implemented to ensure that the working environment is healthy and safe. The Group provided regular occupational health and safety check-ups and trainings for its employees. Employees are regarded as the most important and valuable assets of the Group. The management met with the employee representatives regularly to understand the concerns of employees. The objectives of the Group's human resources management are to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by providing opportunities within the Group for career advancement.

Relationship with shareholders – The Group recognizes the importance of protecting the interests of shareholders and having effective communications with them. The Group believes that the communication with its shareholders is a two – way process and thrives to ensure the quality and effectiveness of information disclosure, maintain regular dialogues with its shareholders and listen carefully to the views and feedback it receives from its shareholders. This can be done through annual general meetings, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

Relationship with the community – The Group is committed to participating in community events and has worked with a number of charitable organizations with an aim to improve community well-being and social services. The Group believes that by encouraging the staff to participate in a wide range of charitable events, the concern for the community will be raised and boosted.

KEY RISKS AND UNCERTAINTIES

Fluctuations in domestic and international oil and natural gas prices – The economic condition, market uncertainty and various factors that are beyond our control, including actions by major oil-producing countries and the prices and availability of other energy resources, may reduce the worldwide demand for oil and natural gas and result in fluctuations in the prices for oil and natural gas. Any decline in the prices of oil and natural gas, even for a short period of time, may reduce or curtail the expenditure by oil and gas companies in connection with exploration, drilling and production activities, which may result in lower sales volumes and prices for our drilling – related products and oil field services in the PRC and overseas, and may materially and adversely affect our business, financial condition and results of operations.

Failure to renew our certification as a supplier of our key customers – We are approved by our key customers such as CNPC and Sinopec as their suppliers. Such status is necessary for us to sell our products to the subsidiaries or branch oil fields of our major customers. However, such status may be suspended if the Group, amongst other things, delays delivery, has operational problems, is unable to provide after-sales services, or has unsatisfactory financial results. In the event that such status is suspended or terminated by our key customers, or that we are unable to renew such status, our business, financial condition and results of operations may be adversely affected.

Delay or rescheduling of oil and gas pipeline projects – We derive a significant portion of our revenue from sales of drill pipes, and related services. Planned and ongoing oil and gas pipeline projects can be delayed or rescheduled for a number of reasons including changes in business strategy of pipeline operators, technical difficulties, natural disasters, delays in regulatory approval or budget constraints. Should any of the major projects of our clients to which we plan to supply our products and services be delayed or rescheduled, our business, financial condition and results of operations could be materially affected.

Failure to develop or adopt new production technologies – The oil and gas industry is competitive and the production technology underlying the industry is rapidly evolving. As customers' needs, related technologies and market trends are subject to change, the Group may not be able to correctly predict the trends in a timely manner or develop or adopt competitive technology on a timely basis, whether developed in-house or obtained through licence. Even if the Group has put in substantial investment of resources, time and capital to respond to and adapt to technological developments and changes in the oil and gas industry, there can be no assurance that the Group will succeed in adequately responding and adapting to such technological and industry developments. In the event that the Group is unable to respond successfully to technological and industry developments, its business, results of operations and competitiveness may be affected.

Certain risks inherent in overseas operations and risks associated with the international expansion of the Group's business – During the reporting period, a large portion of our revenue was derived from our oilfield services segment from the non-PRC markets. In addition, the Group generated a significant portion of drill pipes and related products revenue from sales to non-PRC markets. Further, as part of the business strategy, the Group intends to expand its business into other regions of the world. As a result, the Group may face certain risks inherent in its overseas operations and risks associated with its efforts to expand and maintain its business in international markets, including cultural differences and other difficulties in staffing and managing international operations; volatility in currency exchange rates; risks that foreign countries may impose withholding taxes; risks of barriers, such as anti-dumping and other tariffs or other restrictions being imposed on foreign trade; etc. If any of these risks materializes, or if the Group is unable to manage these risks effectively, the Group's ability to maintain or expand international business would be impaired, which may in turn affect the Group's business, financial condition, results of operations and prospects.

The impact of geopolitical factors arising in connection with military conflict between Russia and Ukraine on the Group's business operations – Our business and financial results, including our ability to raise capital or raise capital on favorable terms, may be adversely affected by the geopolitical factors arising in connection with military conflict between Russia and Ukraine. We have business operations in Russia and Ukraine, and the military conflict between Russia and Ukraine has brought uncertainty to the global economy and trade and regulatory environments. If the conflict persists or deteriorates, we may be exposed to geopolitical risks. The geopolitical landscape may be further implicated, causing economic, social and political repercussions on a number of regions, which may give rise to a significant expansion of sanctions and trade restrictions among different countries. The Group's businesses may be adversely affected and result in adverse impact on the financial conditions, results of operations, cash flows and prospects of the Group, as well as the share price of the Company.

Prospects

The prospects of the Group is provided in the Chairman's Statement from pages 2 to 6 and in "Management Discussion and Analysis" from pages 8 to 23 of this annual report.

DIVIDEND

During the year ended 31 December 2025, no final dividend for the year ended 31 December 2024 was paid to the shareholders of the Company.

The Board resolved not to recommend any dividend for the year ended 31 December 2025.

RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2025 are set out in notes 15 and 30 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively. As at 31 December 2025, the reserves of the Company available for distribution to shareholders amounted to RMB1,170.9 million (2024: RMB1,255.7 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate revenue from sales of goods or rendering of services attributable to the Group's largest customer and five largest customers accounted for 14.4% and 32.6% of the Group's total revenue from sales of goods or rendering of services, respectively (2024: 7.8% and 26.8%). The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 10.6% and 27.8% of the Group's total purchases respectively during the year under review (2024: 9.9% and 31.0%).

During the year, to the best knowledge of the Directors, except for Hilong Pipeline Engineering and its subsidiaries, which are controlled by controlling shareholder of the Company, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) had any interest in any of the five largest customers or suppliers of the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2025 are set out in note 12(e) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group are set out in note 6 to the consolidated financial statements.

ISSUED SHARES

Details of and reasons for movements in the total issued shares of the Company during the year under review are set out in note 14 to the consolidated financial statements.

BUSINESS ACTIVITIES INVOLVING SANCTIONED ENTITIES

During the reporting period, certain counterparties of our Russian subsidiaries are identified as Sanctioned Targets under Chapter 4.4 of the Guide for New Listing Applicant. Although we are unable to preclude the possibility that any of our Russian Subsidiaries being designated to the SDN List, our Russian subsidiaries are trying their best efforts to wind down their business with Sanctioned Targets, and the Group has implemented a number of internal control measures to prevent the potential sanctions exposure of the Russian businesses from spilling over to the Group level.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 203 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

Executive Director

Mr. Zhang Jun (張軍)

Non-executive Directors

Ms. Zhang Shuman (張姝嫚)
Dr. Yang Qingli (楊慶理)
Mr. Cao Hongbo (曹宏博)
Dr. Fan Ren Da Anthony (范仁達)

Independent Non-executive Directors

Mr. Wang Tao (王濤) (resigned on 1 April 2026)
Mr. Wong Man Chung Francis (黃文宗)
Mr. Shi Zheyan (施哲彥)
Mr. Yan Jiantao (閆建濤) (appointed on 9 January 2026)

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

Dr. Fan Ren Da Anthony (范仁達), Mr. Wong Man Chung Francis (黃文宗) and Mr. Shi Zheyan (施哲彥) will retire by rotation as the Directors at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with Article 84 of the Articles whereas Mr. Yan Jiantao (閆建濤) will retire as the Director at the forthcoming annual general meeting of the Company in accordance with Article 83(3) of the Articles and pursuant to Appendix C1 of the Listing Rules. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Changes in Information of Directors

The change in information of Directors since the date of the 2025 Interim Report of the Company is as follows:

– Mr. Wang Tao has tendered his resignation as an Independent Non-executive Director of the Company with effect from 1 April 2026 and has ceased to be the chairman of the Remuneration Committee and members of Audit Committee and Nomination Committee.

– Mr. Yan Jiantao has been appointed as an Independent Non-executive Director of the Company with effect from 9 January 2026 and has been appointed as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 1 April 2026.

– Mr. Shi Zheyan has been appointed as the chairperson of the Nomination Committee and Remuneration Committee of the Company with effect from 1 April 2026.

Save as disclosed above, there were no changes in information of the Directors that are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company under which he agreed to act as an Executive Director for a term of three years, which may be terminated by not less than one month's notice in writing served by either the Executive Director or the Company. Each of the Non-executive Directors and the Independent Non-executive Directors has signed an appointment letter with the Company for a term of three years which may be terminated by one month's notice (in the case of the Non-executive Director) or not less than one month's notice (in the case of the Independent Non-executive Director) served by either the Non-executive Director/Independent Non-executive Director or the Company. The appointments of Directors are subject to the provisions of retirement by rotation of Directors under the Articles.

None of the Directors (including those proposed for re-election at the forthcoming AGM) has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence. A review of the staff and remuneration policy of the Group during the year is set out in "Management Discussion and Analysis – Financial Review – Staff and Remuneration Policy" of this annual report.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration and five highest paid individuals of the Group are set out in notes 18 and 19 to the consolidated financial statements.

The emoluments paid to the senior management (excluding the Directors) during the year ended 31 December 2025 were within the following bands:

	Number of Senior Management
HK$500,001 to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	4
HK$1,500,001 to HK$2,000,000	–
	4

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, as at 31 December 2025 or during the year, none of the Directors or entities connected with the Directors was materially interested, either directly or indirectly, in any transaction, arrangement or contract that is significant in relation to the business of the Group to which the Company or any of its subsidiaries was a party.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance in relation to the Group's business was entered into between the Company, or any one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2025.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2025 which is still in force.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as set out in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2025.

2023 AWARD SCHEME

The Company adopted the 2023 Award Scheme on 11 September 2023 (the "**Adoption Date**"). The following is a summary of the principal terms of the 2023 Award Scheme:

(a) Purpose

The purposes and objectives of the 2023 Award Scheme are (i) to recognise the contributions by certain Eligible Participants (as defined below) and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(b) Eligible Participants

Eligible Participants under the 2023 Award Scheme include directors of the Company and employees of the Group (including persons who are granted an award by the Board ("**Award**") by way of restricted share units ("**RSU**") or the actual price at which the shares underlying the Awards ("**Awarded Shares**") are sold ("**Actual Selling Price**") in cash, as the Board may determine in accordance with the rules of the 2023 Award Scheme ("**Scheme Rules**") as an inducement to enter into employment contracts with these companies) ("**Employee Participants**"), directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company ("**Related Entity Participants**") and persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group ("**Service Providers**").

(c) Duration and Termination

The 2023 Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date, after which no further Awards will be granted. As at the date of this annual report, the remaining life of the 2023 Award scheme is approximately 7 years and 5 months. The 2023 Award Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participation in the 2023 Award Scheme ("**Selected Participant(s)**").

(d) Maximum number of shares

The Board shall not make any further Awards which will result in the aggregate number of the Awarded Shares underlying the Awards awarded by the Board under the 2023 Award Scheme exceeding 10% of the issued share capital of the Company as of the Adoption Date (i.e. 169,643,860 Shares). The maximum number of Awarded Shares underlying the Awards which may be awarded to a Selected Participant under the 2023 Award Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period (i.e. 16,964,386 Shares).

(e) Administration

The 2023 Award Scheme shall be subject to the administration of the Board and the Trustee (being Computershare Hong Kong Trustees Limited and as defined in the Scheme Rules) in accordance with the Scheme Rules and the trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2023 Award Scheme to the administrator or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. The decision of the Board with respect to any matter arising under the 2023 Award Scheme (including the interpretation of any provision) shall be final and binding.

(f) Vesting of the Awards

The Board is entitled to impose any conditions, as it deems appropriate in its absolute discretion with respect to the vesting of the Awards on the Selected Participant, and shall inform the Trustee and such Selected Participant the relevant conditions of the Awards. Subject to the Scheme Rules and the fulfillment of all vesting conditions, including but not limited to the vesting conditions as set out in the grant notice, to the vesting of the Awards on such Selected Participant and all requirements applicable to such Selected Participant as specified in the 2023 Award Scheme and the grant notice (unless waived by the Board), the respective Awards granted to the Selected Participant pursuant to the 2023 Award Scheme shall vest in such Selected Participant in accordance with the vesting schedule (if any) as set out in the grant notice, and the Trustee shall cause the relevant Awarded Shares to be transferred to such Selected Participant on the Vesting Date, or pay the Selected Participants the proceeds in cash arising from the sale based on the Actual Selling Price of the relevant Awarded Shares. Subject to the vesting conditions set out in the grant notice, (i) 30% of the Awards will be vested on the first anniversary of the grant date of the Awards, (ii) 30% of the Awards will be vested on the second anniversary of the grant date of the Awards; and (iii) 40% of the Awards will be vested on the third anniversary of the grant date of the Awards.

There is (i) no amount payable on application or acceptance of the Award and no specific period within which payments or calls must or may be made or loans for such purposes must be repaid; and (ii) no purchase price for the Awards.

The 2023 Award Scheme is funded solely by the existing Shares and it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. For further details of the 2023 Award Scheme, please refer to the announcement of the Company dated 13 September 2023.

The following table sets out particulars of the Awarded Shares granted and outstanding under the 2023 Award Scheme and their movements during the reporting period:

Category/ name of grantee	Unvested Awarded Shares as at 1 January 2025	Granted during the reporting period	Vested during the reporting period	Cancelled/ Lapsed during the reporting period	Unvested Awarded Shares as at 31 December 2025	Purchase price of Awarded Shares HK$	Closing price immediately before the date of grant of Awarded Shares HK$	Weighted average closing price immediately before vesting of the Awarded Shares HK$	Fair value of the Awarded Shares at the date of grant per Share HK$	Date of grant	Vesting period
Top five highest paid individuals of the Group[1]	–	2,407,216	–	–	2,407,216	N/A	0.196	–	(Note 2)	19 December 2025	(Note 3)
Employees of the Group other than Directors and top five highest paid individuals of the Group	–	47,850,000	–	–	47,850,000	N/A	0.196	–	(Note 2)	19 December 2025	(Note 3)
Total	**–**	**50,257,216**	**–**	**–**	**50,257,216**						

Note:

(1) Among the Awarded Shares granted, 800,000 Awarded Shares were granted to Mr. Gao Zhihai (高智海), the co-chief executive officer of the Company and a connected person of the Group. The grant of the Awarded Shares to Mr. Gao Zhihai has been approved by the Company's remuneration committee and the independent board committee (the Board committee of the Company comprising all Independent Non-executive Directors).

(2) The fair values of the awarded Shares on the grant dates were HK$0.15 per Share for the first tranche with an exercisable date after 21 December 2028, and HK$0.14 per Share for the remaining tranche with an exercisable date after 21 December 2029. For details of the accounting standard and policy adopted, please refer to note 2.23 and 16 to the consolidated financial statements.

(3) For the vesting period of the Awards, please refer to "– (f) Vesting of the Awards" above.

The number of Awards available for grant under the 2023 Award Scheme is 169,643,860 and 119,386,644 Shares as at 1 January 2025 and 31 December 2025.

DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, were as follows:

(a) Long positions in the shares of the Company

Name of Directors / Chief Executive	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the Company
Directors			
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	725,013,000[1]	
	Founder and beneficiary of three Mr. Zhang's family trusts/Interest of controlled corporation	112,300,800[2]	
	Beneficial owner	1,260,000	
		838,573,800	49.43%
Ms. Zhang Shuman	Interest of controlled corporation	24,300,000[3]	
	Beneficial owner	692,000	
		24,992,000	1.473%
Mr. Cao Hongbo	Beneficial owner	1,708,000	0.101%
Mr. Wong Man Chung Francis	Beneficial owner	1,288,000	0.076%
Dr. Yang Qingli	Interest of spouse	77,000[4]	0.005%
Chief Executive			
Mr. Gao Zhihai	Beneficial owner	2,195,000	0.13%

Notes:

(1) These shares are held by Hilong Group Limited, the entire share capital of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as the trustee of Mr. Zhang's trust. As Mr. Zhang Jun is the founder and beneficiary of Mr. Zhang's trust as well as the sole director of Hilong Group Limited, he is deemed to be interested in these shares.

(2) 24,300,000 shares, 24,000,000 shares and 64,000,800 shares are held by Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited respectively, the entire share capital of each of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustees of three Mr. Zhang's family trusts. As Mr. Zhang Jun is the founder and one of the beneficiaries of these three Mr. Zhang's family trusts as well as the sole director of North Violet Investment Limited and LongZhi Investment Limited, he is deemed to be interested in these shares.

(3) These shares are held by Younger Investment Limited of which Ms. Zhang Shuman is the sole director. Ms. Zhang Shuman is therefore deemed to be interested in these shares.

(4) These shares are held by Ms. Gao Chunyi, spouse of Dr. Yang Qingli. Dr. Yang Qingli is therefore deemed to be interested in these shares.

(b) Long positions in the shares of associated corporation of the Company

Name of Director	Capacity	Name of associated corporation	Number of shares interested	Percentage of the issued share capital of the associated corporation
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust	Hilong Group Limited	100	100%

B. Substantial shareholders' interests or short positions in the securities of the Company

As at 31 December 2025, the interests or short positions of the substantial shareholders (other than the interests disclosed above in respect of certain Directors who are also substantial shareholders of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders as required to be kept by the Company under Section 336 of the SFO or as the Company is aware were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares/underlying shares interested	Approximate percentage of the issued share capital of the Company
Hilong Group Limited	Beneficial owner	725,013,000[(1)]	42.74%
SCTS Capital Pte Ltd.	Nominee	837,313,800[(1)(2)]	49.36%
Standard Chartered Trust (Singapore) Limited	Trustee	837,313,800[(1)(2)]	49.36%
Ms. Gao Xia	Interest of spouse	838,573,800[(3)]	49.43%

Notes:

(1)

(ii) the 2025 Renewed Shine New Material Tenancy Agreement entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) ("**Hilong Group of Companies Ltd.**") (as lessor) and Shanghai Hilong Shine New Materials Co., Ltd. (上海海隆賽能新材料股份有限公司) (formerly known as Shanghai Hilong Shine New Materials Co., Ltd. (上海海隆賽能新材料有限公司)) ("**Hilong Shine New Materials**") (as lessee) in relation to the lease of the premises for a manufacturing plant for a term of one year commencing from 1 January 2025 to 31 December 2025;

(iii) the 2025 Renewed Pipeline Tenancy Agreements entered into between (i) Hilong Group of Companies Ltd. (as lessor) and Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司) ("**Hilong Pipeline**") (as lessee); (ii) Hilong Group of Companies Ltd. (as lessor) and Shenglong Oil and Gas Pipeline Inspection Technology Co., Ltd. (盛隆石油管檢測技術有限公司) ("**Shenglong Oil and Gas**") (as lessee); (iii) Technomash Limited Liability Company ("**Technomash**") (as lessor) and Drilling Technology Limited liability Company ("**Drilling Technology**") (as lessee); and (iv) Hilong Petroleum Pipeline Service (Surgut) Limited Liability Company ("**Pipeline Surgut**") (as lessor) and Limited Liability Company "Service Center Precise Trajectory Petroleum Technology" (formerly known as Longhai Petroleum Technology Service Center Limited Liability Company) ("**Longhai Petroleum**") (as lessee) in relation to the leases of premises for office use and/or manufacturing plant for a term of one year commencing from 1 January 2025 to 31 December 2025;

(iv) the 2025 Longshi Investment Tenancy Agreement entered into between Shanghai Longshi Investment Management Company Limited* (上海隆視投資管理有限公司) ("**Longshi Investment**") (as lessor) and Hilong Petroleum Offshore Engineering Limited* (海隆石油海洋工程有限公司) ("**Hilong Petroleum Offshore Engineering**") (as lessee) in relation to the lease of premises for a term of one year commencing from 1 January 2025 to 31 December 2025;

(v) the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement entered into between Hilong Pipeline and Hilong Energy Limited (海隆能源有限公司) ("**Hilong Energy**"), pursuant to which Hilong Pipeline and its subsidiaries ("**Hilong Pipeline Group**") shall provide Hilong Energy and its subsidiaries ("**Hilong Energy Group**") with coating services, hardbanding services and spraying and packaging services as and when requested by Hilong Energy Group for a term of one year commencing from 1 January 2025 to 31 December 2025; and

(vi) the 2025 Welding Wire Supply Agreement entered into between Hilong Energy and Hilong Pipeline, pursuant to which Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group for a term of one year commencing from 1 January 2025 to 31 December 2025.

(The 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Shine New Material Tenancy Agreement, the 2025 Renewed Pipeline Tenancy Agreements and the 2025 Longshi Investment Tenancy Agreement, together, "**2025 Renewed Tenancy CCT Agreements**", and the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply Agreement, together, "**2025 Hilong Energy CCT Agreements**").

The Company estimated that the aggregate annual caps for the transactions contemplated under 2025 Renewed Tenancy CCT Agreements and 2025 Hilong Energy CCT Agreements for the financial year ended 31 December 2025 is RMB42,789,000 and RMB406,048,000, respectively.

As of the date of the 2025 CCT Announcements, (1) Beijing Huashi Investment is held as to 98.0% by Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd. (北京華實海隆石油機械設備有限公司) ("**BHH Petroleum Machine Equipment**"), which is held as to approximately 95.65% by Mr. ZHANG Jun and approximately 4.35% by Ms. ZHANG Jingying, the mother of Mr. ZHANG Jun.

Note:

As at the date of this annual report, Hilong Shine New Materials is held as to (1) approximately 42.25% by BHH Petroleum Machine Equipment; (2) approximately 17.68% by Sinopec Group Capital Co., Ltd. (中國石化集團資本有限公司) ("**Sinopec Group Capital**"), a company incorporated under the laws of the PRC. As at the date of this annual report, Sinopec Group Capital was held as to 51.00% by China Petrochemical Corp. (中國石油化工集團有限公司) which is a state-owned enterprise and 49.00% by China Petroleum & Chemical Corporation (中國石油化工股份有限公司) which is listed on the Stock Exchange (stock code: 00386) and the Shanghai Stock Exchange (stock code: 600028); (3) approximately 5.89% by China Building Material (Anhui) New Materials Industry Investment Fund (Limited Partnership) (中建材（安徽）新材料產業投資基金合夥企業（有限合夥））("**CBM Anhui**"), a limited partnership incorporated under the laws of the PRC. As at the date of this annual report, the executive partner of CBM Anhui is China Building Materials (Anhui) New materials Fund Management Co., Ltd. (中建材（安徽）新材料基金管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會); (4) approximately 5.19% by Zibo Junci Hongchuang No.1 Equity Investment Fund Partnership (Limited Partnership) (淄博雋賜虹創壹號股權投資基金合夥企業（有限合夥））("**Zibo Juncihongchuang**"), a limited partnership incorporated under the laws of the PRC. As at the date of this annual report, the executive partner of Zibo Junci Hongchuang is Shanghai Junci Investment Co., Ltd. (上海雋賜投資管理有限公司), which is owned as to 51.00% by Zhang Fenglin (張鳳林) and 49.00% by Zhang Liying (張利英), who are independent third parties; and (5) other 11 shareholders each holding less than 5% of the equity interest in Hilong Shine New Material.

The counterparties under the 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Shine New Material Tenancy Agreement, the 2025 Renewed Pipeline Tenancy Agreements, the 2025 Longshi Investment Tenancy Agreement, the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

Further details of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements are set out in the 2025 CCT Announcement.

2. Revision of Hilong Energy Annual Cap

Reference is made to the 2025 CCT Announcement in relation to, among others, the annual cap for the transactions contemplated under the 2025 Hilong Energy CCT Agreements for the financial year ended 31 December 2025 ("**Existing Hilong Energy Annual Cap**").

On 1 August 2025, Hilong USA LLC ("**Hilong USA**") and Texas Internal Pipe Coating, LLC ("**TIPC**") entered into the 2025 Drill Pipe Inspection and Coating Services Agreement for a term of five months commencing from 1 August 2025 to 31 December 2025, pursuant to which TIPC shall provide drill pipe inspection and coating services to Hilong USA as and when requested by Hilong USA during the term of the agreement. The demand for drill pipe inspection and coating services arises from occasional urgent needs to repair a batch of Hilong USA's drill pipes. Therefore, the transaction contemplated under the 2025 Drill Pipe Inspection and Coating Services Agreement was not anticipated when determining the Existing Hilong Energy Annual Cap. In view of the above, the Company has decided to revise the Existing Hilong Energy Annual Cap. Save for the revision of the Existing Hilong Energy Annual Cap, all other terms and conditions under the 2025 Hilong Energy CCT Agreements remain the same.

The counterparty under the 2025 Drill Pipe Inspection and Coating Services Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparty are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules. Given that the 2025 Drill Pipe Inspection and Coating Services Agreement and the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement are entered into by the Group and counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

The Company estimated the revised aggregate annual caps for the transactions under the 2025 Drill Pipe Inspection and Coating Services Agreement and the 2025 Hilong Energy CCT Agreements for the financial year ended 31 December 2025 is RMB407,845,000.

3. 2025 Pipeline Cleaning and Inspection Agreement

On 1 August 2025, Hilong Oil Service Ltd. (Libya Branch) ("**Hilong Oil Service Ltd. (Libya Branch)**") and Shenglong Oil and Gas entered into the 2025 Pipeline Cleaning and Inspection Agreement for a term of one year and seven months commencing from 1 August 2025 to 28 February 2027, pursuant to which Shenglong Oil and Gas shall provide Hilong Oil Service Ltd. (Libya Branch) with pipeline cleaning and inspection services as and when requested by Hilong Oil Service Ltd. (Libya Branch) with reference to the needs of Independent Client under the Pipeline and Truckline Cleaning and Inspection Survey Agreement during the term of the agreement.

The counterparty under the 2025 Pipeline Cleaning and Inspection Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparty are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

The Company estimated that the aggregate annual caps for the transactions contemplated under the 2025 Pipeline Cleaning and Inspection Agreement for the financial year ended 31 December 2025 and 31 December 2026 is USD1,870,000 (equivalent to approximately RMB13,436,000 (VAT not applicable)) and USD1,630,000 (equivalent to approximately RMB11,711,000 (VAT not applicable)), respectively. The pipeline cleaning and inspection services are expected to be completed by the end of the financial year ending 31 December 2026. The period from 1 January 2027 to 28 February 2027 will serve as a grace period for payments, during which no services will be provided under the 2025 Pipeline Cleaning and Inspection Agreement.

Annual Review and Directors' View

The Independent Non-executive Directors of the Company have conducted an annual review on the above continuing connected transactions and confirm that the above transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement (including the pricing policies and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised)"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The board confirms that the Company's auditor, Crowe (HK) CPA Limited, has issued an unqualified letter to the Board in respect of the continuing connected transactions of the Company disclosed above confirming the matters stated in Rule 14A.56 of the Listing Rules.

Connected Transaction and Continuing Connected Transactions entered into after the Reporting Period

1. 2026 Renewed Tenancy CCT Agreements and 2026 Hilong Energy CCT Agreements

References are made to the 2025 CCT Announcement and the announcement dated 15 December 2025 regarding the renewal of the 2025 Renewed Tenancy CCT Agreements and the Hilong Energy CCT Agreements ("**2026 CCT Announcement**"). Since each of the 2025 Renewed Tenancy CCT Agreements and the Hilong Energy CCT Agreements has expired on 31 December 2025, the Group and the relevant counterparties entered into the following agreements on 15 December 2025:

(i) the 2026 Renewed Beijing Huashi Tenancy Agreements entered into between Beijing Huashi Investment (as lessor) and Hilong Oil Service (as lessee) in relation to the lease of premises for office use and lease of car park spaces for a term of one year commencing from 1 January 2026 to 31 December 2026;

(ii) the 2026 Renewed Shine New Materials Tenancy Agreement entered into between Hilong Group Companies Ltd. (as lessor) and Hilong Shine New Materials (as lessee) in relation to the lease of the premises for office and manufacturing plant for a term of three years commencing from 1 January 2026 to 31 December 2028;

(iii) the 2026 Renewed Pipeline Tenancy Agreements entered into between (i) Hilong Group of Companies Ltd. (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Group of Companies Ltd. (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Hilong Group of Companies Ltd. (as lessor) and Hilong Petroleum Product Technology Services (Shanghai) Co., Ltd. (海隆石油產品技術服務(上海)有限公司) (as lessee) in relation to the leases of premises for office use and/or manufacturing plant for a term of three years commencing from 1 January 2026 to 31 December 2028; (iv) Technomash (as lessor) and Drilling Technology (as lessee); and (v) Pipeline Surgut (as lessor) and Longhai Petroleum (as lessee) in relation to the leases of premises for office use, maintenance and/or manufacturing for a term of one year commencing from 1 January 2026 to 31 December 2026;

(iv) the 2026 Longdi Management Agreements in relation to the provision of management services entered into between (a) Shanghai Longdi Property Management Co., Ltd. (上海隆諦物業管理有限公司) ("**Longdi Management**") and Hilong Group of Companies Ltd.; and (bi) Longdi Management and Hilong Petroleum Offshore Engineering for a term of one year commencing from 1 January 2026 to 31 December 2026;

(v) the 2026 Hilong Energy Products and Services Procurement Agreement for a term of one year commencing from 1 January 2026 to 31 December 2026, pursuant to which Hilong Pipeline Group shall provide Hilong Energy Group with coating services, hardbanding services, spraying and packaging services and painting materials as and when requested by Hilong Energy Group during the term of the agreement; and

(vi) the 2026 Welding Wire Supply Agreement for a term of one year commencing from 1 January 2026 to 31 December 2026, pursuant to which Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

(The 2026 Renewed Beijing Huashi Tenancy Agreements, the 2026 Renewed Shine New Materials Tenancy Agreement, the 2026 Renewed Pipeline Tenancy Agreements and the 2026 Longdi Management Agreements, together, "**2026 Renewed Tenancy CCT Agreements**", and the 2026 Hilong Energy Products and Services Procurement Agreement and the 2026 Welding Wire Supply Agreement, together, "**2026 Hilong Energy CCT Agreements**").

The Company estimated that the aggregate proposed annual caps for the transactions contemplated under the 2026 Renewed Tenancy CCT Agreements and the 2026 Hilong Energy CCT Agreements for the financial year ending 2026 are RMB47,304,000 and RMB307,790,000, respectively.

Given that the 2026 Renewed Shine New Materials Tenancy Agreement, the 2026 Renewed Pipeline Tenancy Agreement No.1, the 2026 Renewed Pipeline Tenancy Agreement No.2 and the 2026 Pipeline Tenancy Agreement No.5 are entered into by the Group and counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules respectively. The Company estimated that the aggregate proposed annual caps for the transactions contemplated under the 2026 Renewed Tenancy CCT Agreements for the financial year ending 31 December 2027 and 2028 is RMB21,500,000 and RMB21,500,000, respectively.

The counterparties under the 2026 Renewed Beijing Huashi Tenancy Agreements, the 2026 Renewed Shine New Materials Tenancy Agreement, the 2026 Renewed Pipeline Tenancy Agreements, the 2026 Longdi Management Agreements, the 2026 Hilong Energy Products and Services Procurement Agreement and the 2026 Welding Wire Supply Agreement are all companies of which a majority of their interests are controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

2. Longshi Investment Amendment Agreements

References are made to the announcement of the Company dated 1 August 2023 in relation to the 2023 Longshi Investment Tenancy Agreements and the announcement dated 9 December 2024 in relation to the 2025 Longshi Investment Tenancy Agreement. Having considered relevant business needs, the Group and the relevant counterparties entered into the following amendment agreements:

(i) the Longshi Investment Amendment Agreement No.1 entered into between Longshi Investment (as lessor) and Hilong Group of Companies Ltd. (as lessee) in relation to the amendment of the 2023 Longshi Investment Tenancy Agreement No.1; and

(ii) the Longshi Investment Amendment Agreement No.2 entered into between Longshi Investment (as lessor) and Hilong Petroleum Offshore Engineering (as lessee) in relation to the amendment of the 2023 Longshi Investment Tenancy Agreement No.2.

(The Longshi Investment Amendment Agreement No.1 and the Longshi Investment Amendment Agreement No.2, together, "**Longshi Investment Amendment Agreements**")

Pursuant to the note to Rule 14A.35 of the Listing Rules, if there is any material variation of the terms or material delay in the completion of a connected transaction, the Company must announce this fact as soon as practicable and re-comply with other applicable provisions under the Listing Rules. Given that the 2023 Longshi Investment Tenancy Agreements and the Longshi Investment Amendment Agreements are entered into by the Group with the same lessor, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rule 14A.81 of the Listing Rules respectively.

The counterparties under the Longshi Investment Amendment Agreements are all companies of which a majority of their interests are controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

Further details of the 2026 Renewed Tenancy CCT Agreements, the 2026 Hilong Energy CCT Agreements and the Longshi Investment Amendment Agreements are set out in the 2026 CCT Announcements.

Connected Transactions

Save as disclosed above, during the year ended 31 December 2025, there were no connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The related party transactions shown in Note 28 to the consolidated financial statements do not constitute connected transactions under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year ended 31 December 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Executive Directors and Non-executive Directors has confirmed that he/she is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Each of Mr. Zhang Jun and Hilong Group Limited, being controlling shareholders (the "**Controlling Shareholders**") of the Company, has entered into a Non-competition Deed (the "**Deed**"), details as described in the prospectus of the Company dated 11 March 2011, with the Company on 3 March 2011.

The Controlling Shareholders have confirmed their compliance with the non-competition undertakings under the Deed throughout the year of 2025. The Independent Non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the undertakings.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the Corporate Governance Report, the Company has complied with all the applicable code provisions set out in Part 2 of the CG Code contained in Appendix C1 of the Listing Rules throughout the year ended 31 December 2025.

SUBSEQUENT EVENTS

Save as disclosed above under the section headed "Connected Transaction and Continuing Connected Transaction Entered into after the Reporting Period" and "Management Discussion and Analysis – Other Significant Events" and elsewhere in this annual report, as at the date of this annual report, the Directors are not aware of any other major subsequent events of the Company which need to be disclosed in the annual report.

AUDITOR

The financial statements for the year ended 31 December 2025 have been audited by Crowe (HK) CPA Limited, certified public accountants.

On behalf of the Board
Zhang Jun
Chairman

Hong Kong, 27 March 2026

[redacted]

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILONG HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hilong Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 81 to 203, which comprise the consolidated balance sheet as at 31 December 2025, and the consolidated income statement and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment	
At 31 December 2025, the Group has approximately RMB1,244 million, RMB50 million and RMB137 million of property, plant and equipment, right-of-use assets and intangible assets respectively. Management assesses related assets for potential impairment whenever there are indications that the carrying amount of an asset or a group of assets may not be recoverable. Management performed impairment assessment accordingly by determining the recoverable amount of the relevant cash-generating unit ("**CGU**") based on the higher of the value-in-use calculation and the fair value less cost of disposal. The estimate of recoverable amount based on a value in use calculation requires management to estimate the future cash flows expected to arise from the CGU, using discounted cash flow model to calculate the present value. Key assumptions used in the calculation included the estimated growth rates, estimated gross margin and discount rates. Prior to the disposal of the Group's vessel during the year ended 31 December 2025, management performed impairment assessment to determine the recoverable amount of the vessel, which was determined based on fair value less costs of disposal. Independent external valuation was obtained for the vessel to support management's estimate. The fair value less costs of disposal is arrived at based on cost approach methodology with the valuation based on the gross current replacement cost of the vessel and applied the composite depreciation rate to derive the depreciated replacement cost, which was used to estimate the vessel's recoverable amount. Based on the impairment test, an impairment loss of RMB325 million was recognised on property, plant and equipment for the year ended 31 December 2025. We identified impairment assessment as a key audit matter because impairment assessment prepared by management is complex and involves a significant degree of judgment in relation to the key assumptions adopted in the impairment assessment models.	We assessed and challenged the impairment analysis prepared by the board of directors as outlined below: With regard to the overall impairment assessment performed by the board of directors, we evaluated the design of internal controls in place to check that the Group's assets are valued appropriately including those controls in place to determine any asset impairments or impairment reversals. We also reviewed the assets not assessed by management for impairment indicators and no indicators were identified. We obtained the recoverable amount calculation of the CGUs prepared by the management and checking its mathematical accuracy. We obtained and reviewed the signed sales agreement, which is the evidence for the fair value assessment. We assessed the appropriateness of the key estimations and assumptions adopted in the discounted cash flow model for impairment assessments, including revenue growth rates, gross margin and discount rates applied. We evaluated the reasonableness of source data, on a sample basis, to supporting evidence, such as selling prices. We performed sensitivity analysis on the assumptions made by the management in determining the value in use of the CGUs. We assessed the reasonableness of the disclosures in the consolidated - -1.4e discld outlined below:

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of trade and other receivables and contract assets	
The Group has significant businesses in a number of overseas countries and has many overseas customers, with certain businesses of the Group are exposed to global fluctuation of oil and gas prices. Provisions are made for expected credit losses. Management's significant judgment is required in assessing the expected credit losses. As at 31 December 2025, the gross carrying amount of trade and other receivables and contract assets of the Group were approximately RMB3,586 million and RMB19 million respectively, and provision for expected credit losses of approximately RMB141 million and RMB0.3 million was recorded for trade and other receivables and contract assets respectively. For trade receivables which have impaired, the Group assessed individually and provided for credit losses allowance. For the remaining balance, the trade receivables were grouped based on shared credit risk characteristics and the days past due, and were assessed collectively for credit losses allowance. Management estimated the level of expected credit losses, by assessing future cashflows of trade receivables including a probability determined by evaluating a range of possible outcomes based on twelve months rolling historical credit loss experience on customer profiles and applying to the receivables at the year end. The impact of forward looking economic factors are also considered in assessing the likelihood of recovery from customers and expected credit losses. For other receivables, the Group assessed individually and provided for credit losses allowance. For those customers where objective evidence of impairment exists, management measured the amount of loss to reflect the difference between the carrying amounts of trade receivables and present value of the estimated recoverable future cash flows. We focused on this area because of the significant judgements and estimation involved in determining the expected credit losses of the Group's trade receivables, mainly attributable to the significance of the trade receivables balance, the recent global fluctuation of oil and gas prices and the fact that its customers are located in different countries.	We assessed the provision analysis prepared by the board of directors as outlined below: We understood and tested controls on a sample basis over management's policies, processes, and controls over assessment on recoverability of trade receivables balance and determination of the expected credit losses. We assessed the appropriateness of the expected credit loss provisioning methodology throughout the Group. We assessed individually, on a sample basis, by reviewing management's assessment of creditworthiness of customers, historical payment and settlement records, and forecasted future economic conditions; and corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group, respective collection and settlement patterns. We assessed the reasonableness of the grouping and the respective expected credit loss based on the historical credit losses incurred including the historical payment and settlement patterns of customers, aging profile of trade receivables, current conditions and forward looking factors; recalculating the historical default rate. We evaluated the basis of determining forward-looking adjustment. We tested the accuracy of the aging of the trade receivables on a sample basis; and assessed the mathematical accuracy of calculation of the expected credit loss allowance. We confirmed, on a sample basis, balances with significant customers.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

– Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants

Hong Kong, 27 March 2026

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,244,091**	2,366,346
Right-of-use assets	7	**49,811**	50,946
Intangible assets	8	**136,841**	132,970
Deferred income tax assets	9	**120,047**	150,531
Contract costs	5(d)	**55,747**	141,069
Prepayments	10	**38,616**	69,829
		1,645,153	2,911,691
Current assets			
Inventories	11	**1,059,871**	1,095,842
Contract assets	5(d)	**18,890**	38,039
Financial assets at fair value through other comprehensive income	12(a)	**25,523**	212,583
Financial assets at fair value through profit or loss ("**FVPL**")	12(b)	**176,590**	–
Contract cost	5(d)	**41,696**	–
Trade and other receivables	12(c)	**3,445,444**	2,620,792
Prepayments	10	**298,672**	363,565
Current income tax recoverable		**47,195**	68,873
Restricted cash	12(d)	**112,135**	44,705
Cash and cash equivalents	12(d)	**777,622**	721,631
		6,003,638	5,166,030
Total assets		**7,648,791**	8,077,721
EQUITY			
Capital and reserve attributable to equity owners of the Company			
Share capital	14	**141,976**	141,976
Other reserves	15	**1,257,532**	1,262,126
Currency translation differences		**(422,642)**	(459,721)
Retained earnings		**1,992,478**	2,319,537
		2,969,344	3,263,918
Non-controlling interests		**(2,581)**	(4,794)
Total equity		**2,966,763**	3,259,124

	Notes	2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	5(d)	**31,281**	62,520
Lease liabilities	7	**14,588**	17,548
Deferred income tax liabilities	9	**38,275**	33,804
Deferred income	13	**17,749**	17,803
		101,893	131,675
Current liabilities			
Trade and other payables	12(f)	**2,036,797**	1,737,743
Contract liabilities	5(d)	**98,665**	121,441
Current income tax liabilities		**84,951**	131,496
Borrowings	12(e)	**2,349,051**	2,686,464
Lease liabilities	7	**10,671**	9,778
		4,580,135	4,686,922
Total liabilities		**4,682,028**	4,818,597
Total equity and liabilities		**7,648,791**	8,077,721

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 81 to 203 were approved by the Board of Directors on 27 March 2026 and were signed on its behalf.

Director: Zhang Jun (張軍)

Director: Cao Hongbo (曹宏博)

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	*5(a)*	**4,875,156**	4,668,332
Cost of sales and provision of services		**(3,676,231)**	(3,546,567)
Gross profit		**1,198,925**	1,121,765
Selling and marketing expenses		**(90,242)**	(92,913)
Administrative expenses		**(730,365)**	(551,147)
Research and development expenses		**(66,159)**	(24,800)
Net provision for impairment losses on receivables and contract assets	*3.1(b)*	**(5,827)**	(27,188)
Impairment losses on property, plant and equipment	*17(b)*	**(325,094)**	–
Other income	*20*	**30,662**	14,145
Other loss – net	*21*	**(13,871)**	(68,091)
Operating (loss)/profit		**(1,971)**	371,771
Finance income	*22*	**22,762**	31,159
Finance costs	*22*	**(188,004)**	(287,057)
Finance costs – net		**(165,242)**	(255,898)
(Loss)/profit before income tax	*17*	**(167,213)**	115,873
Income tax expense	*23*	**(152,788)**	(85,801)
(Loss)/profit for the year		**(320,001)**	30,072
Other comprehensive income/(expenses):			
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		**1**	19
Currency translation differences		**35,354**	(99,983)
Other comprehensive income/(expenses) for the year, net of tax		**35,355**	(99,964)
Total comprehensive expenses for the year		**(284,646)**	(69,892)

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
(Loss)/profit for the year attributable to			
Equity owners of the Company		**(323,554)**	28,275
Non-controlling interests		**3,553**	1,797
		(320,001)	30,072
Total comprehensive (expense)/income for the year attributable to			
Equity owners of the Company		**(286,474)**	(71,621)
Non-controlling interests		**1,828**	1,729
		(284,646)	(69,892)
(Loss)/earnings per share attributable to the equity owners of the Company for the year (expressed in RMB per share)			
– Basic (loss)/earnings per share	*24*	**(0.1926)**	0.0167
– Diluted (loss)/earnings per share	*24*	**(0.1926)**	0.0167

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

		Capital and reserves attributable to equity owners of the Company						
	Notes	Ordinary shares *(Note 14)* RMB'000	Other reserves *(Note 15)* RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2024		141,976	1,301,787	2,251,582	(359,806)	3,335,539	(6,534)	3,329,005
Profit for the year		–	–	28,275	–	28,275	1,797	30,072
Other comprehensive income/(expense)		–	19	–	(99,915)	(99,896)	(68)	(99,964)
Total comprehensive income/(expense) for the year		–	19	28,275	(99,915)	(71,621)	1,729	(69,892)
Capital contribution from non-controlling interests of a non-wholly-owned subsidiary		–	–	–	–	–	11	11
Appropriation to statutory reserve	*15*	–	6,409	(6,409)	–	–	–	–
Transfer upon expiry of share option	*15*	–	(46,089)	46,089	–	–	–	–
As at 31 December 2024 and 1 January 2025		141,976	1,262,126	2,319,537	(459,721)	3,263,918	(4,794)	3,259,124
(Loss)/profit for the year		**–**	**–**	**(323,554)**	**–**	**(323,554)**	**3,553**	**(320,001)**
Other comprehensive income/(expense)		**–**	**1**	**–**	**37,079**	**37,080**	**(1,725)**	**35,355**
Total comprehensive income/(expense) for the year		**–**	**1**	**(323,554)**	**37,079**	**(286,474)**	**1,828**	**(284,646)**
Capital contribution from non-controlling interests of a non-wholly-owned subsidiary		**–**	**–**	**–**	**–**	**–**	**385**	**385**
Appropriation to statutory reserve	*15*	**–**	**3,505**	**(3,505)**	**–**	**–**	**–**	**–**
Purchase of shares under share award scheme	*15*	**–**	**(8,230)**	**–**	**–**	**(8,230)**	**–**	**(8,230)**
Equity-settled share-based payment	*15*	**–**	**130**	**–**	**–**	**130**	**–**	**130**
As at 31 December 2025		**141,976**	**1,257,532**	**1,992,478**	**(422,642)**	**2,969,344**	**(2,581)**	**2,966,763**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
(Loss)/profit before income tax for the year		**(167,213)**	115,873
Adjustments for:			
– Depreciation of property, plant and equipment	*17(b)*	**282,469**	236,033
– Depreciation of right-of-use assets	*17(b)*	**11,474**	10,359
– Amortisation of intangible assets	*17(b)*	**12,030**	7,642
– Amortisation of contract costs	*17(b)*	**113,545**	42,382
– Provision for impairment losses on receivables and contract assets	*17(b)*	**5,827**	27,188
– Impairment loss on property, plant and equipment	*17(b)*	**325,094**	–
– Inventory write-off	*21*	**17,250**	–
– Interest income	*22*	**(22,762)**	(31,159)
– Finance costs	*22*	**188,004**	287,057
– Loss on disposal of property, plant and equipment	*21*	**5,602**	3,484
– Fair value loss on financial assets at FVPL	*21*	**16,248**	–
– Release of deferred government grants	*20*	**–**	(3,523)
– Impairment of prepayment	*17(b)*	**–**	4,002
– Write-off of other receivables	*21*	**5,342**	13,667
– Write-off of other payable	*21*	**(2,299)**	–
– Share-based payment expenses	*17*	**130**	–
– Gain on early termination of lease contract		**(426)**	–
		790,315	713,005
Changes in working capital:			
– Increase in trade and other receivables		**(412,166)**	(261,353)
– Decrease/(increase) in financial assets at FVOCI		**187,061**	(94,165)
– Decrease/(increase) in inventories		**18,721**	(19,828)
– Decrease in prepayments		**62,606**	107,897
– Increase in contract assets		**(18,263)**	(38,065)
– Increase in contract costs		**(77,315)**	(72,132)
– (Decrease)/increase in deferred income		**(54)**	4,601
– (Decrease)/increase in contract liabilities		**(54,015)**	57,950
– Increase in trade and other payables		**177,445**	84,701
– Decrease in provision		**–**	(75,475)
		(115,980)	(305,869)
Cash generated from operations		**674,335**	407,136
Interest received		**22,762**	31,159
Income tax paid, net of refunds		**(119,159)**	(16,734)

	Notes	**2025** **RMB'000**	2024 RMB'000
Net cash generated from operating activities		**577,938**	421,561
Investing activities			
Proceeds from disposal of property, plant and equipment			

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION OF THE GROUP

Hilong Holding Limited (the "**Company**") was incorporated in the Cayman Islands on 15 October 2008 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. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in Hong Kong is Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in manufacturing and distribution of oil and gas drilling equipment, oilfield and offshore engineering services.

The Company completed its global initial public offering and listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 21 April 2011.

The consolidated financial statements are presented in Renminbi thousand (RMB'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 March 2026.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all HKFRS Accounting Standards ("**HKFRSs**"), which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Material accounting policy information adopted by the Group is disclosed below.

The consolidated financial statements have been prepared under the historical cost basis, except that certain financial assets are stated at fair value through profit or loss or fair value through other comprehensive income.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Application of amendments to HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2025, to the consolidated financial statements for the current accounting year:

Amendments to HKAS 21	Lack of Exchangeability

The Group has not applied any new standards and amendments to HKFRS Accounting Standards that are not yet mandatorily effective for the current accounting period. The application of the Amendments to HKAS 21 in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

2.1.2 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards have been published that are not mandatory for the year ended 31 December 2025 and have not been early adopted by the Group. The Group is in the process of making an assessment of the impact of these new standards and amendments upon initial application but is not yet in the position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

		Effective for annual periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

2.1.2 New standards and interpretations not yet adopted (continued)

HKFRS 18 Presentation and Disclosure in Financial Statements and consequential amendments to other HKFRSs

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements* ("**HKAS 1**"). It carries forward many requirements from HKAS 1 unchanged. HKFRS 18 brings major changes to the statement of profit or loss and notes to the financial statements as follows:

(a) HKFRS 18 requires an entity:

(i) to classify income and expenses into operating, investing and financing categories in the statement of profit or loss, plus income taxes and discontinued operations;

(ii) to present two new defined subtotals, namely, operating profit or loss and profit or loss before financing and income taxes.

(b) It requires an entity to disclose management-defined performance measures ("**MPM**") and reconciliations between MPM and subtotals listed in HKFRS 18 or totals or subtotals required by HKFRSs.

(c) It sets out requirements to help an entity determine whether information about items should be in the primary financial statements or in the notes and provides principles for determining the level of detail needed for the information.

HKFRS 18 also set out classification requirements for foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments.

In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 *Basis of Preparation of Financial Statements* and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18 and consequential amendments to other HKFRSs are effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact on the consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when it has power over the entity, it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

The acquisition method is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire, the equity interests issued by the Group and the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss, or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. The subsequent accounting for the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recorded as goodwill. If, after reassessment, the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

(b) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid or received and the amount by which the non-controlling interests of the subsidiary is adjusted is recorded in capital reserve in equity and attributed to owners of the Company.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from a subsidiary if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the subsidiary's net assets including associated goodwill.

2.3 Non-current assets classified as held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition subject only to terms that are usual and customary for sale of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets are recognised at the lower of their carrying amounts and fair value less costs of disposal.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior executive management who make strategic decisions.

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of a group entity using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings to the extent that they are regarding as an adjustment to interest costs, restricted cash and cash and cash equivalents are presented in the consolidated income statement within "Finance income or costs". All other foreign currency translation gains and losses are presented in the consolidated income statement within "Other gains – net".

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated into the functional currency of a group entity using the foreign exchange rates ruling at the transaction dates and are not re-translated. The transaction date is the date on which a group entity initially recognises such non-monetary asset or liability.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

- all resulting currency translation differences are recognised in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated at exchange rates prevailing on the reporting date. The results of foreign operations are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the foreign exchange rates ruling at the dates of the transactions are used.

Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operation on or after 1 January 2005, are translated into RMB at the closing foreign exchange rate at the end of the reporting period. Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation acquired before 1 January 2005 are translated at the foreign exchange rate at the date of acquisition of the foreign operation. The resulting exchange difference is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve, except to the extent that the translation difference is allocated to non-controlling interests.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated currency translation difference is reclassified to profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 Property, plant and equipment

Property, plant and equipment for own use, other than freehold land and construction in progress, are stated at historical cost less depreciation and provision for impairment losses, if any. Freehold land is not depreciated and is stated at historical cost less provision for impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings and facilities	5 to 40 years
Vessel	25 years
Machinery and equipment	3 to 25 years
Office and electronic equipment	3 to 10 years
Vehicles	3 to 10 years

The estimated useful lives of leasehold improvements were lower of estimated useful lives of 5 to 10 years or lease term.

Construction in progress represents buildings, plant and machinery under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within "Other gains – net" in the consolidated income statement.

The freehold land of the Group is mainly located in Canada, North America and Russia. Such land ownership has infinite useful life.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level, before aggregation.

(b) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Computer software	2 to 10 years
– Proprietary technologies	10 years

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Internal and external sources of information is reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– contract costs; and

– investments in subsidiaries in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if determinable) and zero.

Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset other than trade receivables (Note 2.13) at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains – net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains – net" and impairment expenses are presented as separate line item in the consolidated income statement. As at 31 December 2025 and 2024, the Group's bills receivable was recognised as FVOCI due to the due purpose for both collection of contractual cash flows and for selling.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains – net" in the period in which it arises.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) *Credit losses from financial instruments, contract assets and lease receivables*

The Group recognises a loss allowance for expected credit losses ("**ECL**") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest ("**SPPI**");

- contract assets as defined in HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**");

- financial assets (other than equity securities) measured at FVOCI (recycling);

- lease receivables; and

- financial guarantee contracts, which are not measured at FVPL.

Other financial assets measured at fair value, including financial assets measured at FVPL and equity securities designated at FVOCI, are not subject to the ECL assessment.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Credit losses of financial instruments other than financial guarantee contracts are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable;

- financial guarantee contracts: current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECL (continued)

ECL are measured on either of the following bases:

– 12-month ECL ("**12-m ECL**"): these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECL: these are losses that are expected to result from all possible default events over the expected life of a financial instrument.

Loss allowances for trade receivables, contract assets without significant financing component and lease receivables are always measured at an amount equal to lifetime ECL. ECL on trade receivables, contract assets and lease receivables are estimated using a provision matrix based on the Group's historical credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-m ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor;

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group;

– an actual or expected significant change in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring; and

– significant changes in the expected performance and behaviour of the borrower.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) *Credit losses from financial instruments, contract assets and lease receivables (continued)*

Significant increases in credit risk (continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For a financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group has identified the "Gross Domestic Product" ("**GDP**") and "Rule of Law" ("**RoL**") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with the corresponding adjustment recognised through a loss allowance account. For the financial assets that are measured at FVOCI (recycling), the loss allowance is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the balance sheet.

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) Credit losses from financial instruments, contract assets and lease receivables (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or

– the disappearance of an active market for a that financial asset because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 5 years past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Investments and other financial assets (continued)

(d) Credit losses from financial instruments, contract assets and lease receivables (continued)

Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset.

Subsequent to initial recognition, the financial guarantee, if not designated as at FVPL and it does not arise from a transfer of a financial asset, is measured at the higher of the amount of ECL determined and the amount initially recognised as deferred income less the cumulative amount of income recognised in accordance with the principles of HKFRS 15 in profit or loss over the term of the guarantee issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECL on the financial guarantee is determined to be higher than the carrying amount in respect of the guarantee (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.12 Contract assets and contract cost

(a) Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and they should be presented separately. If the Group transfers control of goods or services to a customer before the customer pays consideration, the Group should record either contract assets or receivables depending on the nature of the Group's right to consideration for its performance.

Contract assets are assessed for ECL in accordance with the policy set out in Note 2.9(d).

(b) Contract costs

The Group incurs costs to obtain and fulfill a contract. As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs, representating mobilisation cost occurred related to oilfield service contracts, are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

2.13 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 12(c) for further information about the Group's accounting for trade receivables and see Note 2.9 and Note 3.1(b) for a description of the Group's impairment policies.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2.9(d).

2.15 Restricted cash

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee and as security deposits under bank borrowing agreements and the bank deposit over three months of maturity at acquisition. Such restricted cash will be released when the Group repays the related trade facilities or bank loans. Contractual restrictions affecting use of bank balances are disclosed in Note 12(d). If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

2.16 Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Consideration paid, including any directly attributable incremental costs, for purchase of the Company's ordinary shares is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares. Shares purchased and held by the Company's share award trust are disclosed as treasury shares and presented in "Shares held for share award scheme" in other reserve. When the treasury shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity.

2.17 Trade and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.18 Contract liabilities

Contract liabilities are recognised if the Group receives consideration (or if it has the unconditional right to receive consideration) in advance of performance. Contract liabilities which are expected to be settled within 12 months after the end of the period are presented as current liabilities in the balance sheet, otherwise are presented as other non-current liabilities. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense, finance charges in respect of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.22 Employee benefits

(a) Pension obligations

The People's Republic of China ("**PRC**") employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined-contribution pension plans sponsored by the government of their respective country of residence.

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the MPF Scheme vest immediately.

There were no forfeited contributions (by employers on behalf of employees who leave the defined contribution retirement benefit plans prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(b) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by these housing funds.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.23 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services to be received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Shares held for share award schemes

The consideration paid by the Trustee for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award schemes" and the amount is deducted from total equity. When the Company's shares are transferred to the awardees upon vesting, the related costs of the award shares vested are credited to "Shares held for share award schemes", with a corresponding adjustment made to "Share premium".

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.24 Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future losses.

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials); and an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract. Before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets used in fulfilling the contract.

2.25 Revenue recognition

(i) Revenue from sales of products

The Group manufactures and sells a range of products, including the production of oilfield equipment and coating materials for anti-corrosive and anti-friction purpose. Sales are recognised when the control of the products has transferred, being when the products are delivered to and inspected by customers according to terms of each contract and there is no unfulfilled obligation that could affect the customers to acceptance of the products.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.25 Revenue recognition (continued)

(ii) Revenue from provision of pipeline coating services, oilfield services and offshore engineering services

The Group provided pipeline coating services to domestic and overseas customers. The revenue was recognised over time upon result is achieved as the Group's performance creates or enhances an asset that the customer controls.

The Group provides a range of oilfield services, including the provision of well drilling services and integrated comprehensive services to oil and gas producers. The Group charges the oil and gas producers at a fixed day rate which will be specific in each contract. Oilfield services revenue is recognised upon completion of each day when services are provided.

The offshore engineering division provides full-scale engineering design, simulation analysis, technical support and a variety of engineering construction services to oil and gas industry. Revenue from providing such services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual cost spent relative to the total expected cost, which provides a faithful depiction of the transfer of the services.

(iii) Financing components

The Group does not expect to have significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs and any other changes in income or expense associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.27 Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right-of-use asset is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group presents right-of-use assets and lease liabilities as separate line items in the consolidated balance sheet.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

2.30 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated income statement as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.31 Research and development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project, and use or sell it;
- it can be demonstrated how the research and development project will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and
- the expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditure that do not meet these criteria are recognised as an expense as incurred. Research and development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.32 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both the entity and the Group are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("**USD**"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations. The Group's exposure to foreign currency risk mainly exists in cash and cash equivalents and restricted cash (Note 12(d)), trade and other receivables (Note 12(c)), borrowings (Note 12(e)) and trade and other payables (Note 12(f)).

As at 31 December 2025, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's net loss for the year would have been RMB163,692,000 higher/lower as a result of foreign exchange losses/gains (2024: net profit for the year would have been RMB176,737,000 lower/higher as a result of foreign exchange losses/gains) on translation of USD denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and borrowings.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of cash and cash equivalents and restricted cash are not expected to change significantly.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates and lease liabilities expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings and lease liabilities are disclosed in Note 12(e) and Note 7 respectively.

As at 31 December 2025, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year would have been RMBNil lower/higher (2024: net profit for the year would have been RMB1,502,000 lower/higher) as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables, debt instruments carried at FVOCI and contract assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) Risk management

Substantial balances of cash and cash equivalents and restricted cash were deposited in major financial institutions, which are of high credit quality.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The table below sets out the bank deposit balances including restricted cash with the major counterparties as at 31 December 2025 and 2024:

Counterparty	Rating	As at 31 December 2025 RMB'000	 2024 RMB'000
Hongkong and Shanghai Banking Corporation Limited*	AA-	**186,438**	215,402
Citibank*	A+	**139,169**	16,329
Emirates Islamic Bank***	A+	**122,615**	190,037
Bank of China*	A	**55,030**	26,133
Sohar International Bank**	Baa3	**53,178**	5,431
Gazprombank	N/A	**45,714**	20,485
China Construction Bank*	A	**45,330**	86,143
Zenith Bank Plc*	B-	**44,444**	21,128
Russian Agricultural Bank***	AA	**36,965**	4,499
Toronto-Dominion Bank*	A+	**25,963**	21,271
Shanghai Pudong Development Bank*	BBB	**20,591**	2,172
Bank of Kunlun	AAA	**17,604**	1,497
China Merchants Bank*	A-	**15,134**	25,982
J P Morgan Chase Bank*	A	**12,927**	31,024
Baiduri Bank*	A-	**9,420**	7,555
Bank of Shanghai	AAA	**9,342**	90
Admiralty Harbour Capital Limited	N/A	**6,539**	6,688
Bank of Ningbo*	BBB	**6,519**	2,982
Abu Dhabi Islamic Bank***	A+	**5,625**	16
Bank of Beijing***	BBB-	**4,285**	9,230
United Bank	N/A	**3,680**	6,580
Standard Chartered Bank*	A+	**3,403**	298
Santander Bank	N/A	**3,321**	320
Industrial & Commercial Bank of China*	A	**814**	1,641
Habib Bank Limited**	Caa1	**650**	31,049
First Abu Dhabi Bank	N/A	**419**	4,707
Bank of Jiangsu**	Baa2	**286**	529
Shanghai Rural Commercial Bank	N/A	**88**	55
China Minsheng Bank*	BBB-	**12**	13
China CITIC Bank*	A-	**9**	254
Agricultural Bank of China*	A	**5**	10,208
Pichincha Bank***	A-	**–**	5,500

* The source of credit rating is from S&P as at 31 December 2025.
** The source of credit rating is from Moody's as at 31 December 2025.
*** The source of credit rating is from Fitch as at 31 December 2025.

The directors of the Company do not expect any losses from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Security

For some trade receivables, the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets and contract assets

The Group has contract assets relating to offshore engineering services and certain inspection services and three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of products and from the provision of services
- Bills receivable carried at FVOCI, and
- Other financial assets carried at amortised cost

Trade receivables and contract assets

The Group has reviewed the credit risk exposure and the customers' expected pattern of settlement at year end.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 18.4% (2024: 37.7%) of the total trade receivables and contract assets at 31 December 2025. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2025, 17.6% (2024: 10.9%) and 42.2% (2024: 36.6%) of the total trade receivables and contract assets are due from the Group's largest trade debtor within offshore engineering services segment (2024: within offshore engineering services segment) and the five largest trade debtors respectively.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets and is calculated using a provision matrix.

To measure the expected credit losses, for trade receivables and contract assets which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2025 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the "Gross Domestic Product" ("**GDP**") and "Rule of Law" ("**RoL**") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

On that basis, the loss allowance as at 31 December 2025 and 31 December 2024 was determined as follows for trade receivables and contract assets:

	Current	Past due within one year	Past due one to two years	Past due two to three years	Past due more than three years	Total
31 December 2025						
Average expected credit loss rate						
– Trade receivables						
China – State-owned enterprise ("**SOE**")	0.7%	2.7%	14.4%	32.3%	N/A	5.6%
China – Other than SOE	1.9%	7.7%	22.8%	28.9%	48.8%	16.7%
Other than China	0.0%	0.2%	1.6%	3.0%	13.4%	0.3%
	0.2%	1.1%	6.3%	26.4%	48.4%	3.1%
– Contract assets						
China – Others	1.9%	7.7%	22.8%	28.9%	48.8%	1.9%
Other than China	0.0%	0.2%	1.6%	3.0%	13.4%	0.0%
	1.3%	N/A	N/A	N/A	N/A	1.3%
Gross carrying amount *(RMB'000)*						
– Trade receivables						
China – SOE	23,250	1,467	8,918	1,500	–	35,135
China – Other than SOE	96,929	127,708	61,204	76,491	39,704	402,036
Other than China	839,843	906,334	231,031	8,483	464	1,986,155
	960,022	1,035,509	301,153	86,474	40,168	2,423,326
– Contract assets						
China – Others	13,149	–	–	–	–	13,149
Other than China	5,996	–	–	–	–	5,996
	19,145	–	–	–	–	19,145
	979,167	1,035,509	301,153	86,474	40,168	2,442,471
Loss allowance *(RMB'000)*						
– Trade receivables						
China – SOE	157	40	1,288	485	–	1,970
China – Other than SOE	1,861	9,806	13,941	22,083	19,365	67,056
Other than China	323	1,646	3,752	252	62	6,035
	2,341	11,492	18,981	22,820	19,427	75,061
– Contract assets						
China – Others	253	–	–	–	–	253
Other than China	2	–	–	–	–	2
	255	–	–	–	–	255
	2,596	11,492	18,981	22,820	19,427	75,316

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

	Current	Past due within one year	Past due one to two years	Past due two to three years	Past due more than three years	Total
31 December 2024						
Average expected credit loss rate						
– Trade receivables						
China - State-owned enterprise ("**SOE**")	0.4%	1.6%	9.1%	21.1%	34.8%	2.8%
China – Other than SOE	6.9%	27.7%	35.8%	19.1%	100.0%	16.4%
Other than China	0.1%	0.3%	2.0%	3.9%	20.8%	0.4%
	2.5%	2.9%	15.9%	19.1%	25.9%	4.5%
– Contract assets						
Other than China	0.1%	0.3%	2.0%	3.9%	20.8%	0.1%
Gross carrying amount *(RMB'000)*						
– Trade receivables						
China – SOE	6,214	34,825	877	289	1,459	43,664
China – Other than SOE	289,962	94,674	77,841	56,066	132	518,675
Other than China	510,756	865,484	111,330	179	4,447	1,492,196
	806,932	994,983	190,048	56,534	6,038	2,054,535
– Contract assets						
Other than China	38,065	–	–	–	–	38,065
	844,997	994,983	190,048	56,534	6,038	2,092,600
Loss allowance *(RMB'000)*						
– Trade receivables						
China – SOE	25	563	80	61	507	1,236
China – Other than SOE	20,072	26,214	27,902	10,722	132	85,042
Other than China	295	2,342	2,278	7	925	5,847
	20,392	29,119	30,260	10,790	1,564	92,125
– Contract assets						
Other than China	26	–	–	–	–	26
	20,418	29,119	30,260	10,790	1,564	92,151

Debtors with gross carrying amount of RMB40,168,000 as at 31 December 2025 (2024: RMB6,038,000) were considered as credit-impaired.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

The closing loss allowances for trade receivables and contract assets as at 31 December 2025 and 31 December 2024 reconcile to the opening loss allowances as follows:

	Contract assets	Trade receivables		
	(not credit-impaired) RMB'000	(not credit-impaired) RMB'000	(credit-impaired) RMB'000	Total RMB'000
As at 1 January 2024	–	(77,949)	(7,831)	(85,780)
(Increase)/decrease in provision for receivables loss allowance				
– loss allowance on trade receivables and contract assets	(26)	(50,562)	44,217	(6,371)
Transfer to credit-impaired	–	37,950	(37,950)	–
As at 31 December 2024 and 1 January 2025	(26)	(90,561)	(1,564)	(92,151)
(Increase)/decrease in provision for receivables loss allowance				
– loss allowance on trade receivables and contract assets	**(255)**	**24,506**	**(6,952)**	**17,299**
Transfer	**27**	**(27)**	**–**	**–**
Transfer to credit-impaired	**–**	**10,791**	**(10,791)**	**–**
Currency translation differences	**(1)**	**(343)**	**(120)**	**(464)**
As at 31 December 2025	**(255)**	**(55,634)**	**(19,427)**	**(75,316)**

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Trade receivables and contract assets (continued)

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the decrease (2024: increase) in the loss allowance:

– origination of new trade receivables net of those settled resulted in a decrease in loss allowance of RMB35,678.000 (2024: increase in loss allowance of RMB37,232,000) for receivables that are current or past due within one year;

– increase in balances for past due more than 3 years resulted in an increase in loss allowance of RMB17,863,000 (2024: decrease in balances resulted in a decrease in loss allowance of RMB6,267,000).

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than five years past due. Trade receivables with an aggregate contractual amount of RMBNil (2024: Nil) written off during the current year are still subject to enforcement activity.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Bills receivable at FVOCI

The Group assesses on a forward-looking basis the expected credit losses associated with its bills receivable at FVOCI, which are bank acceptance bills and commercial acceptance bills arising from the course of ordinary businesses. The impairment methodology applied depends on whether there has been a significant increase in credit risk. As at 31 December 2025 and 2024, the identified impairment loss was immaterial.

Other financial assets at amortised cost

Other financial assets at amortised cost include receivables due from related parties and key management personnel and other receivables.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Amounts due from related parties

The Group regularly monitors the business performance of related parties. The Group's credit risks in these balances are evaluated through the value of the assets held by these entities. Other than amounts due from two related parties, the directors of the Company believe that, there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed that the ECL for amounts due from related parties without significant increase in credit risk is insignificant and thus loss allowance of RMB540,000 is recognised at 31 December 2025 (2024: RMB510,000). For the related parties that has significant increase in credit risk, the Group measured lifetime ECL for the outstanding amount and recorded allowance provision of RMB44,089,000 at 31 December 2025 (2024: RMB37,358,000).

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. As at 31 December 2025, the Group recognised ECL of RMB20,956,000 (2024: RMB4,591,000) for other receivables and deposits.

Assessment of ECL based on internal credit rating

The Group's internal credit risk grading assessment, which is used for ECL assessment for amounts due from related parties and other receivables and deposits comprises the following categories of internal credit ratings:

Internal credit rating	Description	ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles in full	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

The table below details the credit risk exposures of the Group's amounts due from related parties, and other receivable and deposits.

				Gross carrying amount	
	External credit rating	Internal credit rating	12m or lifetime ECL	2025 RMB'000	2024 RMB'000
Amounts due from related parties	N/A	Medium risk	Lifetime ECL	73,483	62,264
	N/A	Low risk	12m ECL	180,225	170,070
				253,708	232,334
Other receivables and deposits	N/A	Low risk	12m ECL	790,772	393,364

Notes:

(1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

At 31 December 2025, amounts due from two related parties with gross carrying amount of RMB73,483,000 (2024: RMB62,264,000) are assessed individually.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

Movements in ECL recognised for other receivables including amounts due from related parties and deposits during the years are as follows:

	12 month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2024	(825)	(20,817)	–	(21,642)
Changes due to financial instruments recognised at 1 January 2024:				
– Impairment losses recognised	(3,937)	–	(16,541)	(20,478)
Transfers	–	20,817	(20,817)	–
New financial assets originated	(339)	–	–	(339)
At 31 December 2024 and 1 January 2025	(5,101)	–	(37,358)	(42,459)
Changes due to financial instruments recognised at 1 January 2025:				
– Impairment losses recognised	**(3,918)**	**–**	**(6,731)**	**(10,649)**
New financial assets originated	**(12,477)**	**–**	**–**	**(12,477)**
At 31 December 2025	**(21,496)**	**–**	**(44,089)**	**(65,585)**

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets and contract assets (continued)

Assessment of ECL based on internal credit rating (continued)

Changes in the loss allowance for other receivables including amounts due from related parties and deposit are mainly due to:

	Increase in 12-month ECL RMB'000	Increase in lifetime ECL (credit-impaired) RMB'000
Year ended 31 December 2025		
Advance of new balances with gross carrying amount of RMB407,563,000	**12,340**	**–**
Amount due from related parties with gross amount of RMB73,483,000 defaulted and being credit impaired	**–**	**6,731**
Year ended 31 December 2024		
Advance of new balances with gross carrying amount of RMB78,776,000	339	–
Amount due from related parties with gross amount of RMB62,264,000 defaulted and transferred to credit impaired	–	16,541

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(iv) Net impairment losses on financial assets and contract assets for the year recognised in the consolidated income statement:

	2025 RMB'000	2024 RMB'000
(Reversal of provision)/provision for impairment losses recognised on:		
Trade receivables	**(17,554)**	6,345
Contract assets	**255**	26
Other receivables	**23,126**	20,817
	5,827	27,188

(c) *Liquidity risk*

Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2025						
Non-derivatives						
Borrowings and interest payables	**2,701,157**	**–**	**–**	**–**	**2,701,157**	**2,697,507**
Trade and other payables (excluding interest payables and other tax liabilities)	**1,548,504**	**–**	**–**	**–**	**1,548,504**	**1,548,504**
Lease liabilities	**10,923**	**5,637**	**5,192**	**6,958**	**28,710**	**25,259**
	4,260,584	**5,637**	**5,192**	**6,958**	**4,278,371**	**4,271,270**
As at 31 December 2024						
Non-derivatives						
Borrowings and interest payables	2,970,424	–	–	–	2,970,424	2,822,520
Trade and other payables (excluding interest payables and other tax liabilities)	1,531,342	–	–	–	1,531,342	1,531,342
Lease liabilities	11,523	6,247	6,129	9,215	33,114	27,326
	4,513,289	6,247	6,129	9,215	4,534,880	4,381,188

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Long-term bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. At 31 December 2025, the aggregate carrying amount of these bank borrowings amounted to RMB Nil (2024: RMB429,000). The management believes that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Long-term Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash outflows RMB'000	Carrying amount RMB'000
At 31 December 2025	**–**	**–**	**–**	**–**
At 31 December 2024	440	–	440	429

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio between 30% to 40%.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The gearing ratios as at 31 December 2025 and 31 December 2024 are as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Total borrowings *(Note 12(e))*	**2,349,051**	2,686,464
Add: Lease liabilities *(Note 7)*	**25,259**	27,326
Less: Cash and cash equivalents *(Note 12(d))*	**(777,622)**	(721,631)
Restricted cash *(Note 12(d))*	**(112,135)**	(44,705)
Net debt	**1,484,553**	1,947,454
Total equity	**2,966,763**	3,259,124
Total capital	**4,451,316**	5,206,578
Gearing ratio	**33.35%**	37.40%

3.3 Fair value estimation

(i) Financial instruments measured at fair value

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2025 and 31 December 2024 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Financial instruments measured at fair value (continued)

The following table sets out the Group's financial instruments that were measured at fair value as at 31 December 2025 and 31 December 2024:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2025				
Financial Assets				
Financial assets at FVOCI	**–**	**–**	**25,523**	**25,523**
Financial assets at FVPL	**–**	**176,590**	**–**	**176,590**
As at 31 December 2024				
Financial Assets				
Financial assets at FVOCI	–	–	212,583	212,583

There were no transfers among levels during the years ended 31 December 2025 and 2024.

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2025 and 31 December 2024:

	2025 RMB'000	2024 RMB'000
As at 1 January	**212,583**	118,399
Additions	**291,558**	714,631
Disposals/settlements	**(478,619)**	(620,466)
Gain recognised in other comprehensive income	**1**	19
As at 31 December	**25,523**	212,583
Total gain for the year included in other comprehensive income under "Changes in the fair value of financial assets at FVOCI"	**1**	19

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Financial instruments measured at fair value (continued)

Valuation inputs and relationships to fair value

Financial instruments	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVOCI				
– Bills receivable	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Interest rates that correspond to the expected risk level ranging from 1.45% to 1.66% (2024: 1.41% to 2.19%)	The lower the discount rate, the higher the fair value
Financial assets at FVPL				
– Promissory note ("**PN**") with conversion option	Level 2	Higher of (i) value based on the discounted cash flow; and (ii) conversion value based on the quoted share price of the PN issuer and number of shares that can be converted	N/A	N/A

The Group did not change any valuation techniques in determining the Level 2 and Level 3 fair values.

Sensitivity analysis

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in the expected future cash flow that reflect the expected risk level of the financial assets at FVOCI at the end of the reporting period. If the respective discount rate had been increased/decreased by 10%, the total comprehensive expense (net of tax), for the year ended 31 December 2025 would have increased/decreased by approximately RMB11,000 and RMB1,000 (2024: RMB54,000 and RMB2,000) as a result of the changes in fair value of the financial assets.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2025 and 2024 except for the 2024 Notes, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed in Note 12(e)(vi).

4 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal options, specifically, the leases relating to offices, plant and equipment. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

(b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

Property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

4 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

(b) Key sources of estimation uncertainties (continued)

(iii) Expected credit loss for receivables

The impairment provision for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 2.9 and Note 3.1(b)(iii). Changes in these assumptions and estimates could materially affect the result of the assessment and impairment charge to the consolidated income statement.

(iv) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Details of the calculation of value in use are disclosed in Note 8(a).

(v) Current and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

At 31 December 2025, deferred tax asset of RMB72,391,000 (2024: RMB167,238,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(vi) Revenue recognition and provision for onerous contracts

The Group recognises contract revenue in relation to provision of offshore engineering and inspection services according to the management's estimation of the total outcome of the contract including the assessment of profitability of on-going contracts as well as the progress towards complete satisfaction of works of individual contract. Stage of completion was determined based on the proportion of contract costs incurred for works performed to date relative to the estimated total contract costs (input method). Total contract costs are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the past experience of similar projects. Notwithstanding that the management reviews and revises the estimates of contract revenue and costs for the contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised, including the provision for onerous contracts, if any.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as senior executive management. Senior executive management reviews the Group's internal reporting in order to assess performance and allocate resources. Senior executive management has determined the operating segment based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on profit before income tax without allocation of finance income, finance costs and corporate overheads, which is consistent with that in the consolidated financial statements.

The corporate overheads are not considered as business segment expenses as such expenses are general management expenses and incurred by the headquarters of the Group, and are not specifically attributable to individual segments.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segments.

The amount provided to senior executive management with respect to total liabilities is measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments.

The Group's operations are mainly organised under the following business segments:

- Oilfield equipment manufacturing and services provision, including the production of oilfield equipment;

- Oilfield services provision, including the provision of well drilling services, integrated comprehensive services, oil country tubular goods ("**OCTG**") trading and related services to oil and gas producers; and

- Offshore engineering services provision, including the provision of offshore engineering services and offshore design services.

Sales between segments are based on terms mutually agreed.

(a) Revenue

The revenue of the Group for the years ended 31 December 2025 and 2024 are set out as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Oilfield equipment manufacturing and services	**1,325,079**	2,124,700
Oilfield services	**2,090,277**	1,579,862
Offshore engineering services	**1,459,800**	963,770
	4,875,156	4,668,332

5 SEGMENT INFORMATION (continued)

(b) Segment information

The segment information provided to senior executive management for the reportable segments as at and for the year ended 31 December 2025 and 2024 is as follows:

	Year ended 31 December 2025			
Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	1,388,281	2,094,999	1,536,296	5,019,576
Inter-segment sales	(63,202)	(4,722)	(76,496)	(144,420)
Revenue from external customers	1,325,079	2,090,277	1,459,800	4,875,156
Revenue from contracts with customers:				
– at a point in time	1,321,780	761,736	13,029	2,096,545
– over time	2,837	1,307,632	1,419,385	2,729,854
	1,324,617	2,069,368	1,432,414	4,826,399
Revenue from other sources:				
– rental income – operating lease payments that are fixed	462	20,909	27,386	48,757
	1,325,079	2,090,277	1,459,800	4,875,156
Results				
Segment gross profit/(loss)	373,732	832,291	(7,098)	1,198,925
Segment profit/(loss)	206,885	272,950	(388,319)	91,516
Corporate overheads				(93,487)
Operating loss				(1,971)
Finance income				22,762
Finance costs				(188,004)
Loss before income tax				(167,213)
Other information				
Depreciation of property, plant and equipment	57,100	214,097	11,272	282,469
Depreciation of right-of-use assets	7,288	–	4,186	11,474
Amortisation of intangible assets	8,314	793	2,923	12,030
Amortisation of contract costs	–	113,545	–	113,545
(Reversal of provision)/provision for impairment losses on receivables and contract assets	(3,032)	(12,133)	20,992	5,827
Write-off of other receivable	4,142	–	1,200	5,342
Impairment loss on property, plant and equipment	2,778	–	322,316	325,094
Inventory write off	17,250	–	–	17,250
Fair value loss on financial asset at FVPL	–	–	16,248	16,248
Additions to non-current segment assets *(note c)*	151,642	252,658	23,969	428,269

5 SEGMENT INFORMATION (continued)
(b) Segment information (continued)

	As at 31 December 2025			
Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Segment assets	3,362,256	2,445,580	1,840,955	7,648,791
Total assets				7,648,791
Segment liabilities *(note b)*	3,271,965	728,558	681,505	4,682,028
Total liabilities				4,682,028
Asymmetrical allocation to segment assets and liabilities *(note a)*				
Deferred income tax assets	74,019	8,672	37,356	120,047
Current income tax recoverable	6,555	40,554	86	47,195
Restricted cash	96,831	12,472	2,832	112,135
Cash and cash equivalents	357,821	362,501	57,300	777,622
Borrowings	2,324,101	–	24,950	2,349,051
Deferred income tax liabilities	24,251	14,024	–	38,275
Current income tax liabilities	35,699	40,085	9,167	84,951
Lease liabilities	17,832	–	7,427	25,259

5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	Year ended 31 December 2024			
Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Revenue				
Segment revenue	2,146,537	1,583,500	966,935	4,696,972
Inter-segment sales	(21,837)	(3,638)	(3,165)	(28,640)
Revenue from external customers	2,124,700	1,579,862	963,770	4,668,332
Revenue from contracts with customers:				
– at a point in time	2,100,282	718,367	25,544	2,844,193
– over time	17,632	849,717	938,226	1,805,575
	2,117,914	1,568,084	963,770	4,649,768
Revenue from other sources:				
– rental income – operating lease payments that are fixed	6,786	11,778	–	18,564
	2,124,700	1,579,862	963,770	4,668,332
Results				
Segment gross profit	559,371	472,691	89,703	1,121,765
Segment profit	319,639	156,775	185	476,599
Corporate overheads				(104,828)
Operating profit				371,771
Finance income				31,159
Finance costs				(287,057)
Profit before income tax				115,873
Other information				
Depreciation of property, plant and equipment	53,642	115,822	66,569	236,033
Depreciation of right-of-use assets	7,239	–	3,120	10,359
Amortisation of intangible assets	6,048	794	800	7,642
Amortisation of contract costs	–	42,382	–	42,382
Provision for/(reversal of) impairment losses on receivables and contract assets	22,265	19,289	(14,366)	27,188
Impairment loss on prepayment	4,002	–	–	4,002
Write-off of other receivable	–	13,667	–	13,667
Additions to non-current segment assets *(note c)*	116,980	241,663	–	358,643

5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

As at 31 December 2024

Business segment	Oilfield equipment manufacturing and services RMB'000	Oilfield services RMB'000	Offshore engineering services RMB'000	Total RMB'000
Segment assets	3,245,785	2,831,547	2,000,389	8,077,721
Total assets				8,077,721
Segment liabilities *(note b)*	3,484,979	720,551	613,067	4,818,597
Total liabilities				4,818,597
Asymmetrical allocation to segment assets and liabilities *(note a)*				
Deferred income tax assets	92,752	26,985	30,794	150,531
Current income tax recoverable	7,740	61,133	–	68,873
Restricted cash	17,278	20,796	6,631	44,705
Cash and cash equivalents	447,127	234,894	39,610	721,631
Borrowings	2,604,564	62,443	19,457	2,686,464
Deferred income tax liabilities	19,397	14,407	–	33,804
Current income tax liabilities	78,216	52,396	884	131,496
Lease liabilities	21,101	–	6,225	27,326

Notes:

(a) For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments. However, the finance income, finance cost and income tax expenses were not included in the measurement of segment results of each reporting segment as unallocated. In the opinion of the CODM, such asymmetrical allocation is in accordance with the internal management reports for the purposes of resources allocation and performance assessment and effect of such asymmetrical allocation is disclosed above.

(b) As at 31 December 2025, the 2024 Notes of RMB2,210,881,000 (2024: RMB2,261,082,000) was included in the total liabilities of oilfield equipment manufacturing and services segment.

(c) Capital expenditure represents additions to non-current segment assets which exclude financial instruments and deferred income tax assets.

5 SEGMENT INFORMATION (continued)

(c) Geographical segments

Although the Group's three segments are managed on a worldwide basis, they operate in six principal geographical areas of the world. In the People's Republic of China ("**PRC**"), the Group produces and sells a broad range of drill pipes and related products. In Russia, Central Asia, East Europe, Middle East and North and South America, the Group sells drill pipes and related products. In North America, the Group provides drill pipe operating lease services. In Central Asia, South Asia, Africa, South America, Middle East and East Europe, the Group provides drilling and related oilfield engineering services. In the PRC and Southeast Asia, the Group provides offshore engineering services. The following table shows the Group's total consolidated revenue by geographical market, based on where the goods and services were provided:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
The PRC (place of domicile) (including Hong Kong SAR)	**458,088**	455,885
Russia and other countries in Central Asia and East Europe	**603,302**	895,417
Middle East		
United Arab Emirates	**255,309**	852,960
Iraq	**140,181**	181,422
Oman	**212,929**	209,891
Other countries in Middle East	**47,966**	5,877
North and South America		
Ecuador	**332,797**	367,989
Canada	**255,435**	217,387
United States of America	**119,105**	180,092
Brazil	**83,862**	138,879
Other countries in North and South America	**66,494**	17,025
South Asia and Southeast Asia		
Thailand	**433,950**	189,381
Pakistan	**96,853**	146,973
Singapore	**20,643**	325,293
Other countries in South Asia and Southeast Asia	**297,921**	48,707
Africa		
Nigeria	**612,611**	227,979
Congo	**765,650**	184,880
Other countries in Africa	**59,120**	19,927
Oceania		
Australia	**12,940**	2,368
	4,875,156	4,668,332

5 SEGMENT INFORMATION (continued)

(c) Geographical segments (continued)

The following table sets out the carrying amount of non-current assets (excluding deferred income tax assets), by geographical areas on the below basis:

– in the case of property, plant and equipment and right-of-use assets, based on the locations of the assets;

– in the case of intangible assets, contract costs and prepayments, based on the locations of the operations to which they are allocated.

	At 31 December	
	2025	2024
	RMB'000	RMB'000
The PRC (place of domicile) (including Hong Kong SAR)	**397,760**	399,389
Russia and other countries in Central Asia and East Europe	**159,720**	129,124
Middle East		
United Arab Emirates	**307,942**	285,172
Iraq	**170,385**	279,914
Oman	**114,527**	187,566
North and South America		
Ecuador	**65,964**	60,796
Canada	**50,781**	57,103
United States of America	**77,990**	20,466
Other countries in North and South America	**4,840**	28
South Asia and Southeast Asia		
Thailand	**9,316**	1,087,329
Pakistan	**19,352**	77,950
Malaysia	**109,154**	23,346
Other countries in South Asia and Southeast Asia	**1,481**	44,768
Africa		
Nigeria	**32,883**	107,681
Other countries in Africa	**3,011**	528
	1,525,106	2,761,160

5 SEGMENT INFORMATION (continued)

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
Current contract assets relating to offshore engineering and inspection services	*(i)*	**19,145**	38,065
Loss allowance	*3.1(b)*	**(255)**	(26)
Total contract assets		**18,890**	38,039
Asset recognised for costs incurred to fulfil a contract			
– Non-current		**55,747**	141,069
– Current		**41,696**	–
	(iv)	**97,443**	141,069
Contract liabilities			
Current			
– Sales and service contracts	*(i), (ii)*	**98,665**	121,441
Non-current			
– Mobilisation fee	*(i), (ii)*	**31,281**	62,520
		129,946	183,961

At 1 January 2024, contract assets amounted to RMB7,063,000 (after loss allowance of RMBNil).

At 1 January 2024, contract liabilities amounted to RMB126,011,000.

(i) Significant changes in contract assets and liabilities

The contract assets primarily relate to the Group's right to consideration for work in relation to provision of offshore engineering services and inspection services completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies the contract assets as current because the Group expects to realise them within twelve months after the reporting period.

For the contracts for sales of goods and provision of services, when the Group receives a deposit before the production activity commences or before the service is rendered, this will give rise to contract liability at the start of a contract, until the revenue recognised on the contract exceeds the amount of the deposit. The Group receives a deposit on acceptance of orders on a case-by-case basis and this has resulted in a contract liability.

Mobilisation fees mainly represent the mobilisation cost compensated by corresponding clients which should be deferred and recognised in the consolidated income statement over the service period afterwards on straight-line basis.

5 SEGMENT INFORMATION (continued)

(d) Assets and liabilities related to contracts with customers (continued)

(i)

5 SEGMENT INFORMATION (continued)

(d) Assets and liabilities related to contracts with customers (continued)

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date (continued)

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for sales of oilfield equipment and service provision for offshore engineering services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of oilfield equipment and service provision for oilfield services and offshore engineering services that had an original expected duration of one year or less.

(iv) Costs to fulfil a contract

Contract costs

	2025 **RMB'000**	2024 RMB'000
Asset recognised from costs incurred to fulfil oilfield service contracts as at 31 December – mobilisation costs	**97,443**	141,069
Amortisation recognised as cost of providing services during the year ended 31 December	**113,545**	42,382

The Group recognised an asset in relation to mobilisation costs incurred to fulfil oilfield service contract. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Management expects the capitalised costs to be completely recovered and no impairment loss needed to record.

(e) Information about major customers

Revenue from customers (a group of entities known to the Group to be under common control is considered as a single customer) of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2025 **RMB'000**	2024 RMB'000
Customer A *(note a)*	**704,948**	N/A*

Note:

(a) Revenue from this customer is derived from oilfield equipment manufacturing and services segment.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and facilities RMB'000	Vessel RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2024									
Cost	39,155	290,224	1,634,736	1,649,917	39,963	17,658	6,257	97,087	3,774,997
Accumulated depreciation	–	(112,120)	(497,804)	(799,241)	(31,249)	(12,984)	(6,257)	–	(1,459,655)
Net book amount	39,155	178,104	1,136,932	850,676	8,714	4,674	–	97,087	2,315,342
Year ended 31 December 2024									
Net book amount at 1 January 2024	39,155	178,104	1,136,932	850,676	8,714	4,674	–	97,087	2,315,342
Transferred from construction in progress	–	515	–	71,786	446	–	–	(72,747)	–
Additions	–	446	–	180,004	8,957	685	–	109,157	299,249
Disposals	(18,500)	–	–	(11,756)	(727)	(818)	–	(3,911)	(35,712)
Depreciation *(Note 17(b))*	–	(19,665)	(64,956)	(146,533)	(3,388)	(1,491)	–	–	(236,033)
Currency translation differences	(2,018)	2,633	15,353	22,050	(838)	621	–	(14,301)	23,500
Closing net book amount	18,637	162,033	1,087,329	966,227	13,164	3,671	–	115,285	2,366,346
As at 31 December 2024									
Cost	18,637	375,332	1,650,089	1,890,700	38,817	13,335	6,257	115,285	4,108,452
Accumulated depreciation	–	(213,299)	(562,760)	(924,473)	(25,653)	(9,664)	(6,257)	–	(1,742,106)
Net book amount	18,637	162,033	1,087,329	966,227	13,164	3,671	–	115,285	2,366,346

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RMB'000	Buildings and facilities RMB'000	Vessel RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2025									
Net book amount at 1 January 2025	18,637	162,033	1,087,329	966,227	13,164	3,671	–	115,285	2,366,346
Transferred from construction in progress	–	8,698	–	183,515	–	–	–	(192,213)	–
Additions	–	8,097	–	190,624	1,620	1,985	–	151,971	354,297
Impairment loss *(note (c))*	–	–	(322,316)	(2,778)	–	–	–	–	(325,094)
Disposals	(500)	(19,915)	(721,229)	(32,691)	(1,098)	(464)	–	–	(775,897)
Depreciation *(Note 17(b))*	–	(23,254)	(31,713)	(219,995)	(5,005)	(2,502)	–	–	(282,469)
Currency translation differences	313	6,540	(12,071)	(97,593)	304	1,918	–	7,497	(93,092)
Closing net book amount	18,450	142,199	–	987,309	8,985	4,608	–	82,540	1,244,091
As at 31 December 2025									
Cost	18,450	356,305	–	1,898,077	33,192	15,480	6,262	82,540	2,410,306
Accumulated depreciation and impairment	–	(214,106)	–	(910,768)	(24,207)	(10,872)	(6,262)	–	(1,166,215)
Net book amount	18,450	142,199	–	987,309	8,985	4,608	–	82,540	1,244,091

(a) Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Capitalised to inventories	**55,832**	48,001
Cost of provision of services	**209,716**	173,471
Research and development expenses	**667**	1,658
Administrative expenses	**16,238**	12,896
Selling and marketing expenses	**16**	7
	282,469	236,033

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Plant leased out under operating leases (included within "freehold land", "buildings and facilities" and "machinery and equipment" category in Note 6)

	Freehold land RMB'000	Machinery and equipment RMB'000	Buildings and facilities RMB'000	Total RMB'000
At 1 January 2024				
Cost	14,914	24,023	81,998	120,935
Accumulated depreciation	–	(19,095)	(40,515)	(59,610)
Net book amount	14,914	4,928	41,483	61,325
Year ended 31 December 2024				
As at 1 January 2024	14,914	4,928	41,483	61,325
Additional portion leased under new leases	–	41,540	9,841	51,381
Released from leases	–	(187)	(3,471)	(3,658)
Disposals	(18,500)	–	–	(18,500)
Depreciation	–	(32,299)	(8,055)	(40,354)
Currency translation differences	3,586	(1,357)	–	2,229
Closing net book amount	–	12,625	39,798	52,423
As at 31 December 2024				
Cost	–	59,310	76,335	135,645
Accumulated depreciation	–	(46,685)	(36,537)	(83,222)
Net book amount	–	12,625	39,798	52,423

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Plant leased out under operating leases (included within "freehold land", "buildings and facilities" and "machinery and equipment" category in Note 6) (continued)

	Freehold land RMB'000	Machinery and equipment RMB'000	Buildings and facilities RMB'000	Total RMB'000
At 1 January 2025				
Cost	–	59,310	76,335	135,645
Accumulated depreciation	–	(46,685)	(36,537)	(83,222)
Net book amount	–	12,625	39,798	52,423
Year ended 31 December 2025				
As at 1 January 2025	–	12,625	39,798	52,423
Additional portion leased under new leases	–	1,758	2,169	3,927
Released from leases	–	(144)	(2,523)	(2,667)
Depreciation	–	(2,062)	(3,445)	(5,507)
Currency translation differences	–	311	–	311
Closing net book amount	–	12,488	35,999	48,487
As at 31 December 2025				
Cost	–	57,918	74,251	132,169
Accumulated depreciation	–	(45,430)	(38,252)	(83,682)
Net book amount	–	12,488	35,999	48,487

The Group leases out portion of the Group's plant under operating leases. The leases typically run for an initial period of 12 months, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and do not contain lessees' options to purchase the plant at the end of lease terms.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Impairment losses on property, plant and equipment

	2025 RMB'000	2024 RMB'000
Plant and machinery	**2,778**	–
Vessel *(note)*	**322,316**	–
	325,094	–

Note: In June 2025, the management of the Group resolved to dispose of the vessel within the offshore engineering service segment. The vessel was built in 2012 and has been in operation for nearly ten years. In alignment with the Group's strategic transformation to further strengthen the financial focus on high-value engineering, procurement, construction and installation services with less operational dependence on the vessel, together with the immediate cash inflow that can be generated from the disposal to enhance the Company's financial flexibility and support its future strategic development, the Group resolved to dispose of the vessel in its present condition within one year from June 2025. Accordingly, the vessel was reclassified as "Asset classified as held for sale" during the year ended 31 December 2025 prior to the disposal.

An impairment loss of RMB322,316,000 by writing down the carrying amount of the vessel of RMB1,043,545,000 to its fair value less costs of disposal of RMB721,229,000 has been recognised. The estimated recoverable amount was based on the vessel's fair value less costs of disposal, using the cost approach by applied using the gross current replacement cost with composite depreciation rate. The key assumption in the calculation was the composite depreciation rate of 62%, which was derived by considering the vessel's physical condition and operational status, together with its estimated economic useful life. The directors of the Company engaged an independent valuer to perform the valuation of the vessel in order to provide them with the impairment assessment. The fair value on which the recoverable amount is based on is categorised as Level 3 of the fair value hierarchy.

At the date of classification as held for sale, the fair value less costs of disposal of asset classified as held for sale comprised the below:

	RMB'000
Property, plant and equipment	**721,229**
Asset classified as held for sale prior to the disposal	**721,229**

There are no cumulative income or expenses included in other comprehensive income relating to the non-current asset classified as held for sale.

On 11 August 2025, the Group entered into the written memorandum of agreement ("**MOA**") with an independent third party purchaser (the "**Purchaser**"), pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the vessel at the consideration of US$100 million (the "**Disposal**"). Of the total consideration, US$75 million will be received in cash and the remaining US$25 million will be settled by a promissory note issued by the Purchaser in favour of the Group which shall include a conversion option that entitles the Group, at the Group's sole discretion, to convert all of the outstanding principal amount into equity of the Purchaser. The Disposal constitutes a very substantial disposal for the Company pursuant to the Listing Rules and completion of the Disposal is conditional on the parties having obtained their respective requisite shareholders' approval in respect of the MOA and the Disposal in accordance with the Listing Rules. The Disposal is completed on 8 December 2025 upon when the control over the Vessel was transferred to the Purchaser when the physical delivery of the Vessel took place. The consideration receivable for disposal of the vessel and the promissory note are recognised as other receivables (note 12(c)(iii)) and financial assets at FVPL (note 12(b)) respectively.

7 LEASES

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
Ownership interest in leasehold land held for own use	25,471	26,328
Other properties leased for own use	24,340	24,618
	49,811	50,946
Lease liabilities		
Within 1 year	10,671	9,778
After 1 year but within 2 years	5,335	5,107
After 2 years but within 5 years	4,668	4,309
After 5 years	4,585	8,132
	14,588	17,548
	25,259	27,326

(i) Ownership interest in leasehold land held for own use

The Group holds several industrial land in the PRC for its oilfield equipment manufacturing and service business with lease terms within 50 years, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. For the interest in leasehold land in the PRC, lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office, warehouses and manufacturing facilities through tenancy agreements. The leases typically run for an initial period of 3 to 30 years. None of the leases includes variable lease payments.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2024: Nil).

7 LEASES (continued)

(ii) Other properties leased for own use (continued)

Lease liabilities of RMB25,259,000 are recognised with related right-of-use assets of RMB24,340,000 at 31 December 2025 (2024: lease liabilities of RMB27,326,000 and related right-of-use assets of RMB24,618,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The incremental borrowing rates applied to lease liabilities range from 3% to 21% (2024: 4.8% to 15%).

(iii) The movements of the right-of-use assets for the years ended 31 December 2025 and 2024 were as follows:

	For the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Opening net book value	**50,946**	54,040
Additions	**10,068**	8,167
Lease modification	**(1,225)**	–
Depreciation charge *(Note 17(b))*	**(11,474)**	(10,359)
Currency translation differences	**1,496**	(902)
Closing net book value	**49,811**	50,946

During the year, additions to right-of-use assets represented the capitalised lease payments payable under new tenancy agreements.

(iv) Expenses have been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Depreciation charge of right-of-use assets *(note)*		
Ownership interest in leasehold land held for own use	**857**	856
Other properties leased for own use	**10,617**	9,503
	11,474	10,359
Interest expense on lease liabilities *(Note 22)*	**4,049**	1,948
Expense relating to short-term leases *(note)*	**318,804**	209,514

Note: Depreciation of right-of-use assets and short-term lease expenses has been charged to the consolidated income statement as follows:

7 LEASES (continued)

(iv) Expenses have been charged to the consolidated income statement as follows: (continued)

	Year ended 31 December 2025 RMB'000	2024 RMB'000
Capitalised to inventories	**8,660**	5,410
Cost of provision of services	**272,733**	190,300
Administrative expenses	**48,327**	23,520
Selling and marketing expenses	**558**	643
	330,278	219,873

The Group regularly entered into short-term leases for offices, plant, machinery and equipment. At 31 December 2025 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above relates.

The total cash outflow for leases in 2025 was RMB334,770,000 (2024: RMB220,613,000), out of which RMB15,966,000 (2024: RMB11,099,000) was relating to financing activities and the remainder was relating to operating activities.

8 INTANGIBLE ASSETS

	Goodwill (note (a)) RMB'000	Proprietary technologies RMB'000	Computer software RMB'000	Total RMB'000
As at 1 January 2024				
Cost	96,507	62,605	16,812	175,924
Accumulated amortisation	–	(27,873)	(12,208)	(40,081)
Net book amount	96,507	34,732	4,604	135,843
Year ended 31 December 2024				
Opening net book amount	96,507	34,732	4,604	135,843
Additions	–	–	1,097	1,097
Amortisation charge *(Note 17)*	–	(6,309)	(1,333)	(7,642)
Currency translation differences	–	3,682	(10)	3,672
Closing net book amount	96,507	32,105	4,358	132,970
As at 31 December 2024 and 1 January 2025				
Cost	96,507	68,783	17,860	183,150
Accumulated amortisation	–	(36,678)	(13,502)	(50,180)
Net book amount	96,507	32,105	4,358	132,970

8 INTANGIBLE ASSETS (continued)

	Goodwill (note (a)) RMB'000	Proprietary technologies RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2025				
Opening net book amount	96,507	32,105	4,358	132,970
Additions	–	1,400	14,527	15,927
Amortisation charge *(Note 17)*	–	(10,786)	(1,244)	(12,030)
Currency translation differences	–	(364)	338	(26)
Closing net book amount	96,507	22,355	17,979	136,841
As at 31 December 2025				
Cost	96,507	69,736	30,302	196,545
Accumulated amortisation	–	(47,381)	(12,323)	(59,704)
Net book amount	96,507	22,355	17,979	136,841

Notes:

(a) Impairment test for goodwill

A segment level summary of goodwill is presented below:

	As at 31 December	
	2025 Drilling Business RMB'000	2024 Drilling Business RMB'000
Oilfield equipment manufacturing and services	**96,507**	96,507

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using 2% (2024: 2%) growth rates. This growth rate is consistent with forecasts included in industry reports specific to the industry in which the CGU operate.

8 INTANGIBLE ASSETS (continued)

(a) Impairment test for goodwill (continued)

The key assumptions used for value-in-use calculations in the oilfield equipment manufacturing and services segment are as follows:

	As at 31 December	
	2025 Drilling Business	2024 Drilling Business
Growth rate	**2% to 15%**	3%
Gross margin	**32%**	26%
Discount rate	**12%**	14%

Management determined budgeted gross margin based on past performance and its expectations of market development. The growth rate was determined by the management based on expectation of the market development and the business development of the CGUs. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments and sensitivity test, no goodwill was impaired as at 31 December 2025 (2024: Nil).

At 31 December 2025, the recoverable amount of the Drilling Business exceed its carrying amount by RMB123,195,000 (2024: RMB190,507,000). If the discount rate was increased to 12.6% (2024: 15.1%) or the budgeted growth rate covering the five-year period were reduced by 1.3% (2024: 1.1%) or the gross margin was reduced by 0.5% (2024: reduced by 0.9%), while other parameters remain constant, the recoverable amount of the unit would equal its carrying amount.

(b) The amortisation of intangible assets has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Amortisation		
Administrative expenses	**9,176**	4,194
Cost of sales	**2,854**	3,448
	12,030	7,642

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority on the same taxable entity. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2025 **RMB'000**	2024 RMB'000
Deferred income tax assets	**120,047**	262,199
Set-off of deferred income tax liabilities	**–**	(111,668)
Net deferred income tax assets	**120,047**	150,531
Deferred income tax liabilities	**(38,275)**	(145,472)
Set-off of deferred income tax assets	**–**	111,668
Net deferred income tax liabilities	**(38,275)**	(33,804)

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

Movements in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	**Tax losses carried forward** RMB'000	**Impairment provision on assets** RMB'000	**Unrealised profit note (a)** RMB'000	**Lease liability** RMB'000	**Others** RMB'000	**Total** RMB'000
As at 1 January 2024	57,550	17,346	74,663	3,745	7,314	160,618
(Charged)/credit to the consolidated income statement *(Note 23)*	109,688	(9,114)	1,058	(51)	–	101,581
As at 31 December 2024 and 1 January 2025	167,238	8,232	75,721	3,694	7,314	262,199
(Charged)/credited to the consolidated income statement *(Note 23)*	(94,489)	(4,186)	(42,415)	418	4,356	(136,316)
Exchange differences	(358)	352	(5,527)	320	(623)	(5,836)
As at 31 December 2025	**72,391**	**4,398**	**27,779**	**4,432**	**11,047**	**120,047**

Note (a) Deferred income tax assets on unrealised profit are mainly related to the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

Deferred income tax assets are recognised for tax losses carried forward arising from to the extent that realization of related tax benefits through future taxable profits is probable.

Deferred tax assets have not been recognised in respect of the following items:

	2025 **RMB'000**	2024 RMB'000
Tax losses	**1,340,726**	733,106
Deductible temporary differences	**29,411**	10,873
	1,370,137	743,979

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Tax losses of RMB518,848,000 (2024: RMB300,133,000) with expiry dates are disclosed in the following table, and other tax losses of RMB821,878,000 (2024: RMB432,973,000) may be carried forward indefinitely.

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(a) (continued)

	2025 RMB'000	2024 RMB'000
2025	–	12,405
2026	**16,103**	25,615
2027	**69,240**	17,000
2028	**33,177**	38,825
2029	**115,583**	45,151
2030 or after#	**284,745**	161,137
	518,848	300,133

\# The expiry dates of tax losses are up to 2035 (2024: up to 2034).

Deferred income tax liabilities	**Withholding taxation on unremitted earnings of certain subsidiaries** RMB'000	**Accelerated tax depreciation expenses** RMB'000	**Right-of-use asset** RMB'000	**Total** RMB'000
As at 1 January 2024	(30,268)	(15,098)	(4,098)	(49,464)
Credited to the consolidated income statement *(Note 23)*	–	(96,570)	562	(96,008)
As at 31 December 2024 and 1 January 2025	(30,268)	(111,668)	(3,536)	(145,472)
Credited/(charged) to the consolidated income statement *(Note 23)*	–	107,672	(784)	106,888
Exchange differences	–	–	309	309
As at 31 December 2025	**(30,268)**	**(3,996)**	**(4,011)**	**(38,275)**

Deferred tax liabilities have not been recognised in respect of temporary differences relating to the undistributed profits of subsidiaries of RMB3,907,739,000 (2024: RMB3,645,027,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

10 PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Prepayments for purchase of raw materials	**237,099**	304,445
Prepayments for purchase of property, plant and equipment	**38,616**	69,829
Prepayments for subcontracting cost	**3,613**	15,208
Prepayments of insurance and other expenses	**57,960**	43,912
	337,288	433,394

Analysed as:

	2025 RMB'000	2024 RMB'000
Non-current assets	**38,616**	69,829
Current assets	**298,672**	363,565
	337,288	433,394

11 INVENTORIES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Raw materials	**453,991**	515,057
Work in progress	**89,348**	207,714
Finished goods	**478,874**	358,544
Packing materials	**–**	724
Low value consumables	**37,658**	13,803
	1,059,871	1,095,842

All the inventories are expected to be recovered within one year.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	**1,633,311**	2,407,366
Write off of inventories *(note 21)*	**17,250**	–
	1,650,561	2,407,366

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

		As at 31 December	
		2025	2024
		RMB'000	RMB'000
Financial assets			
Financial assets at FVOCI	*(a)*	**25,523**	212,583
Financial assets at FVPL	*(b)*	**176,590**	–
Financial assets at amortised cost			
– Trade and other receivables	*(c)*	**3,445,444**	2,620,792
– Cash and cash equivalents	*(d)*	**777,622**	721,631
– Restricted cash	*(d)*	**112,135**	44,705
		4,335,201	3,387,128
		4,537,314	3,599,711
Financial liabilities			
Financial liabilities at amortised cost			
– Borrowings	*(e)*	**2,349,051**	2,686,464
– Trade and other payables	*(f)*	**2,036,797**	1,737,743
– Lease liabilities *(Note 7)*		**25,259**	27,326
		4,411,107	4,451,533

(a) Financial assets at FVOCI

	2025	2024
	RMB'000	RMB'000
Bills receivable	**25,523**	212,583

Bills receivable with a fair value of RMB25,523,000 (2024: RMB212,583,000) were recognised as FVOCI as at 31 December 2025, because the Group held the bills receivable both for collection of contractual cash flows and for selling in 2025, where its cash flows represent solely payments of principal and interest. Fair value gain of RMB1,000 (2024: RMB19,000) were recognised in FVOCI reserve for the year ended 31 December 2025.

The following are the Group's bills receivable at 31 December 2025 and 2024 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (Note 12(e)).

	Bills discounted to banks with full recourse
	RMB'000
At 31 December 2025	
Carrying amount of bills receivables	**12,938**
Carrying amount of bank borrowings	**(12,938)**
At 31 December 2024	
Carrying amount of bills receivables	171,268
Carrying amount of bank borrowings	(171,067)

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial assets at FVPL

	2025 RMB'000	2024 RMB'000
Financial assets designated as at FVPL		
Promissory note with conversion option	176,590	–

On 31 October 2025, PT CAKRA BUANA RESOURCES ENERGI TBK (the Purchaser for the Disposal as defined in note 6 and as the "**PN Issuer**"), a company incorporated in the Indonesia and its shares are listed on the Indonesia Stock Exchange under the stock code: CBRE, issued a promissory note at a face value of USD25,000,000 to the Group as partial consideration for the Disposal.

The promissory note is unsecured, interest bearing at 3% per annum and with the maturity date 12 months from the date of the Promissory Note Agreement (the "**PN Agreement**") or such other dates as may be agreed in writing by the parties for the maximum term of 60 months. Pursuant to the PN Agreement, the face value of USD25,000,000 may be converted into shares of PN Issuer at the Group's sole discretion at any time within the period from the date of the PN Agreement of 31 October 2025 until the maturity date, at the conversion price calculated at average closing price of PN Issuer's shares during the 30 trading days immediately preceding the conversion date.

The PN Issuer shall pay accrued interest on the face value every 12 months. If the PN Issuer repays the entire outstanding balance of the face value before the maturity date and/or the Group choose to settle the face value by conversion, no interest will be charged to the PN Issuer.

The fair value of the promissory note as at 31 October 2025 and at 31 December 2025 is determined by reference to the valuation carried out by an external independent valuer.

With the valuation work detailed in note 3.3 to the consolidated financial statements, the initial fair value of the promissory note at date of issue amounted to RMB198,462,000. At 31 December 2025, the fair value of the promissory note amounted to RMB176,590,000 and a fair value loss of RMB16,248,000 was recognised in profit or loss during the year ended 31 December 2025.

After the end of the reporting period, the PN Issuer requested to prepay the promissory note in part in accordance with the PN Agreement. The Group elected such prepayment by the PN Issuer to be paid in cash and US$20,000,000 was repaid by the PN Issuer to the Group.

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Trade and other receivables

	As at 31 December	
	2025 **RMB'000**	2024 RMB'000
Trade receivables *(i)*	**2,423,326**	2,054,535
– Due from related parties *(Note 28(c))*	**9,554**	26,852
– Due from third parties	**2,413,772**	2,027,683
Less: provision for loss allowance of receivables *(ii)*	**(75,061)**	(92,125)
Trade receivables – net	**2,348,265**	1,962,410
Other receivables – net *(iii)*	**1,097,179**	658,382
Trade and other receivables – net	**3,445,444**	2,620,792

At 1 January 2024, net trade receivables from contracts with customers amounted to RMB1,797,592,000 (after provision for loss allowance of RMB85,780,000).

As at 31 December 2025 and 2024, the carrying amounts of the trade and other receivables of the Group, approximated their fair values.

The trade receivables of RMBNil (2024: RMB29,034,000) of the Group were used to secure borrowings from financial institutions as at 31 December 2025 (Note 12(e)(iii)).

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Trade and other receivables (continued)

As at 31 December 2025 and 2024, the carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2025 **RMB'000**	2024 RMB'000
– USD	**1,855,332**	1,034,620
– RMB	**621,283**	747,436
– RUB	**461,192**	330,247
– ETB	**12,261**	157,297
– THB	**164,032**	100,886
– IQD	**59,208**	86,632
– OMR	**82,665**	80,685
– AED	**59,572**	26,484
– CAD	**59,534**	37,798
– Other currencies	**70,365**	18,707
	3,445,444	2,620,792

* RUB – Russian Rouble, ETB – Ethiopian Birr, THB – Thai Baht, IQD – Iraqi Dinar, OMR – Omani Rial, AED – the United Arab Emirates Dirham, CAD – Canadian Dollar.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 **RMB'000**	2024 RMB'000
USD	**447,480**	64,563
RMB	**91,101**	50,227
RUB	**594**	31,009
Other currencies	**71,484**	1,297

(i) The ageing analysis of trade receivables from sales of products and provision of services to third parties and related parties based on invoice date, before provision for loss allowance, as at 31 December 2025 and 2024 was as follows:

	2025 **RMB'000**	2024 RMB'000
Trade receivables, gross		
– Within 90 days	**1,247,954**	1,307,989
– Over 90 days and within 180 days	**546,423**	374,921
– Over 180 days and within 360 days	**202,437**	61,613
– Over 360 days and within 720 days	**253,530**	157,615
– Over 720 days	**172,982**	152,397
	2,423,326	2,054,535

Trade receivables are due within a credit period ranging from 0 to 360 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 3.1(b).

At 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of RMB1,463,304,000 (2024: RMB1,247,603,000) which are past due at the reporting date and provision for loss allowance of RMB72,720,000 (2024: RMB71,733,000) were made.

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(d) Cash and cash equivalents and restricted cash

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Cash at bank and in hand *(i)*	**889,757**	766,336
Less: Restricted cash *(ii)*	**(112,135)**	(44,705)
Cash and cash equivalents	**777,622**	721,631

(i) All cash at bank excluding the restricted cash are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash.

(ii) Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee and as security deposits under bank borrowing agreements (Note 12(e)).

Cash at bank and in hand are denominated in the following currencies:

As at 31 December

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(d) Cash and cash equivalents and restricted cash (continued)

The Group's cash and cash equivalents and restricted cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
USD	**178,892**	242,134
CAD	**178**	24,618
Other currencies	**74,332**	19,862

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(e) Borrowings

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Non-current		
Bank borrowings – unsecured *(i)*	**–**	429
Less: Current portion of non-current borrowings – unsecured *(i)*	**–**	(429)
	–	–
Current		
Bank borrowings – secured *(iii)*	**98,990**	282,113
Bank borrowings – unsecured *(i)*	**34,950**	127,255
Other borrowing – secured *(iii)*	**4,230**	15,585
Senior Notes – secured *(ii)*	**2,210,881**	2,261,082
Current portion of non-current borrowings – unsecured *(i)*	**–**	429
	2,349,051	2,686,464
	2,349,051	2,686,464

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Borrowings (continued)

(i) Bank borrowings – unsecured

Of the total unsecured bank borrowings of RMB34,950,000 (2024: RMB127,684,000), RMBNil (2024: RMB5,640,000) were guaranteed by certain third parties, details as below.

(a) In 2018, Hilong Oil Service Co., Ltd. entered into a USD loan facility agreement amounted to USD36,000,000, which was insured by China Export & Credit Insurance Corporation a national policy insurance institution and enjoyed preferential interest rate. As at 31 December 2021, USD19,685,000, equivalent to RMB125,506,000 were drawn down, out of which USD6,120,000, USD6,300,000, USD6,480,000 and USD785,000 had been repaid during 2022, 2023, 2024 and 2025 respectively. At 31 December 2025, the remaining principals was USDNil (2024: USD785,000 (equivalent to RMB5,640,000)). This loan balance was also guaranteed by the Company and one of the subsidiaries namely Hilong Group of Companies Ltd.

(ii) Senior Notes – secured

In May 2021, the Company completed the restructuring of the 2020 Notes and 2022 Notes by issuing new Senior Notes amounting to USD398,945,000, among which USD21,600,000 with a maturity date on 15 November 2021 and the rest with a maturity date on 18 November 2024 (the "**2024 Notes**"). The 2024 Notes were listed on the Singapore Exchange Securities Trading Limited on 20 May 2021 and secured by the Group's property, plant and equipment of RMB234,460,000 (2024: RMB298,040,000), guaranteed by certain subsidiaries of the Group. It bears interest at 9.75% per annum payable semi-annually in arrears on 18 May and 18 November of each year, beginning from 18 November 2021.

In 2022 and 2023, the Company repurchased part of the 2024 Notes and the total repurchased principal was approximately USD63 million. In 2024 and 2025, there is no repurchase of any of the 2024 Notes. After the repurchase, the outstanding principal amount of the 2024 Notes was USD314,546,000 (equivalent to approximately RMB2,210,881,000) at 31 December 2025 (2024: USD314,546,000 (equivalent to approximately RMB2,261,082,000)).

The 2024 Notes, due for repayment on 18 November 2024, were not repaid on 31 December 2024 and 2025.

The accrued interest of the 2024 Notes amounted to USD49,575,000 (equivalent to approximately RMB348,456,000) at 31 December 2025 (2024: USD18,907,000 (equivalent to approximately RMB135,913,000)) is included in interest payables (Note 12(f)), of which RMB348,456,000 is defaulted at 31 December 2025 (2024: RMB135,913,000).

In relation to the non-payment of the 2024 Notes on the due date, a winding-up petition dated 27 May 2025 was filed by the representative of the holders of 2024 Notes against the Company at the High Court of the Hong Kong Special Administrative Region.

Subsequent to the end of the reporting period, the Company completed the restructuring of the 2024 Notes on 5 February 2026 (the "**Restructuring Effective Date**") and on the same date the Third Supplemental Indenture for the Amended and Restated Notes was entered.

The restructured principal amount of the Amended and Restated Notes amounted to approximately USD317,442,000 is determined at (i) the aggregate principal amount of the existing 2024 Notes of USD314,546,000 plus (ii) all accrued and unpaid interest on the existing 2024 Notes from 18 May 2024 up to, but not including, the Restructuring Effective Date of approximately USD52,562,000 minus (iii) a total cash payment of approximately USD49,666,000 (the "**Upfront Cash Consideration**").

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Borrowings (continued)

(ii) Senior Notes – secured (continued)

The Amended and Restated Notes will have a maturity of four years from the Restructuring Effective Date which will be matured on 5 February 2030. It bears interest at 9.75% per annum payable semiannually in arrears on 5 February and 5 August of each year, beginning from 5 August 2026.

Pursuant to the Third Supplemental Indenture, the Company shall redeem, at a price equal to 100% of the principal amount of the Amended and Restated Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the relevant redemption date:

(i) at least 2.5% of the principal amount of the Amended and Restated Notes (the "**First Mandatory Redemption**") as of the Restructuring Effective Date by 3 business days from the Restructuring Effective Date;

(ii) at least 7.5% of the principal amount of the Amended and Restated Notes as of the Restructuring Effective Date (including the cumulative amount redeemed before) by the date that is six months after the Restructuring Effective Date; and

(iii) at least 10% of the principal amount of the Amended and Restated Notes as of the Restructuring Effective Date (including the cumulative amount redeemed before) by the date that is ten months after the Restructuring Effective Date.

In addition, the Company is permitted, at its option to make the optional redemption and repurchase as below:

(i) repurchase Amended and Restated Notes, in whole or in part, in the open market pursuant to a fair market trade; provided that no such repurchases shall be made during the twelve months prior to the stated maturity of the Amended and Restated Notes;

(ii) repurchase Amended and Restated Notes, in whole or in part, pursuant to an offer to purchase; and

(iii) redeem the Amended and Restated Notes, in whole or in part, at any time and from time to time prior to stated maturity of the Amended and Restated Notes, at a redemption price equal to 100% of the principal amount of the Amended and Restated Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Amended and Restated Notes are secured by a negative pledge over certain overseas oilfield equipment of the Group. The Group also provides share pledges over 100% of the issued share capital of the major offshore subsidiaries and negative share pledges over the share capital of the other offshore subsidiaries as security. Certain receivables owed by designated customers or any of their respective subsidiaries and affiliates to the Company or any major offshore subsidiary are also charged as security for the Amended and Restated Notes.

After the restructuring of the Senior Notes and up to the date of approval of the consolidated financial statements, USD57,602,000 (equivalent to approximately RMB404,873,000) was paid by the Company to the holders of the Senior Notes for the settlement of the Upfront Cash Consideration and the First Mandatory Redemption.

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Borrowings (continued)

(iii) Bank and other borrowings – secured

The Group's bank and other borrowings of RMB103,220,000 (2024: RMB297,698,000) as at 31 December 2025 were secured by bank acceptance bills and commercial acceptance bills recognised in bills receivables of RMB12,938,000 (2024: RMB171,268,000), trade receivables of RMBNil (2024: RMB29,034,000) and consideration from future performance of sale contracts of RMB8,399,000 (2024: RMB23,126,000) of the Group and bank deposits of RMBNil (2024: RMB798,000).

Of the secured bank and other borrowings, RMB86,053,000 (2024: RMB95,000,000) were guaranteed by certain subsidiaries of the Group, of which RMB86,053,000 (2024: RMB93,000,000) were also guaranteed by related parties of the Group including Mr. Zhang Jun, the controlling shareholder and executive director of the Company, and certain entities controlled by him.

(iv) Borrowings – currencies

The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2025 **RMB'000**	2024 RMB'000
Borrowings:		
– USD	**2,210,881**	2,275,673
– RMB	**138,170**	383,293
– RUB	**–**	25,393
– Other currencies	**–**	2,105
	2,349,051	2,686,464

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 **RMB'000**	2024 RMB'000
USD	**2,210,881**	2,270,032

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Borrowings (continued)

(v) Borrowings – interest rates and maturity dates

The maturity of borrowings is as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
On demand or within 1 year	**2,349,051**	2,686,464

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) Borrowings (continued)

(vii) Borrowings – facilities

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
USD facilities	**–**	2,030
RMB facilities	**26,067**	9,185
RUB facilities	**–**	384,160
BMD facilities	**–**	400
	26,067	395,775

(f) Trade and other payables

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bills payable	**8,986**	9,104
Trade payables:	**1,259,711**	1,261,029
– Due to third parties	**1,109,986**	1,059,346
– Due to related parties *(Note 28(c))*	**149,725**	201,683
Other payables:	**226,133**	188,728
– Due to third parties	**166,721**	85,873
– Due to related parties *(Note 28(c))*	**59,412**	102,855
Staff salaries and welfare payables	**33,545**	38,596
Interest payables *(Note 26)*	**348,456**	136,056
Accrued taxes other than income tax	**139,837**	70,345
Accrued expenses	**20,129**	33,885
	2,036,797	1,737,743

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(f) Trade and other payables (continued)

As at 31 December 2025 and 2024, all trade and other payables of the Group were non-interest bearing, and their carrying amounts, excluding welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their fair values due to their short maturities.

As at 31 December 2025 and 31 December 2024, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
– RMB	**1,063,532**	710,799
– USD	**681,804**	669,635
– THB	**110,320**	164,481
– RUB	**31,068**	94,173
– AED	**795**	53,585
– OMR	**55,726**	17,673
– CAD	**17,077**	2,314
– Other currencies	**76,475**	25,083
	2,036,797	1,737,743

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025	2024
	RMB'000	RMB'000
USD	**52,408**	206,637
RMB	**1,116**	23,897
Other currencies	**47,381**	9,897

The ageing analysis of the trade payables, including amounts due to related parties which was trading related in nature, based on invoice date was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables		
– Within 90 days	**698,225**	785,331
– Over 90 days and within 180 days	**142,767**	322,212
– Over 180 days and within 360 days	**75,779**	32,818
– Over 360 days and within 720 days	**258,872**	116,201
– Over 720 days	**84,068**	4,467
	1,259,711	1,261,029

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(f) Trade and other payables (continued)

The ageing analysis of the bills payables based on the bills issued date was as follows:

	2025 RMB'000	2024 RMB'000
Within 90 days	**8,986**	9,104

The credit periods on purchases of goods range from 0 to 90 days. All trade and other payables are expected to be settled within one year or are payable on demand.

13 DEFERRED INCOME

Deferred income represents government grants of RMB17,749,000 (2024: RMB17,803,000) relating to certain research projects. Government grants relating to research projects are recognised as other income (Notes 20) in the consolidated income statement over the financial period necessary to match them with the costs that they are intended to compensate.

Government grants

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Government grants	**17,749**	17,803
Analysed as		
Current liabilities	**–**	–
Non-current liabilities	**17,749**	17,803
	17,749	17,803

14 ORDINARY SHARES

	Issued and fully paid up		
	Number of ordinary shares	Nominal value of ordinary shares (In HKD)	Equivalent nominal value of ordinary shares (In RMB)
As at 31 December 2024 and 31 December 2025, at par value of HKD0.1 each	1,696,438,600	169,643,860	141,975,506

	Authorised share capital		
	Number of ordinary shares	Nominal value of ordinary shares (In HKD)	Equivalent nominal value of ordinary shares (In RMB)
As at 31 December 2024 and 31 December 2025, at par value of HKD0.1 each	30,000,000,000	3,000,000,000	2,510,709,895

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

15 OTHER RESERVES

15 OTHER RESERVES (continued)

(a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC within the Group (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders of the PRC Subsidiaries. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders of the PRC Subsidiaries in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

For the year ended 31 December 2025, RMB3,505,000 (2024: RMB6,409,000) were appropriated to the statutory surplus reserve funds from net profits of certain PRC Subsidiaries.

(b) Shares held for share award scheme

During 2025, the Company paid in total of approximately RMB8,230,000 to a trustee ("**Trustee**") to purchase 50,257,216 shares of the Company in the market pursuant to the share award scheme (the "**2023 Award Scheme**") established on 11 September 2023 by the board of directors of the Company. As at 31 December 2025, all the shares were held by the Trustee. More details are set out in note 16 (ii).

(c) Share award reserve

Share award reserve comprise the portion of the grant date fair value of unvested award shares granted to employees of the Group that have been recognised in accordance with the accounting policy adopted for share-based payment transaction (note 2.23).

(d) Capital reserve

The capital reserve represents the excess of consideration paid for acquisition of additional interests in subsidiaries.

16 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

(i) Share options scheme

At the annual general meeting of the shareholders on 10 May 2013, the shareholders adopted a share option scheme (the "**2013 Share Option Scheme**") for options to subscribe for not more than 5% ordinary shares of the then total outstanding shares of the Company. The purpose of the 2013 Share Option Scheme is to provide incentive or reward to certain directors or employees of the Group for their contribution to the Group.

The fair value of the services to be received in exchange for the grant of the options is recognised as an expense on a straight-line basis over vesting period of each tranche. These share options are measured at fair value at grant day. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of services to be provided by employee, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

On 5 February 2014, options for a total of 19,980,000 ordinary shares of the Company under the 2013 Share Option Scheme were granted to certain employees of the Group to take up options at a nominal consideration to subscribe for ordinary shares of the Company, subject to fulfillment of vesting conditions. The 2013 Share Option Scheme shall be valid and effective for ten years ending on 10 May 2023, after which no further options will be granted.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The movements in the number of share options granted to employees on 5 February 2014 and outstanding during the current and prior years are as follows:

	Exercise price (per share in HKD)	Outstanding options Year ended 31 December	
		2025	2024
Beginning of the year	5.93	–	15,350,700
Expired	5.93	–	(15,350,700)
End of the year	5.93	–	–

16 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(i) Share options scheme (continued)

The particulars of share options granted to employees and remaining outstanding as at 31 December 2025 and 2024 are as follows:

Vesting period	Exercisable period	Exercise price (per share in HKD)	Outstanding options 2025	Outstanding options 2024
From 5 February 2014 to 4 February 2015	From 5 February 2015 to 4 February 2024	5.93	–	–
From 5 February 2014 to 4 February 2016	From 5 February 2016 to 4 February 2024	5.93	–	–
From 5 February 2014 to 4 February 2017	From 5 February 2017 to 4 February 2024	5.93	–	–
From 5 February 2014 to 4 February 2018	From 5 February 2018 to 4 February 2024	5.93	–	–
From 5 February 2014 to 4 February 2019	From 5 February 2019 to 4 February 2024	5.93	–	–
			–	–

All of the outstanding options were expired during the year ended 31 December 2024.

(ii) Share award scheme

The Company has a share award scheme which was adopted on 11 September 2023 (the "**Adoption Date**") whereby the directors of the Company are authorised, at their discretion, to award certain eligible participants ("**Eligible Participants**"), including employees of the Group and directors of any company in the Group, ordinary shares of the Company at nil consideration, subject to fulfillment of vesting conditions. The share award scheme shall be valid and effective for ten years ending on 10 September 2033, after which no further shares will be awarded.

The Company has entered into a trust deed with the Trustee for the purpose of facilitating the purchase, holding and sale of shares in the Company for the benefit of the Eligible Participants of the Group. The maximum number of awarded shares under the 2023 Award Scheme is limited to 10% of the issued share capital of the Company as of the Adoption Date. All the shares purchased by the Group through the Trustee on the Stock Exchange are recorded as shares held for the share award scheme in the Group's other reserve and are for the 2023 Award Scheme only.

The board of the directors of the Company (the "**Board**") may, from time to time, at its absolute discretion, select any Eligible Participants to participate in the 2023 Award Scheme as grantees ("**Award Grantees**"), subject to the terms and conditions set out in the rule of the 2023 Award Scheme. In determining the Award Grantees, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Award Grantees to the Group. An Award Grantee may be granted an award by the Company during the award period which will vest over a period of time and on such other conditions to be determined by the Board in its absolute discretion.

During the year ended 31 December 2025, the Board has resolved to award an aggregate of 50,257,216 award shares (the "**2023 Award Shares**") (2024: nil) to employees of the Group pursuant to the terms and conditions of the Scheme.

16 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(ii) Share award scheme (continued)

Subject to the satisfaction of the vesting conditions of the 2023 Award Shares, the Trustee will transfer the 2023 Award Shares to the grantees within 10 days from the date of vesting notice.

The vesting of the 2023 Award Shares is subject to the satisfaction of the vesting conditions including certain personal performance and other service conditions.

16 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(ii) Share award scheme (continued)

Movements in the number of award shares granted under the 2023 Award Scheme during the year and their related weighted average fair values are as follows:

2025

	Exercise price	Date of grant	Vesting period	Fair value per award share at the grant date	Number of Award Shares: Unvested at 1 January 2025	Granted during the year	Unvested at 31 December 2025
Employee	–	19 December 2025	19/12/2025 to 20/12/2026	HK$0.15	–	7,538,582	7,538,582
			19/12/2025 to 20/12/2027	HK$0.15	–	7,538,582	7,538,582
			19/12/2025 to 20/12/2028	HK$0.15	–	10,051,444	10,051,444
			19/12/2025 to 20/12/2026	HK$0.14	–	7,538,582	7,538,582
			19/12/2025 to 20/12/2027	HK$0.14	–	7,538,582	7,538,582
			19/12/2025 to 20/12/2028	HK$0.14	–	10,051,444	10,051,444
					–	50,257,216	50,257,216
Exercisable at 1 January 2025/ 31 December 2025				–			–
Weighted average exercise price (HK$)				–			–

The 2023 Award Shares has a lock-up period that after the vesting of the 2023 Award Shares, the grantee can dispose maximum 50% of the vested award shares after 21 December 2028 and the remaining 50% of the vested award shares can be disposed by the grantee after 21 December 2029.

16 EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(ii) Share award scheme (continued)

The weighted average grant date fair value per unit for unvested award shares at 31 December 2025 was HK$0.145 (2024: not applicable).

The fair value of award shares granted during the year ended 31 December 2025 was estimated as at the date of grant, using Black Scholes Merton model, taking into account the terms and conditions upon which the award shares were granted. The following table lists the inputs to the model used:

	Award shares granted on 19 December 2025	
Maturity date	Tranche 1 21 December 2028	Tranche 2 21 December 2029
Fair value per award share as at the grant date	HK$0.15	HK$0.14
Expected volatility	41.1%	45.3%
Expected dividend yield	0%	0%
Share price (grant date)	HK$0.196	HK$0.196
Exercise price	–	–
Risk-free interest rate	3.6%	3.7%
Award share life	3 years	4 years

The expected volatility is based on the historic volatility (calculated based on the expected life of the award share), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. Risk-free interest rates were based on US Treasury yield.

The closing price of the Company's shares immediately before the grant date of the award shares granted on 19 December 2025 was HK$0.196.

During the year ended 31 December 2025, share-based payment expenses in respect of the 2023 Award Shares of RMB130,000 (2024: nil) have been recognised in profit or loss.

17 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before taxation is arrived at after charging (crediting):

		2025 RMB'000	2024 RMB'000
(a)	Employee benefits expenses (including directors' emoluments):		
	Salaries, wages and other benefits	**997,544**	850,725
	Contributions to defined contribution retirement plans	**69,603**	52,084
	Share-based payment	**130**	–
		1,067,277	902,809
	Less: amount capitalised in inventories	**(554,537)**	(359,913)
	amount included in cost of provision of services	**(184,739)**	(214,527)
		328,001	328,369

		2025 RMB'000	2024 RMB'000
(b)	Other items:		
	Amortisation of intangible assets *(Note 8(b))*	**12,030**	7,642
	Amortisation of contract costs *(Note 5(d)(iv))*	**113,545**	42,382
	Depreciation of property, plant and equipment *(Note 6(a))*	**282,469**	236,033
	Depreciation of right-of-use assets *(Note 7(iii))*	**11,474**	10,359
	Impairment losses recognised on		
	– prepayment *(Note 21)*	**–**	4,002
	– trade and other receivables and contract assets, net *(Note 3.1(b)(v))*	**5,827**	27,188
	– property, plant and equipment	**325,094**	–
	Loss on disposal of property, plant and equipment – net *(Note 21)*	**5,602**	3,484
	Short term lease expenses *(Note 7(iv))*	**318,804**	209,514
	Auditor's remuneration		
	– audit services		
	– Current year	**6,335**	5,540
	– Under-provision for prior year	**–**	2,767
	– other services	**459**	113
		6,794	8,420
	Research and development expenses		
	– Current year expenditure	**66,159**	24,800
	Cost of inventories recognised as an expense *(Note 11)*	**1,650,561**	2,407,366

18 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, wages and other benefits	**997,544**	850,725
Social security costs, pension costs, and housing benefits *(i)*	**69,603**	52,084
Share-based payment expenses	**130**	–
	1,067,277	902,809

(i) Pension costs – defined contribution plans

During the year ended 31 December 2025, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2024: Nil).

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2025 include two (2024: two) directors whose emoluments are reflected in Note 19. The emoluments payable to the remaining three (2024: three) individuals during the year are as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries	**1,703**	2,310
Discretionary bonus	**1,791**	1,250
Pension costs – defined contribution plans	**176**	206
Other social security costs, housing benefits and other employee benefits	**227**	247
Equity settled share-based payment	**4**	–
	3,901	4,013

The emoluments fell within the following bands:

	Year ended 31 December	
	2025	2024
	Number of individuals	Number of individuals
Emolument bands:		
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

No directors or these highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

19 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2025:

	Fees	Salary	Discretionary bonus	Pension costs – defined contribution plans	Social security costs, housing benefits and other employee benefits	Equity-settled share-based payment expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Zhang Jun (張軍) *(Co-Chief Executive Officer) (note (i))*	–	970	500	68	97	–	1,635
Non-executive Directors							
Zhang Shuman (張姝嫚)	220	840	457	56	43	–	1,616
Cao Hongbo (曹宏博)	220	–	–	–	–	–	220
Yang Qingli (楊慶理)	220	–	–	–	–	–	220
Fan Ren Da Anthony (范仁達)	549	–	–	–	–	–	549
Independent Non-executive Directors							
Wang Tao (王濤)	220	–	–	–	–	–	220
Wong Man Chung Francis (黄文宗)	220	–	–	–	–	–	220
Shi Zheyan (施哲彥)	220	–	–	–	–	–	220
Co-Chief Executive							
Gao Zhihai (高智海) *(note (iii))*	–	730	610	70	77	2	1,489
	1,869	2,540	1,567	194	217	2	6,389

For the year ended 31 December 2024:

	Fees	Salary	Discretionary bonus	Pension costs – defined contribution plans	Social security costs, housing benefits and other employee benefits	Total

19 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executives' emoluments (continued)

Notes:

(i) Appointed as Chief Executive Officer with effect from 15 October 2024 and become Co-Chief Executive Officer on 23 December 2024.

(ii) Resigned as Executive Director and Chief Executive Officer with effect from 15 October 2024.

(iii) Appointed as Co-Chief Executive Officer with effect from 23 December 2024.

The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments were for their services as directors of the Company and the Group.

The independent non-executive directors' emoluments were for their services as directors of the Company.

No emoluments were paid by the Group to the directors and chief executive as an inducement to join upon joining the Group or to leave the Group as compensation for loss of office for both years.

During the year ended 31 December 2025, one of the Co-Chief Executive (2024: Nil) of the Company was granted award shares, in respect of his services to the Group, under the share award scheme of the Company, further details of which are set out in note 16 to the financial statements. The fair values of such shares awarded, which have been recognised in the consolidated income statement over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the year ended 31 December 2025 are included in the above directors' and chief executive's remuneration disclosures.

(b) Directors' material interests in transactions, arrangements or contracts

Other than those in Note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

20 OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	/T1 1 Tf7.

21 OTHER LOSS – NET

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Inventory written off	**(17,250)**	–
Fair value loss on financial assets mandatorily measured at FVPL	**(16,248)**	–
Loss on disposal of property, plant and equipment – net	**(5,602)**	(3,484)
Impairment loss on prepayment	**–**	(4,002)
Net foreign exchange gains/(losses)	**11,939**	(40,919)
Write-off of other receivables	**(5,342)**	(13,667)
Write-off of other payables	**2,299**	–
Others	**16,333**	(6,019)
	(13,871)	(68,091)

22

23 INCOME TAX EXPENSE

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Current income tax		
– The PRC	**7,797**	15,094
– Outside the PRC	**90,920**	64,286
Adjustment for current tax of prior years		
– The PRC	**2,424**	(1,445)
– Outside the PRC	**22,219**	13,439
	123,360	91,374
Deferred income tax *(Note 9)*	**29,428**	(5,573)
Income tax expense	**152,788**	85,801

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit/loss before income tax can be reconciled as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
(Loss)/profit before tax	**(167,213)**	115,873
Tax (credit)/expense calculated at statutory tax rates applicable to each group entity	**(11,026)**	12,286
Tax effect of:		
Expenses not deductible for tax purpose	**159,948**	86,895
Income not subject to tax	**(72,191)**	(15,976)
Additional deduction expenses	**(5,345)**	(8,789)
Statutory tax concession	**(6,058)**	(8,957)
Utilisation of previously unrecognised tax losses	**(10,804)**	(13,818)
Tax losses not recognised	**65,114**	20,827
Under-provision in prior years – net	**24,643**	11,994
Other deductible temporary differences not recognised	**8,507**	1,339
Tax charge	**152,788**	85,801

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in British Virgin Islands, Dubai, Abu Dhabi and Labuan are not subject to any income tax according to relevant rules and regulations.

In accordance with the two-tiered profits tax regime, Hong Kong profits tax was calculated on 8.25% of the first HKD2,000,000 and 16.5% of the remaining balance of the estimated assessable profits from 1 April 2018 for one subsidiary of the Group.

Enterprises incorporated in other places (other than the Mainland China) are subject to income tax rates ranging from 15% to 35% prevailing in the places in which these enterprises operated for the years ended 31 December 2025 and 2024.

23 INCOME TAX EXPENSE (continued)

Certain subsidiaries are qualified for new/high-tech technology enterprises status or incorporated in the western region of the Mainland China and engaged in encouraged industries, and therefore enjoy a preferential income tax rate of 15%.

Pursuant to the PRC Corporate Income Tax Law ("**CIT Law**"), a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of their earnings generated from 1 January 2008.

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respects to Taxes on Income, a lower 5% withholding tax rate can be applied if the immediate holding companies of the PRC subsidiaries are established in Hong Kong and can be considered as a "beneficial owner". Hilong Energy Limited ("**Hilong Energy**") is a Hong Kong registered company and is the immediate holding company of the PRC subsidiaries, which has successfully applied for and been qualified as a "beneficial owner". Given the above, the local tax authority approved Hilong Group of Companies Ltd., the PRC holding company of other subsidiaries in the PRC, to use a 5% withholding tax rate when it distributed its profits to Hilong Energy from 2019 to 2025.

Additional deduction expenses

Pursuant to the CIT Law, an additional tax deduction expenses (including research and development expenses incurred) is allowed, after the approval by the tax authorities is obtained. This additional allowed deduction is calculated at 100% of the actual research and development expenses incurred from 1 January 2021.

24 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is computed by dividing the net (loss)/profit for the year attributable to ordinary equity owners of the Company by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2025	2024
(Loss)/profit attributable to equity owners of the Company *(RMB'000)*	**(323,554)**	28,275
Weighted average number of ordinary shares in issue *(thousands of shares)*		
Issued ordinary shares at 1 January	**1,696,439**	1,696,439
Effect of shares held by the Group under share award scheme	**(16,258)**	–
Weighted average number of ordinary shares at 31 December	**1,680,181**	1,696,439
Basic (loss)/earnings per share *(RMB per share)*	**(0.1926)**	0.0167

The weighted average number of ordinary shares for the purpose of calculation of basic (loss)/earnings per share had been adjusted for the effect of the ordinary shares held by the trustee on behalf of the Group pursuant to the share award scheme.

24 (LOSS)/EARNINGS PER SHARE (continued)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or exercise of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share award scheme.

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

	2025	2024
(Loss)/profit		
(Loss)/profit for the year attributable to equity owners of the Company for the purpose of calculation of diluted (loss)/earnings per share (RMB'000)	**(323,554)**	28,275

	2025	2024
Number of shares (thousand of shares)		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,680,181**	1,696,439
Effect of dilutive potential ordinary shares		
– Share options	**–**	–
– Share awards scheme	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,680,181**	1,696,439

The calculation of diluted loss per share for the year ended 31 December 2025 did not assume the vesting of award shares granted by the Company, since their exercise would result in a decrease in the loss per share.

The computation of diluted earnings per share for the year ended 31 December 2024 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the Company's shares for the year.

25 DIVIDENDS

The Directors have determined that no dividend will be proposed for the year ended 31 December 2025 (2024: Nil).

26 RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings RMB'000 *(Note 12(e))*	Lease liabilities RMB'000 *(Note 7)*	Interest payables RMB'000 *(Note 12(f))*	Amounts due to related parties RMB'000 *(Note 12(f))*	Total RMB'000
At 1 January 2024	(2,863,912)	(29,801)	(26,462)	(112,483)	(3,032,658)
Changes from financing cash flows	206,036	11,099	151,511	9,628	378,274
New leases entered	–	(8,167)	–	–	(8,167)
Interest expenses *(Note 22)*	–	(1,948)	(258,360)	–	(260,308)
Exchange differences	(28,588)	1,491	(2,745)	–	(29,842)
At 31 December 2024 and 1 January 2025	(2,686,464)	(27,326)	(136,056)	(102,855)	(2,952,701)
Changes from financing cash flows	**287,211**	**15,966**	**10,932**	**43,937**	**358,046**
New leases entered	**–**	**(10,068)**	**–**	**–**	**(10,068)**
Lease modification	**–**	**1,651**	**–**	**–**	**1,651**
Interest expenses *(Note 22)*	**–**	**(4,049)**	**(234,157)**	**–**	**(238,206)**
Exchange differences	**50,202**	**(1,433)**	**10,825**	**(494)**	**59,100**
At 31 December 2025	**(2,349,051)**	**(25,259)**	**(348,456)**	**(59,412)**	**(2,782,178)**

27 COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2025 RMB'000	2024 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– acquisition of property, plant and equipment	**79,368**	17,816
– unpaid portion on investment in subsidiaries	**554**	–
	79,922	17,816

(b) Operating lease arrangements

The Group as lessor

Undiscounted lease payments receivable on leases of certain buildings and facilities (Note 6(b)) are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	**–**	–

28 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The immediate and ultimate parent company of the Group is Hilong Group Limited, which owns 42.74% (31 December 2024: 42.17%) equity interest in the Company as at 31 December 2025. The ultimate controlling shareholder of the Group is Mr. Zhang Jun.

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

(a) Name and relationship with related parties

Controlling Shareholder
Mr. Zhang Jun

Close family member of the Controlling Shareholder
Ms. Zhang Shuman
Ms. Zhang Shuli

Controlled by the Controlling Shareholder
Hilong Group Limited
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.
Beijing Huashi Hailong Oil Investments Co., Ltd. ("Huashi Hailong Oil")
Shanghai Longdi Property Management Co., Ltd.
Shanghai Hilong Shine New Materials Co., Ltd.
Shanghai Hilong Shine New Materials Research Institute
Hilong Pipeline Engineering Technology Service Co., Ltd. ("Hilong Pipeline Engineering") and its subsidiaries

Joint-controlled by the Controlling Shareholder
Shanghai Longshi Investment Management Co., Ltd.

Associates of Hilong Pipeline Engineering
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. *(note (i))*
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. *(note (i))*

Note:

(i) These companies are associates of Hilong Pipeline Engineering during the years ended 31 December 2025 and 2024.

Other than the above parties, the board of directors of the Company are also related parties of the Group.

28 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2025 and 2024, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Sales of goods or services:		
Hilong Pipeline Engineering and its subsidiaries	**13,493**	80,740
Purchase of goods or services:		
Shanghai Hilong Shine New Materials Co., Ltd.	**575**	–
Hilong Pipeline Engineering and its subsidiaries	**198,745**	265,986
Short-term rental expenses:		
Beijing Huashi Hailong Oil Investments Co., Ltd. *(note (a))*	**11,509**	11,149
Hilong Pipeline Engineering and its subsidiaries *(notes (b))*	**9,954**	9,012
Shanghai Longshi Investment Management Co., Ltd. *(note (a))*	**919**	–
Interest expenses on lease liabilities:		
Shanghai Longshi Investment Management Co., Ltd. *(note (c))*	**197**	367
Rental income and utility fee income:		
Shanghai Hilong Shine New Materials Co., Ltd. *(note (d))*	**6,963**	6,721
Hilong Pipeline Engineering and its subsidiaries *(notes (d) and (e))*	**8,748**	12,226

Notes:

(a) During the years ended 31 December 2025 and 2024, the Group entered into twelve months leases (2024: various six months leases) in respect of certain leasehold properties from related parties for the use as office and car park space and renewed upon the expiry of the leases. The fixed rent payable by the Group under the leases ranged from RMB30,000 to RMB644,000 per month (2024: RMB31,000 to RMB644,000 per month). Some leases include an option to renew the leases when all terms are renegotiated.

(b) During the years ended 31 December 2025 and 2024, the Group entered into twelve months leases (2024: six months leases) in respect of certain properties (2024: certain properties and certain manufacturing test equipment) with a related party for the Group's use as office and for production of drill pipes and renewed upon the expiry of the leases. The fixed rent payable by the Group under the lease ranged from RUB1,028,000 (equivalent to approximately RMB72,000) to RUB10,826,000 (equivalent to approximately RMB758,000) (2024: RUB715,000 (equivalent to approximately RMB56,000) to RUB9,366,000 (equivalent to approximately RMB757,000)) per month.

28 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties (continued)

Notes: (continued)

(c) In August 2020, the Group entered into various three-year leases in respect of certain leasehold properties from a related party for use as office. The fixed rent payable by the Group under the leases were RMB19,000 to RMB276,000 per month. At the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of RMB8,896,000. In August 2023, the Group renewed the leases and entered into another three-year leases in respect of these leasehold properties from the related party for use as office. The fixed rent payable by the Group under the leases were RMB55,000 to RMB254,000 per month. At the renewal of the leases, the Group recognised adjustment to right-of-use assets and lease liabilities of RMB10,172,000. In December 2025, the Group renewed the leases and entered into another one-year leases in respect of these leasehold properties from the related party for use as office. The fixed rent payable by the Group under the leases were RMB63,000 to RMB482,000 per month. At the renewal of the leases, the Group recognized modification to right-of-use assets and lease liabilities of RMB4,162,000. The leases include an option to renew the leases when all terms are renegotiated.

The outstanding balance arising from the leasing arrangement with the related party is included in "Lease liabilities" (Note 7).

(d) During the years ended 31 December 2025 and 2024, the Group entered into various lease agreements to lease certain portion of the factory premises and offices to related parties for twelve months (2024: six months) and renewed upon the expiry of the leases. The fixed rent receivable by the Group under the leases ranged from RMB42,000 to RMB429,000 per month (2024: RMB50,000 to RMB424,000 per month) and the monthly utility fee income ranged from RMB13,000 to RMB667,000 per month (2024: RMB4,000 to RMB996,000 per month). Some leases include an option for the lessees to renew the leases when all terms are renegotiated.

(e) During the year ended 31 December 2024, the Group entered into lease agreement to lease certain manufacturing test equipment for production of drill pipes to related party for six months. The fixed rent receivable by the Group under the lease is RUB22,600 (equivalent to approximately RMB2,000) per month. The lease includes an option for the lessee to renew the lease when all terms are renegotiated.

Other than above, the Group has the following related party transactions:

(i) During the years ended 31 December 2025 and 2024, certain banking facilities of the Group were guaranteed by Mr. Zhang Jun, Huashi Hailong Oil and Hilong Pipeline Engineering and its subsidiaries.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of the business and in accordance with the terms of the underlying agreements.

(c) Balances with related parties

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables due from:		
Shanghai Hilong Shine New Materials Co., Ltd.	**22**	6,203
Hilong Pipeline Engineering and its subsidiaries	**9,532**	20,649
	9,554	26,852
Less: provision for loss allowance of receivables	**(639)**	(2,739)
	8,915	24,113

28 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	As at 31 December	
	2025 **RMB'000**	2024 RMB'000
Other receivables due from:		
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.	**86,339**	46,204
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd.	**42,606**	42,606
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	**30,877**	19,658
Shanghai Hilong Shine New Materials Co., Ltd.	**–**	4,264
Hilong Pipeline Engineering and its subsidiaries	**93,886**	117,943
Shanghai Hilong Shine New Materials Research Institute	**–**	1,659
	253,708	232,334
Less: provision for loss allowance of receivables	**(44,629)**	(37,868)
	209,079	194,466
Lease liabilities due to:		
Shanghai Longshi Investment Management Co., Ltd.	**4,826**	5,721
Trade payables due to:		
Hilong Pipeline Engineering and its subsidiaries	**138,400**	189,468
Beijing Huashi Hailong Oil Investments Co., Ltd	**1,502**	1,502
Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd	**18**	18
Shanghai Hilong Shine New Materials Co., Ltd	**653**	19
Shanghai Longshi Investment Management Co., Ltd.	**5,776**	7,300
Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd.	**3,376**	3,376
	149,725	201,683

28 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Other payables due to:		
Shanghai Longshi Investment Management Co., Ltd	**–**	11,282
Beijing Huashi Hailong Oil Investments Co., Ltd	**–**	3,677
Mr. Zhang Jun	**9,412**	938
Hilong Pipeline Engineering and its subsidiaries	**50,000**	86,958
	59,412	102,855

Trade receivables due from related parties are due within a credit period ranging from 0 days to 360 days from the date of billing and are unsecured. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 3.1(b)(iii). Net reversal of impairment losses of RMB2,100,000 (2024: Net provision of impairment losses of RMB981,000) for trade receivables due from related parties was recognised in profit or loss for the year ended 31 December 2025.

Trade payables due to related parties are due within a credit period ranging from 0 days to 90 days from the date of billing and are unsecured.

The lease liabilities due to a related party are interest free but calculated at effective interest rate of 5% per annum and are settled on a quarterly basis.

The other receivables and other payables due from/to related parties were unsecured, non-interest bearing and repayable on demand. Net provision of impairment losses of RMB6,761,000 (2024: RMB17,051,000) for other receivables due from related parties was recognised in profit or loss for the year ended 31 December 2025.

(d) Key management personnel compensation

Key management personnel includes directors (executive and non-executive) and senior management (including chief financial officer and general managers etc.). The compensation paid or payable to key management personnel for employee services is shown below:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Short-term employee benefits	**9,011**	12,479
Post-employment benefits	**841**	1,071
Equity-settled share-based payment expenses	**6**	–
	9,858	13,550

29 SUBSIDIARIES

Company name	Country/place of incorporation and operation and date of incorporation	Particulars of issued/ paid up capital	Effective interests held by the Group (%) As at 31 December 2025	2024	Direct/ Indirect	Principal activities
Hilong Energy Holding Limited	British Virgin Islands, 15 October 2008	USD2	**100%**	100%	Direct	Investment holding
Hilong Group of Companies Ltd.	the PRC, 14 January 2005	RMB150,000,000	**100%**	100%	Indirect	Distribution of oil and gas equipment
Hilong Drill Pipe (Wuxi) Co., Ltd.	the PRC, 30 August 2005	USD3,600,000	**100%**	100%	Indirect	Manufacture and distribution of oil and gas equipment
Shanghai Boteng Welding Consumable Co., Ltd.	the PRC, 29 December 2005	RMB10,000,000	**100%**	100%	Indirect	Manufacture and distribution of hardbanding materials
Hilong Investment Ltd.	Malaysia, 13 September 2006	USD100	**100%**	100%	Indirect	Investment holding
Shanghai Hilong Tubular Goods Research Institute	the PRC, 27 October 2006	RMB75,000,000	**100%**	100%	Indirect	Research and development on the technology of manufacturing oil and gas equipment
Hilong Petroleum Pipe Company LLC	Abu Dhabi, 6 November 2006	AED1,000,000	**100%**	100%	Indirect	Manufacture and distribution of oil and gas equipment
Shanghai Hilong Drill Pipe Co., Ltd.	the PRC, 17 November 2006	RMB50,000,000	**100%**	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hilong Petropipe Co., Ltd.	Canada, 17 April 2007	CAD100	**100%**	100%	Indirect	Oil and gas equipment trading
Hilong Energy Limited	Hong Kong, 8 July 2008	HKD1	**100%**	100%	Indirect	Investment holding
Hilong Oil Service & Engineering Co., Ltd.	the PRC, 16 July 2008	RMB300,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong USA LLC	USA, 9 November 2008	USD1,030,000	**100%**	100%	Indirect	Oil and gas equipment trading

29 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and operation and date of incorporation	Particulars of issued/ paid up capital	Effective interests held by the Group (%) As at 31 December		Direct/ Indirect	Principal activities
			2025	2024		
Hilong Oil Service Ltd.	Malaysia, 4 March 2009	USD5,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Oil Service & Engineering Ecuador CIA. Ltd.	The Republic of Ecuador, 18 March 2009	USD20,000,000	**100%**	100%	Indirect	Oilfield service provision
Shanghai Hilong Tubular Goods Manufacturing Co., Ltd.	the PRC, 16 April 2009	RMB20,000,000	**100%**	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hilong Oil Service & Engineering Nigeria Ltd.	Nigeria, 26 July 2010	NGN30,000,000	**100%**	100%	Indirect	Oilfield service provision
Shanghai Hilong Petroleum Chemicals Research Institute	the PRC, 1 November 2012	RMB12,380,000	**100%**	100%	Indirect	Research and development on the technology of pipes
Trade House Hilong-Rus Co., Ltd.	Russia, 25 March 2013	RUB300,000	**100%**	100%	Indirect	Oil and gas equipment trading
Hilong Oil Service & Engineering Pakistan (Pvt.) Ltd.	Pakistan, 4 April 2013	PKR5,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Petroleum Marine Engineering Technical Services (Hong Kong) Limited	Hong Kong, 9 December 2013	HKD10,000	**70%**	70%	Indirect	Offshore engineering service provision
Hilong Marine Engineering (Hong Kong) Limited	Hong Kong, 16 December 2013	HKD10,000	**100%**	100%	Indirect	Offshore engineering service provision
Hilong USA Holding Corp.	USA, 11 February 2014	USD10	**100%**	100%	Indirect	Investment holding
Hilong Drilling & Engineering Service Limited (formerly known as "Oriental Oil Service & Engineering Ltd.")	Malaysia, 15 January 2014	USD1,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Oil Service & Engineering Albania SHPK	Albania, 28 July 2014	ALL3,000,000	**100%**	100%	Indirect	Oilfield service provision

29 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and operation and date of incorporation	Particulars of issued/ paid up capital	Effective interests held by the Group (%) As at 31 December 2025	2024	Direct/ Indirect	Principal activities
Hilong Petroleum Marine Engineering Limited	the PRC, 12 March 2014	RMB50,000,000	**100%**	100%	Indirect	Offshore engineering service provision
Hilong Petroleum Offshore Engineering Services (Shanghai) Co., Ltd.	the PRC, 18 February 2014	RMB15,000,000	**70%**	70%	Indirect	Offshore design service provision
Hilong Petroleum Technical Services Nigeria Limited	Nigeria, 24 March 2014	NGN5,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Oil Service & Engineering Perú S.A.C.	Peru, 30 March 2015	PEN3,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Oil Service DMCC	Dubai, UAE, 28 June 2015	AED160,000	**100%**	100%	Indirect	Oilfield service provision
Shanghai Zuanbeicai International Trading Co., Ltd	the PRC, 28 June 2017	RMB2,000,000	**100%**	100%	Indirect	Distribution and trading of oil and gas equipment
海隆能源技術有限公司	the PRC, 20 March 2017	RMB80,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Offshore (M) SDN. BHD	Malaysia, 30 August 2017	MYR100	**100%**	100%	Indirect	Offshore engineering service provision
OHJV SDN. BHD	Malaysia, 21 August 2017	MYR1,000	**100%**	100%	Indirect	Offshore engineering service provision
Oil Equipment Technology Corporation Limited Liability Company	Russia, 10 August 2020	RUB 10,000	**100%**	100%	Indirect	Distribution of oil and gas equipment
Hilong Group (Shanghai) Information Technology Company Limited	The PRC, 15 June 2018	RMB50,000,000	**100%**	100%	Indirect	Research and development on the technology of pipes
Ocentra Offshore Pte. Ltd.	Singapore, 24 July 2019	USD200,000	**100%**	100%	Indirect	Offshore engineering service provision
Hilong Oil Service & Engineering Ukraine LLC	Ukraine, 24 October 2018	USD50,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Leasing (Tianjin) Co., Ltd. *(note b)*	The PRC, 19 June 2020	RMB1,000,000	**90%**	90%	Indirect	Offshore engineering service provision

29 SUBSIDIARIES (continued)

Company name	Country/place of incorporation and operation and date of incorporation	Particulars of issued/ paid up capital	Effective interests held by the Group (%) As at 31 December		Direct/ Indirect	Principal activities
			2025	2024		
Drilling Technology Limited Liability Company ("**Drilling Technology**")	Russia, 19 February 2018	RUB5,000,000	**100%**	100%	Indirect	Manufacture and distribution of oil and gas equipment
Hailong Petroleum Engineering (Tianjin) Co., Ltd.	The PRC, 26 November 2021	RMB50,000,000	**90%**	90%	Indirect	Offshore engineering service provision
Ocean Oil Service (IA)	Sharjah, 6 September 2022	Nil	**100%**	100%	Indirect	Offshore engineering service provision
LLC "Precise Trajectory Petroleum Technology" (formerly known as "Oriental Oil Service Ltd Limited Liability Company")	Russia, 20 April 2023	RUB10,000	**100%**	100%	Indirect	Oilfield service provision
Hailong Petroleum Technology(Beijing) Co., Ltd.	PRC, 26 June 2023	RMB30,000,000	**100%**	100%	Indirect	Oilfield service provision
LLC "Service Center Precise Trajectory Petroleum Technology" (formerly known as "Limited Liability Company "Service Center Longhai Petroleum Technology"")	Russia, 27 July 2023	RUB10,000,000	**100%**	100%	Indirect	Oilfield service provision
Botn Rus LLC	Russia, 4 August 2023	RUB10,000	**100%**	100%	Indirect	Oil and gas equipment trading
Metal Technology Co., Limited ("**MTC**") *(note a)*	Russia, 23 September 2022	RUB10,000	**100%**	100%	Indirect	Oil and gas equipment trading
Hilong Offshore Construction (Thailand) Ltd *(note e)*	Thailand, 4 December 2023	Baht 100,000	**49%**	49%	Indirect	Offshore engineering service provision
Chenxing Oil Hi-tech (Tianjin) Co., Ltd	PRC, 11 May 2024	RMB30,000,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Oil Service and Engineering Brazil LTDA	Brazil, 21 October 2024	USD500,000	**100%**	100%	Indirect	Oilfield service provision
Hilong Shipping Holding Limited	Hong Kong, 9 September 2024	HKD10,000	**100%**	100%	Indirect	Offshore engineering service provision

Company name	Country/place of incorporation and operation and date of incorporation	Particulars of issued/ paid up capital	Effective interests held by the Group (%) [illegible]

30 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December 2025 RMB'000	 2024 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**3,729,429**	3,729,429
Current assets			
Other receivables		**597,032**	545,484
– Amounts due from subsidiaries		**543,711**	501,894
– Amounts due from other related parties		**53,321**	43,590
Cash and cash equivalents		**8,610**	9,261
		605,642	554,745
Total assets		**4,335,071**	4,284,174
EQUITY			
Capital and reserve attributable to equity owners of the Company			
Ordinary shares	*14*	**141,976**	141,976
Other reserves	*Note (a)*	**1,167,649**	1,175,749
Retained earnings	*Note (a)*	**3,203**	79,951
Total equity		**1,312,828**	1,397,676
LIABILITIES			
Current liabilities			
Borrowings		**2,210,881**	2,261,082
Other payables		**811,362**	625,416
– Amounts due to subsidiaries		**460,487**	481,433
– Amounts due to third parties		**350,875**	143,983
Total liabilities		**3,022,243**	2,886,498
Total equity and liabilities		**4,335,071**	4,284,174

The balance sheet of the Company was approved by the Board of Directors on 27 March 2026 and was signed on its behalf.

Director: Zhang Jun

Director: Cao Hongbo

30 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (continued)

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
As at 1 January 2024	19,597	1,221,838
Profit for the year	14,265	–
Transfer upon expiry of share options	46,089	(46,089)
As at 31 December 2024	79,951	1,175,749
As at 1 January 2025	**79,951**	**1,175,749**
Loss for the year	**(76,748)**	**–**
Purchase of shares under share award scheme	**–**	**(8,230)**
Equity-settled share-based payment	**–**	**130**
As at 31 December 2025	**3,203**	**1,167,649**

31 EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) As disclosed in note 12(e)(ii), subsequent to the end of the reporting period, the Group completed the restructuring of the 2024 Notes on 5 February 2026 (the "**Restructuring Effective Date**") and on the same date the Third Supplemental Indenture for the Amended and Restated Notes was entered. The Amended and Restated Notes will have a maturity of four years from the Restructuring Effective Date which will be matured on 5 February 2030. It bears interest at 9.75% per annum payable semiannually in arrears on 5 February and 5 August of each year, beginning from 5 August 2026. For the details, please refer to the Company's announcement dated 6 February 2026.

(b) A winding-up petition (the "**Petition**") dated 27 May 2025 was filed by The Bank of New York Mellon, London Branch (the "**Petitioner**") against the Company at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") in relation to the 2024 Notes. Upon the joint application of the Petitioner, the Company and the opposing creditors, the High Court made an order dismissing the Petition on 9 February

FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, equity and liabilities of the Group for the last five financial years, is set out below.

Consolidated Results	**For the year ended 31 December**				
	2025 **RMB'000**	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 *(note (a))*
Continuing operations					
Revenue	**4,875,156**	4,668,332	4,251,531	3,072,915	2,916,922
Gross profit	**1,198,925**	1,121,765	915,466	685,130	898,319
Gross profit margin	**24.6%**	24.0%	21.5%	22.3%	30.8%
Operating (loss)/profit	**(1,971)**	371,771	434,509	465,398	460,347
Operating (loss)/profit margin	**0%**	8.0%	10.2%	15.1%	15.8%
Continuing and discontinued operations					
(Loss)/profit for the year	**(320,001)**	30,072	171,531	110,394	47,595
(Loss)/Profit attributable to:					
Equity owners of the Company	**(323,554)**	28,275	148,665	105,616	44,249
Non-controlling interests	**3,553**	1,797	22,866	4,778	3,346

Consolidated assets, equity and liabilities	**As at 31 December**				
	2025 **RMB'000**	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
ASSETS					
Non-current assets	**1,645,153**	2,911,691	2,817,366	3,280,453	2,988,364
Current assets	**6,003,638**	5,166,030	5,140,557	4,611,607	4,083,442
Total assets	**7,648,791**	8,077,721	7,957,923	7,892,060	7,071,806
EQUITY AND LIABILITIES					
Total equity	**2,966,763**	3,259,124	3,329,005	3,317,902	3,042,827
Non-current liabilities	**101,893**	131,675	234,063	2,706,052	2,520,824
Current liabilities	**4,580,135**	4,686,922	4,394,855	1,868,106	1,508,155
Total liabilities	**4,682,028**	4,818,597	4,628,918	4,574,158	4,028,979
Total equity and liabilities	**7,648,791**	8,077,721	7,957,923	7,892,060	7,071,806

Note (a): The Group's businesses of the line pipe technology and services provision and provision of coating services comprising multifunctional coating materials and coating services, inspection services and maintenance services for various pipes utilised in oil and gas drilling and transmission processes in the PRC as well as overseas markets have been discontinued since 2023. Such businesses were not previously classified as held-for-sale or discontinued operation in prior years. The comparative consolidated income statement and other comprehensive income for the year ended 31 December 2022 has been re-presented to show the discontinued operation separately from continuing operations. For the interests of the shareholders of the Company (the "Shareholders"), the results for the year ended 31 December 2021 are not restated in this respect.