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宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

(a company incorporated in the Cayman Islands with limited liability)

(Stock code: 0196)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL HIGHLIGHT

| | Six months ended 30 June | | Changes |
|---|---|---|---|
| | 2025 RMB'000 (Unaudited) | 2024 RMB'000 (Unaudited) | |
| Turnover (<i>RMB'000</i>) | 2,601,073 | 2,776,000 | -6.3% |
| Gross profit (<i>RMB'000</i>) | 338,585 | 301,514 | 12.3% |
| Gross profit margin | 13.0% | 10.9% | An increase of 2.1 percentage points |
| Operating gain (<i>RMB'000</i>) | 81,311 | 80,970 | 0.4% |
| Gain attributable to equity shareholders of the Company (<i>RMB'000</i>) | 37,095 | 2,419 | 1433.5% |
| Gain per share | | | |
| – Basic (<i>RMB cents</i>) | 0.41 | 0.03 | Earnings per share increased by 0.38 cents. |
| – Diluted (<i>RMB cents</i>) | 0.41 | 0.03 | Earnings per share increased by 0.38 cents. |

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

INTERIM RESULTS

The Board of the Company hereby announces the unaudited consolidated financial interim results of the Group for the six months ended 30 June 2025, together with the comparative figures for the corresponding period in 2024. These interim results have not been reviewed or audited by the Company's auditors but have been reviewed by the Company's Audit Committee, which comprises one non-executive Director and two independent non-executive Directors, with one of the independent non-executive Directors serving as the chairman of the Audit Committee.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2025

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2025

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

AT 30 JUNE 2025

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

1 GENERAL INFORMATION

The Group are principally engaged in manufacturing of drilling rigs, oil and gas exploitation equipment, providing drilling services, fracturing and offshore engineering.

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

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”) on 7 March 2008.

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

This interim condensed consolidated financial information has not been audited.

2 Basis of preparation of interim financial report

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

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

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

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

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

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

3 SEGMENT AND REVENUE INFORMATION

(i) Description of segments

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

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

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

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

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

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

(ii) Segment information

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

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

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

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

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

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

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

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

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

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

4 OPERATING PROFIT

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

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

5 INCOME TAX EXPENSE

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

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

(i) Hong Kong

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

(ii) The PRC

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

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

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

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

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

(iii) Others

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

(iv) **Withholding tax**

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

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

6 PROFIT PER SHARE

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

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

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

7 DIVIDENDS

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

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

8 PROPERTY, PLANT AND EQUIPMENT

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

9 TRADE AND OTHER RECEIVABLES

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

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

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

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

10 BORROWINGS

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

- (i) As at 30 June 2025 and 31 December 2024, nil bank loan was secured by trade receivables and bills receivable as collateral. In addition, the bank loans were also secured by 20% equity interest of Honghua Company, a subsidiary of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Contractual maturities of financial liabilities | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total contractual cash flows RMB'000 |
|--|---|--|--|-------------------------------------|---|
| At 30 June 2025 | | | | | |
| Trade and other payables (i) | 3,181,571 | – | – | – | 3,181,571 |
| Borrowings | 3,492,391 | 815,928 | 831,113 | – | 5,139,432 |
| Lease liabilities | 38,264 | 25,358 | 16,334 | 25,637 | 105,593 |
| Total | <u>6,712,226</u> | <u>841,286</u> | <u>847,447</u> | <u>25,637</u> | <u>8,426,596</u> |
| | | | | | |
| Contractual maturities of financial liabilities | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total contractual cash flows RMB'000 |
| At 31 December 2024 | | | | | |
| Trade and other payables (i) | 3,340,565 | – | – | – | 3,340,565 |
| Borrowings | 2,202,181 | 1,581,719 | 505,101 | – | 4,289,001 |
| Lease liabilities | 42,331 | 25,117 | 11,080 | 26,943 | 105,471 |
| Total | <u>5,585,077</u> | <u>1,606,836</u> | <u>516,181</u> | <u>26,943</u> | <u>7,735,037</u> |

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

11 TRADE AND OTHER PAYABLES

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

Representing:

| | | |
|-----------------|-------------------------|-------------------------|
| Current portion | <u>3,270,999</u> | <u>3,407,501</u> |
|-----------------|-------------------------|-------------------------|

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

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

12 EVENTS OCCURRING AFTER REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

I. Positive Results Reaped from Quality Improvement and Efficiency Enhancement

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

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

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

II. Multiple Breakthroughs Achieved in Market Expansion

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

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

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

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

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

III. Emergence of Successive Innovative Achievements

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

BUSINESS MODELS OF THE GROUP

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

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

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

I. Land Drilling Rigs

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

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

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

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

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

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

II. Parts and Components and Others

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

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

III. Drilling Engineering Services

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

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

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

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

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

IV. Offshore Segment

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

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

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

Offshore Wind Power

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

Offshore oil and gas and offshore engineering equipment manufacturing

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

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

V. Fracturing Business

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

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

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

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

HUMAN RESOURCES MANAGEMENT

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

In terms of talent incentives, the Group adheres to the principle of “efficiency comes first, with fairness of no less importance” and evaluate the employee compensation with reference to the results. The remuneration package consists of three major components: basic salary, performance incentives, and welfare subsidies, thereby ensuring that the growth in total remuneration is in line with economic benefits. The Group promotes the full coverage of term contract or performance target responsibility letter, strengthen its mechanism of “hard indicators” in performance, “high incentives” for salary and “rigid distribution” of benefits, while implementing incentive measures such as project profit sharing. Details of the share scheme of the Company will be included in the sections of “Share Option Scheme” and “Restricted Share Award Scheme” in the 2025 Interim Report.

OUTLOOK

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

I. Accelerating the optimization and upgrading of business structure

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

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

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

II. Focusing on breakthroughs in core technologies

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

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

FINANCIAL REVIEW

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

Turnover

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

Cost of Sales

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

Gross profit and Gross Margin

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

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

Expenses in the Period

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

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

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

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

Profit before Income Tax

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

Income Tax expense

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

Profit/(Loss) for the Period

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

Non-HKFRS Measures

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

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

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

Dividends

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

Source of Capital and Borrowings

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

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

Deposits and Cash Flow

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

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

Assets Structure and Changes

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

Liabilities

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

Equity

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

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

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

Capital Expenditure, Material Investment and Capital Commitments

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

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

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

Foreign Exchange Risks

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

Contingencies

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

Mortgages and Guarantees

Details of mortgages and guarantees of the Group are set out in Note 10 to the financial statements.

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

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares listed.

EVENT AFTER THE END OF THE REPORTING PERIOD

There were no important events affecting the Group that have occurred event after 30 June 2025 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

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

COMPLIANCE WITH THE CG CODE

The Company has adopted and complied with the principles and code provisions as set out in the CG Code as contained in Part 2 of Appendix C1 to the Listing Rules as the standard of the Company’s corporate governance practices.

The Company has complied with all the code provisions of the CG Code throughout the six months period from 1 January 2025 to 30 June 2025.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code for Securities Trading regarding Directors’ dealings in the Company’s securities with terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules.

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

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2025

This interim results announcement is published on both the websites of the Company (www.hh-gltd.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2025 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

DEFINITION

| | |
|-------------------------------|--|
| “Audit Committee” | the audit committee of the Company |
| “Board” | the Board of Directors of the Company |
| “CG Code” | Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| “Code for Securities Trading” | code for securities trading revised by the Company since 14 September 2024 |
| “Company” | Honghua Group Limited |
| “Directors” | directors of the Company |
| “Group” or “Honghua” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange (as amended from time to time) |

| | |
|------------------------------------|---|
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules |
| “Period” or “reporting period” | the six months ended 30 June 2025 |
| “PRC” or “China” | the People’s Republic of China, unless the context requires otherwise, reference in this announcement of the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “same period of the previous year” | the six months ended 30 June 2024 |
| “Share(s)” | ordinary shares issued by the Company, with a nominal value of HK\$0.10 each |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States of America dollars, the lawful currency of the United States of America |

On behalf of the Board
Honghua Group Limited
Wang Xu
Chairman

PRC, 26 August 2025

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xu (Chairman), Mr. Zhu Hua and Mr. Yang Qiang; the non-executive director of the Company is Mr. Yang Yangzhuang; and the independent non-executive directors of the Company are Mr. Zhang Shiju, Ms. Li Yuedong and Mr. Wang Junren.