宏华集团有限公司

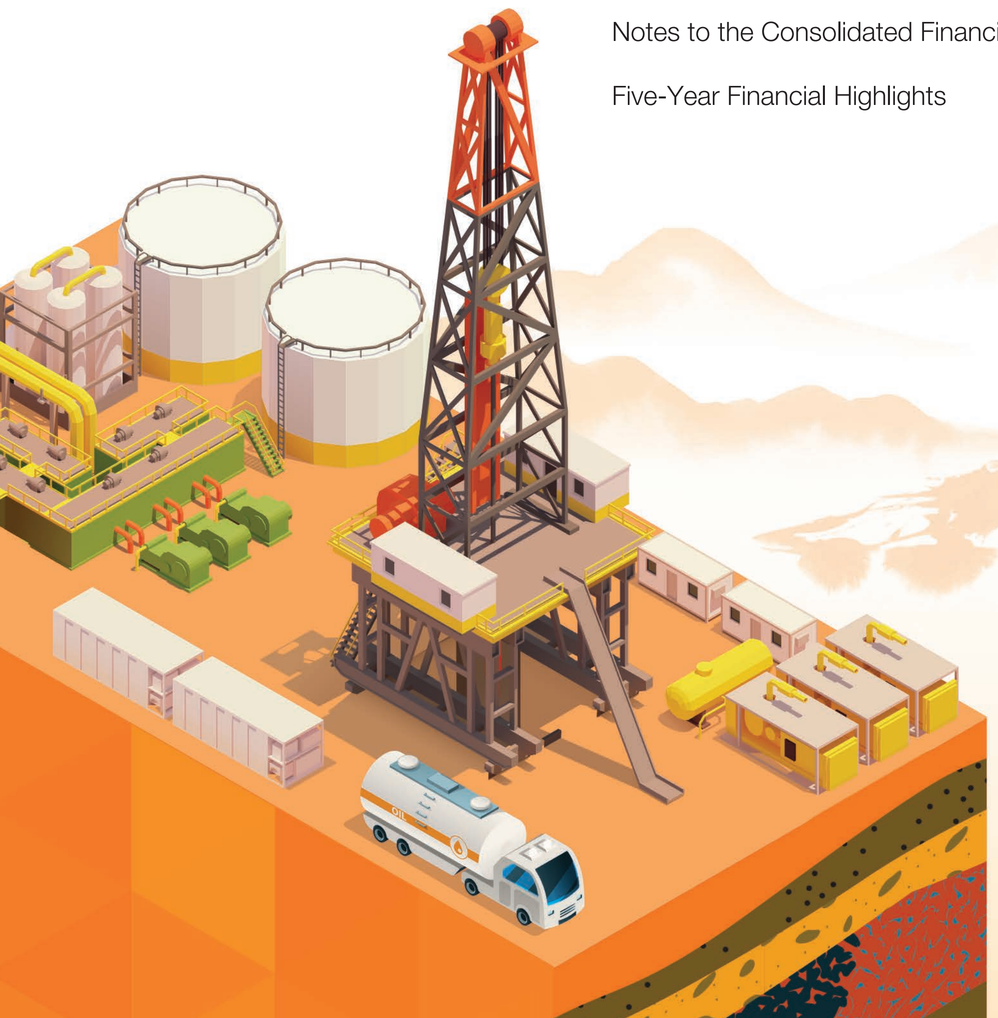
HONGHUA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 196

2024 ANNUAL REPORT

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xu *(Chairman)*
Mr. Zhu Hua
Mr. Yang Qiang *(Appointed with effect from 17 May 2024)*

Non-executive Directors

Mr. Yang Yong *(Resigned with effect from 7 February 2024)*
Mr. Yang Yangzhuang *(Appointed with effect from 28 June 2024)*
Mr. Liu Xinggui *(Appointed with effect from 28 June 2024)*

Independent Non-executive Directors

Mr. Chen Guoming *(Resigned with effect from 28 June 2024)*
Ms. Su Mei *(Resigned with effect from 28 June 2024)*
Mr. Chang Qing *(Resigned with effect from 28 June 2024)*
Mr. Wei Bin *(Resigned with effect from 28 June 2024)*
Mr. Zhang Shiju
Ms. Li Yuedong *(Appointed with effect from 28 June 2024)*
Mr. Wang Junren *(Appointed with effect from 20 August 2024)*

SECRETARY OF BOARD OF DIRECTOR

Mr. He Bin

BOARD COMMITTEES

Audit Committee

Mr. Wei Bin *(Committee Chairman, resigned with effect from 28 June 2024)*
Ms. Li Yuedong *(Committee Chairman, appointed with effect from 28 June 2024)*
Mr. Chen Guoming *(Resigned with effect from 28 June 2024)*
Ms. Su Mei *(Resigned with effect from 28 June 2024)*
Mr. Chang Qing *(Resigned with effect from 28 June 2024)*
Mr. Zhang Shiju
Mr. Yang Yangzhuang *(Appointed with effect from 28 June 2024)*

Remuneration Committee

Ms. Su Mei *(Committee Chairman, resigned with effect from 28 June 2024)*
Mr. Wang Xu
Mr. Wei Bin *(Resigned with effect from 28 June 2024)*
Mr. Zhang Shiju *(Committee Chairman, appointed with effect from 28 June 2024)*
Ms. Li Yuedong *(Appointed with effect from 28 June 2024)*
Mr. Liu Xinggui *(Appointed with effect from 20 August 2024)*
Mr. Wang Junren *(Appointed with effect from 20 August 2024)*

Nomination Committee

Mr. Wang Xu *(Committee Chairman)*
Mr. Chang Qing *(Resigned with effect from 28 June 2024)*
Mr. Zhang Shiju
Ms. Li Yuedong *(Appointed with effect from 28 June 2024)*

Strategic Investment Committee (Formerly known as "Strategic Investment and Risk Control Committee")

Mr. Wang Xu *(Committee Chairman)*
Mr. Zhu Hua
Mr. Chang Qing *(Resigned with effect from 28 June 2024)*
Mr. Yang Qiang *(Appointed with effect from 28 June 2024)*
Mr. Yang Yangzhuang *(Appointed with effect from 28 June 2024)*
Mr. Liu Xinggui *(Appointed with effect from 28 June 2024)*
Mr. Wang Junren *(Appointed with effect from 20 August 2024)*

JOINT COMPANY SECRETARIES

Mr. He Bin
Ms. Lee Mei Yi

LEGAL ADVISOR

AS TO HONG KONG LAW

Haiwen & Partners LLP

CORPORATE INFORMATION

PRINCIPAL BANKERS AND NON-BANK FINANCIAL INSTITUTIONS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants Registered
Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00196

WEBSITE

http://www.hh-gltd.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I hereby present the Chairman's Statement of the Group for the year 2024.

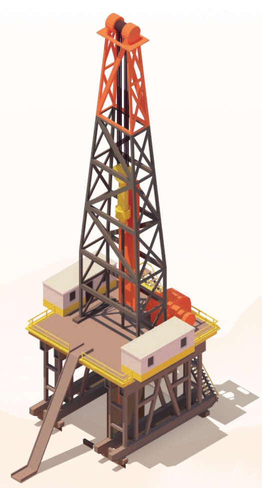
Looking back at 2024, the global economy trudged forward in a complex environment, with escalating geopolitical conflicts. Influenced by a combination of factors including global economic growth expectations, geopolitical situations and the output reduction policy of OPEC+, international oil prices showed a slight decline. United in purpose and resilient under pressure, all members of the Group committed to complete tasks assigned in a volatile and challenging industry environment, continuously advancing the implementation of the "Leading Strategies" and making solid and powerful steps towards high-quality development. The Group achieved a total operating revenue of RMB5,633 million for the year, representing a year-on-year increase of 2.93%. The net profit attributable to equity shareholders was approximately RMB8 million, turning a loss into a profit with an increase of RMB394 million. The gross margin was 12.01%, representing an increase of 2.11 percentage points as compared to the previous year. The net cash flow from operating activities recorded a significant increase of 993.5%, amounting to RMB678 million. All major operating indicators reached the best levels for the past three years.

CHAIRMAN'S STATEMENT

In 2024, we strived to consolidate the leading position of our dominant industries. The Company's new order for the year increased by 20.99% year-on-year, reaching the highest level for the past eight years. The fulfillment rate of newly signed contracts was 100%, with three key projects delivered ahead of schedule. We successfully signed sales agreements for intelligent drilling rigs exceeding RMB1,500 million, further consolidating our leading position in the global high-end intelligent drilling rig market. We successfully delivered a 12,000-meter deep intelligent drilling rig, gaining industry recognition. Seizing the development needs of unconventional oil and gas resources in China, we successfully entered the coalbed methane in Shanxi and shale oil markets in Northeast, with new orders for fracturing services increasing by 118.05% year-on-year, recording a significant increase in revenue of 56.8%. New orders for offshore wind power jackets exceeded RMB1,238 million, with 55 sets of large offshore wind jacket orders signed, achieving breakthroughs in new regional markets such as Zhejiang and Fujian while consolidating the pile foundations for offshore wind turbines markets in Jiangsu and Guangdong.

In 2024, we actively expanded new spaces for industrial development. All members of the Group are proud of and encouraged by the national strategic assets, such as " Earth Crust No. 1" and "MENG XIANG", mentioned repeatedly by the General Secretary. We delved into core equipment technology research and development for deep-ground and deep-sea, further enhancing core functions and shouldering the national responsibility of serving national energy security. We deepened the core competitiveness of offshore drilling packages/platforms, promoted diversified layouts of offshore engineering modules, and created new growth poles for specialized ships. As all members of the Group deeply understand the importance of technological innovation, the annual R&D investment maintains steady growth, moving towards green intelligent, demonstrating the potential and vitality of traditional industries transforming into new productivity forces.

In 2024, we took multiple measures to enhance lean management. We have united and continued to move upward. We have strengthened cost management in all aspects, with overall financing costs decreasing from 4.12% to 3.08%, interest expenses decreased by approximately RMB60 million year-on-year and the interest-bearing debt further decreased by approximately 5.87% to RMB4,241 million. The management fee ratio further decreased by 0.93 percentage points to 6.83%, with gross profit significantly increased by 24.9% to RMB676.5 million. The full-process supply chain system reform was thriving, with significant improvements in core procurement indicators. The procurement cost was reduced by RMB61.8 million as we adopted open bidding for procurement. We started to implement lean management, achieving a comprehensive cost reduction of 10.71% in key product designs, shortening the production cycle of three products by more than 20%. We have built three specialized training initiatives, "Hongxiaojia", forming a set of lean management promotion methods with Honghua characteristics.



CHAIRMAN'S STATEMENT

Looking ahead, we must ask ourselves: How can Honghua navigate industry cycles and achieve high-quality growth amidst a slowing global economy? Facing the impact of technological waves and drastic changes in business models, how can we maintain its industry-leading position and form new competitive capabilities? With overseas challenges abounding, how can we, who have half of its industrial layout overseas, further seize global business presence? These are huge tests for us, posing higher requirements for our corporate governance, compliance management, operational management, and risk management. All members of the Group must face the three major tests of "counter-cyclical, sustainable, and climbing new heights", firmly adhere to the strategic layout of "equipment + service + related diversification", hold onto dreams, maintain determination, and strive to nurture new opportunities in crises and create new situations in changes.

At the same time, we can see the global energy transition continues to deepen, with the oil and gas industry continuously transforming towards "green", "sustainable", and "digitalization and intellectualization", which will also bring huge opportunities for our business development. The advantages of cost efficiency, the power of technological progress, and the continuously climbing industrial capabilities are ultimately prompting us to further clarify our development ideas and context. On one hand, we unwaveringly serve national strategies, fulfilling the mission of central enterprises, firmly engaging in deep oil and gas extraction, deep-sea exploration, and domestic manufacturing of drilling equipment, serving the "deep-sea, deep-ground" strategy. We foster the development of new productive capacities by advancing the iterative upgrades and development of intelligent drilling rigs, building specialized automated demonstration production lines, and making efforts in the integration of low-carbon green energy solutions, providing customers with more competitive products. On the other hand, we continue our approach of high-quality corporate development, seeking profits from cost management, efficiency from lean management, value from technology management, benefits from supply chain management, and future development from risk management, further improving the Company's operating performance indicators, and creating greater value for shareholders.

We extend our heartfelt gratitude to all shareholders for their unwavering support throughout our journey. Having weathered the challenges together, we are confident in the resilience and determination of all of us. We look forward to witnessing the flourishing growth of Honghua alongside our valued shareholders. As we reach new horizons, we embrace a world of new opportunities.

Honghua Group Limited
Wang Xu
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 land drilling rigs, electric fracturing equipment and services, core parts and components of drilling and completion equipment, drilling engineering services, digital products for drilling and completion, offshore wind power jackets, specialized ships, and special power equipment, providing customers with a full range of products and technologies for energy development.

I. Continuous Improvement in Operating Performance

In 2024, facing a complex and severe development environment, the Group continuously promoted the implementation of its "Leading Strategies", further enhancing its core competitiveness and achieving high-quality growth in operating performance. During the reporting period, the Group recorded a revenue of RMB5,633.4 million, representing an increase of RMB160.2 million or 2.9% as compared to the previous year. Gross profit amounted to RMB676.5 million, representing an increase of 24.9% as compared to the previous year. Net profit attributable to equity shareholders amounted to RMB7.6 million, turning a loss into a profit with an increase of RMB394.2 million as compared to the previous year. The Group continued to improve its operation quality, further enhancing its profit during the reporting period. The Group recorded a gross profit margin of 12% (representing an increase of 2.1 percentage points as compared to the previous year). The management fee rate was reduced by 0.96 percentage points to 6.8%. The net cash flow from operating activities recorded a significant increase of 993.5%, with net cash inflow from operating activities amounting to RMB678 million.

As at 31 December 2024, the Group achieved revenue of RMB2,618.1 million from the PRC market, representing an increase of 18.5% as compared to the previous year, accounting for 46.5% of total revenue. Revenue from overseas markets amounted to RMB3,015.3 million, representing a decrease of 7.6% as compared to the previous year, accounting for 53.5% of total revenue. In the overseas market, revenue from the Middle East market amounted to RMB1,881.8 million, representing a decrease of 16.6% as compared to the previous year, accounting for 33.4% of the Group's total revenue. Revenue from other overseas markets amounted to RMB1,133.6 million, representing an increase of 12.5% as compared to the previous year, accounting for 20.1% of the Group's total revenue.

The table below sets forth the breakdown of total revenue for the year by market:

Regions	As at 31 December 2024 Revenue (RMB'million)	As at 31 December 2024 Percentage	As at 31 December 2023 Revenue (RMB'million)	As at 31 December 2023 Percentage	Changes of Revenue	Changes of Percentage
The PRC market	**2,618.1**	**46.5%**	**2,210.1**	**40.4%**	**18.5%**	**6.1%**
Overseas market	**3,015.3**	**53.5%**	**3,263.1**	**59.6%**	**-7.6%**	**-6.1%**
Middle East	1,881.8	33.4%	2,255.8	41.2%	-16.6%	-7.8%
Others(1)	1,133.6	20.1%	1,007.4	18.4%	12.5%	1.7%
Total	**5,633.4**	**100.0%**	**5,473.2**	**100.0%**	**2.9%**	**–**

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

II. Upward and Innovative Industrial Development

As at 31 December 2024, the Group's revenue from land drilling rigs amounted to RMB1,951 million, representing a decrease of 17.1% as compared to the previous year, accounting for 34.6% of the total revenue. Revenue from parts and components and others amounted to RMB1,662 million, representing a decrease of 6.1% as compared to the previous year, accounting for 29.5% of the total revenue. Revenue from drilling engineering services amounted to RMB337 million, representing a decrease of 15.0% as compared to the previous year, accounting for 6.0% of the total revenue. Revenue from the offshore segment amounted to RMB860 million, representing an increase of 100.6% as compared to the previous year, accounting for 15.3% of the total revenue. Revenue from fracturing business amounted to RMB823 million, representing an increase of 56.8% as compared to the previous year, accounting for 14.6% of the total revenue.

The table below sets forth the breakdown of total revenue for the year by businesses:

Types of Business	As at 31 December 2024 Revenue (RMB'million)	As at 31 December 2024 Percentage	As at 31 December 2023 Revenue (RMB'million)	As at 31 December 2023 Percentage	Changes of Revenue	Changes of Percentage
Land drilling rigs	1,951.3	34.6%	2,354.3	43.0%	-17.1%	-8.4%
Parts and components and others	1,662.2	29.5%	1,769.2	32.3%	-6.1%	-2.8%
Drilling engineering services	337.0	6.0%	396.3	7.2%	-15.0%	-1.3%
Offshore segment	859.8	15.3%	428.6	7.8%	100.6%	7.4%
Fracturing business	823.1	14.6%	524.8	9.6%	56.8%	5.0%
Total	**5,633.4**	**100.0%**	**5,473.2**	**100.0%**	**2.9%**	**–**

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the Group's new order increased by approximately 21% year-on-year, reaching the highest level for the past eight years. Breakthroughs were achieved in the equipment industry. A sales agreement for high-end intelligent drilling rigs exceeding RMB1.5 billion was signed with a Middle East client, providing several sets of globally advanced artificial island drilling rigs equipped with AI intelligent drilling software, further consolidating the Company's leading position in the global high-end intelligent drilling rig market. For the first time, the Group won bids for CNOOC's domestic substitution project for underwater equipment transport systems and Shanghai Petrochemical's emergency firefighting vessel project, marking a new milestone in the offshore engineering equipment industry. New achievements were made in the fracturing service industry. The newly won orders for fracturing services increased by 118.05% year-on-year, successfully entering the coalbed methane in Shanxi and shale oil markets in Northeast. Numerous fracturing service projects were signed, leading to a significant increase of 56.8% in fracturing business revenue as compared to the previous year, and a substantial improvement of 43.1 percentage points in gross profit margin. Progress was made in the new energy-related industries. The Group achieved the application of the "wind power + energy storage" model and mobile photovoltaic energy storage equipment in the new energy segment for oil and gas fields for the first time.

III. Emergence of Innovative Achievements

During the reporting period, the Group obtained 138 authorized patents, declared to host and participated in the formulation of 20 standards, reaching the most in the past four years, with scientific and technological achievements continued to emerge. "MENG XIANG", the first self-designed and built ocean drilling ship in China, in which the Group deeply involved in the research and construction, was officially commissioned and received congratulatory letter from General Secretary Xi Jinping. China's first self-produced 12,000 meters deep intelligent drilling rig was successfully delivered, which is another national strategic asset for ultra-deep oil and gas development in our country. During the year, the Group was recognized as a single champion in manufacturing industry by the Ministry of Industry and Information Technology. It was successfully selected as one of the first leading enterprises in the iconic industrial chain of Sichuan Province, and awarded as an advanced enterprise in standardization by the National Petroleum Drilling and Production Standard Committee for the first time.

BUSINESS MODELS OF THE GROUP

I. Land Drilling Rigs

According to the analysis of the "Domestic and Foreign Oil and Gas Industry Development Report 2024" by the Institute of Economics and Technology of China National Petroleum Corporation, a national high-end think tanks, the global oil and gas exploration and development maintained a stable development trend in 2024. Oil and gas reserves continue to increase, with oil and natural gas reserves up by 0.27% and 0.18%, respectively. Influenced by numerous factors such as energy security, low-carbon transition, and market demand, global investment in oil and gas exploration and development declined by 2.5%. The market size of oilfield technical services grew by 3.0%, but the number of active drilling rigs increased by only 0.1%. Both domestic and foreign oil and gas exploration and development technologies are continuously advancing, with a notable trend towards intelligence, driving innovation in engineering technologies and equipment in areas such as geophysical exploration, well logging, drilling, and completing wells.

Maintaining Industry Leadership through Global Marketing Network Layout

As the core business segment of the Group, with advanced technology, mature global sales network and excellent track record, the land drilling rigs business has cumulatively sold a total of approximately 1,000 land drilling rigs of various types since 2000 (with a total of 13 sets of complete land drilling rigs sold in 2024), exporting to major oil and gas production regions worldwide, such as the Middle East, the Americas, Central Asia and Africa.

During the reporting period, revenue from the land drilling rigs business of the Group amounted to RMB1,951.3 million, accounting for 34.6% of total revenue, representing a decrease of 17.1% compared to RMB2,354.3 million in 2023, primarily due to the long delivery cycle of major orders secured by the Group in the Middle East during the reporting period, with only a portion of the revenue being recognized within the year. As at 31 December 2024, 94.0% of the revenue from the Group's land drilling rigs business was derived from overseas, of which 69.7% was contributed by the Middle East region. The Group secured several major orders in the Middle East, successfully signed sales agreements for intelligent drilling rigs exceeding RMB1,500 million and provided several sets of artificial island drilling rigs equipped with AI intelligent drilling software globally, further consolidating the Company's leading position in the global high-end intelligent drilling rig market. In addition, the Group signed a drilling rig agreement of RMB400 million to provide multiple sets of high-end land drilling rigs to customers in Kuwait, further enhancing the Company's market share in the oil and gas equipment segment. In the domestic market, the Group signed contracts with a domestic private enterprise for a 12,000 meter intelligent drilling rig and a sales agreement with a domestic geological survey bureau for a 50DB drilling rig, further expanding its domestic sales channels.

The table below sets forth the breakdown of total revenue from the land drilling rigs for the year by regions:

Regions	As at 31 December 2024 Revenue (RMB'million)	As at 31 December 2024 Percentage	As at 31 December 2023 Revenue (RMB'million)	As at 31 December 2023 Percentage	Changes of Revenue
The PRC	**116.5**	**6.0%**	**193.6**	**8.2%**	**-39.8%**
Overseas	**1,834.8**	**94.0%**	**2,160.6**	**91.8%**	**-15.1%**
Middle East	1,360.3	69.7%	1,685.8	71.6%	-19.3%
Africa	297.9	15.3%	364.5	15.5%	-18.3%
Other regions(1)	176.6	9.0%	110.39	4.7%	60%
Total	**1,951.3**	**100.0%**	**2,354.3**	**100.0%**	**-17.1%**

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

Anchoring Technology Leadership, Spearheading Intelligent Drilling Rigs

The Group continues to increase investments in scientific research and efforts in tackling key technological challenges, actively exploring the integration of big data, cloud computing, and artificial intelligence with drilling equipment, and steadily advancing intelligent innovation. China's first 12,000 meter drilling rig self-developed by the Company was successfully delivered during the year and will be operated in the Xinjiang region. All core components and control systems of the rig were self-developed by the Group, truly achieving the "full chain self-developed" of the drilling rig, fully demonstrating the Group 's outstanding capabilities in the field of high-end equipment manufacturing and providing another major national strategic asset for ultra-deep oil and gas development in China.

The transformation of drilling equipment towards automation and intelligence is one of the main trends in industry development. 3 additional sets of OPERA[1], an intelligent drilling system self-developed by the Group, has been sold to and operating well in multiple overseas projects, with high customer satisfaction. The iFrac Ops[2], a centralized fracturing control system, have been applied on domestic platforms, and completed industrial trials on 3 platforms and obtained 3 application certifications. In terms of industrial software for drilling and completing wells control systems, Unison[3] system has become a standard configuration of Honghua drilling rigs.

II. Parts and Components and Others

To mitigate the impact of oil price fluctuations on the Group's operating results and achieve localization of core parts and components for drilling and completing wells equipment, the Company seized opportunities and faced challenges head-on by formulating a "Strengthening Components" development strategy. accelerating the construction of core parts and component product lines for drilling and completing wells equipment, establishing three product lines: mud pumps, automated machinery, and top drives. After years of development, the Group has become one of the renowned enterprises for core parts and components of drilling and completing wells equipment. During the reporting period, the Group's revenue from parts and components and others business amounted to RMB1,662.2 million, accounting for 29.5% of total revenue.

1 OPERA system is capable of standardizing repetitive drilling activities such as drilling, tripping in and out into a standardized process and applies AI technology for automatic optimization, which significantly enhancing the standardization and efficiency of operations.

2 iFrac Ops system is a highly integrated centralized control system for fracturing operations, which integrates intelligent control algorithms through the linkage of fluid mixing, fluid supply, and sand conveying and other processes to achieve full-process automation and intelligent adjustment of key parameters.

3 Unison system is an integrated driller control system self-developed by the Group. With the support of backend software systems, it enables the control and operation of all rig equipment, including the top drive, drawworks, mud pump, rotary table, and iron roughneck, through an integrated seat, solving the issue of integrated control and unified management of the main equipment on a drilling rig.

According to data from RYSTAD ENERGY, a leading consulting firm in the oil and gas industry, the Group's mud pump products ranked third in terms of market share globally, among which the high-end market has a high acceptance of the Group's mud pump products, with 9 out of the top 10 land drilling companies (ranked by revenue) having purchased the Group's mud pumps, and 5 of them using the Group's mud pumps as their main configuration. During the reporting period, the Group's new high-pressure mud pump secured 37 bulk orders from both domestic and international customers. In terms of automated machinery, the Group achieved historic results by securing 13 2nd place and 7 3rd place positions in CNPC's automated machinery framework tender projects. During the reporting period, the Group also secured its first localization order for automated machinery from Abu Dhabi National Oil Drilling Company and multiple orders for sets of automated catwalks from Kuwait National Petroleum Company. In terms of top drives, the Group ranked first in Sinopec's 500T top drive leasing framework.

III. Drilling Engineering Services

As at 31 December 2024, the Group had 7 drilling teams, providing drilling engineering services to renowned domestic and international clients. It recorded revenue of RMB337.0 million, accounting for 6.0% of the total revenue, representing a decrease of 15.0% compared to RMB396.3 million in 2023. The decrease was due to strategic adjustments in the Group's domestic drilling business. The Company secured new orders of RMB506 million, ensuring stable and continuous workload for its drilling engineering services.

In terms of international projects, the Group, as a professional service provider in the oil and gas engineering services industry, 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 clients in the highly competitive oil and gas engineering services market. The Group has deployed 6 self-owned drilling rigs in Iraq, with full production tasks and efficient utilization of assets and equipment. Since 2019, the Company's drilling engineering service teams have continuously provided services to internationally renowned companies such as Halliburton, BP, and COSL, completing a total of 33 wells and achieving a total drilling depth of over 120,000 meters, setting numerous drilling construction records and maintaining a safety record of zero accidents for four consecutive years.

In terms of domestical projects, the Group signed a drilling project contract with Sinopec Chongqing Shale Gas Company for a platform in Nanchuan. The drilling rig, equipped with the Group's self-developed automated machinery, has successfully obtained the Sinopec qualification. The project commenced drilling in March 2024, completing 3 wells within the year with an annual drilling depth of 17,202 meters, setting numerous records in the work area.

The table below sets forth the breakdown of revenue from the drilling engineering service for the year by regions:

Regions	As at 31 December 2024 Revenue (RMB'million)	As at 31 December 2024 Percentage	As at 31 December 2023 Revenue (RMB'million)	As at 31 December 2023 Percentage	Changes of Revenue
The PRC	35.7	10.6%	101.7	25.7%	-64.9%
Iraq	301.3	89.4%	294.5	74.3%	2.3%
Total	**337.0**	**100.0%**	**396.3**	**100.0%**	**-15.0%**

IV. Offshore Segment

As at 31 December 2024, revenue from the offshore segment of the Group amounted to RMB859.8 million, representing an increase of 100.6% as compared to the previous year, accounting for 15.3% of the total revenue. The Group's offshore segment primarily includes offshore wind power jacket, offshore oil and gas equipment, specialized ships, and modules. The offshore 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 110,000 square meter steel structure assembly workshop, equipped with the capability to manufacture offshore oil and gas equipment, offshore modules, large-scale offshore wind power pile foundation structural parts chiefly, and specialized ships.

The table below sets forth the breakdown of revenue from the offshore wind power and offshore engineering equipment manufacturing business for the year by business type:

	As at 31 December 2024		As at 31 December 2023		
Business	**Revenue** (RMB'million)	**Percentage**	**Revenue** (RMB'million)	**Percentage**	**Changes of Revenue**
Offshore wind power jacket	811.5	94.4%	340.5	79.5%	138.3%
Offshore oil and gas equipment and specialized ships	48.3	5.6%	88.1	20.5%	-45.1%
Total	**859.8**	**100.0%**	**428.6**	**100.0%**	**100.6%**

Offshore Wind Power

In recent years, as geopolitical conflicts have exacerbated the traditional energy crises and global "carbon neutrality" initiatives have been successively put forward, the global offshore wind power industry has experienced rapid development. According to data from the Global Wind Energy Council (GWEC), the cumulative newly installed capacity of offshore wind power from 2024 to 2033 will exceed 410GW, with a compound annual growth rate (CAGR) of 20.5% for offshore wind power installations from 2024 to 2033. From 2023 to 2028, the cumulative installed capacity of offshore wind power in China is expected to grow at a CAGR of 24.0%, reaching 109GW by 2028. Against the backdrop of energy transition and policy support, China's offshore wind power segment has seen rapid growth. In 2024, the annual newly grid-connected installed capacity of offshore wind power is expected to reach 8GW, with the cumulative grid-connected capacity expected to reach 45GW, representing a year-on-year increase of 21.5%, accounting for over 50% globally.

The growing demand for offshore wind power has driven the rapid growth of the Group's offshore wind power jacket business. As at 31 December 2024, revenue from the offshore wind power jacket business of the Group amounted to RMB811.5 million, accounting for 14.4% of total revenue, representing an increase of 138.3% compared to RMB340.5 million in 2023. After 5 years of development, the Group has become one of the top-tier players in offshore wind power jacket production industry in China. During the reporting period, the Group's new order value for offshore wind power jackets exceeded RMB1,238 million, with 55 sets of large offshore wind jacket orders signed, achieving breakthroughs in new regional markets such as Zhejiang and Fujian while consolidating the pile foundations for offshore wind turbines markets in Jiangsu and Guangdong, maintaining a leading position in the large jacket segment. Leveraging our strong production capabilities, operating performance, and customer resources, we have established deep cooperative relationships with clients such as CGN, Longyuan, and Xiangyu, and gained recognition from upstream enterprises including CCCC Third Harbor Engineering, Shanghai Institute, China Railway Major Bridge Engineering Group, Three Gorges New Energy, and Guangzhou Salvage Bureau. We also expanded our client base to include CCCC First Harbor Engineering, CRRC, Shenneng, and Datang. In addition, by leveraging the technical expertise of DEC Group in the wind power segment, we are gradually advancing the development of deep-sea and floating wind power products. Through technical collaborations with Dongfu Research Institute of DEC Group, 708 Research Institute of China Shipbuilding Industry, Juli Group, Shanghai Jiao Tong University, and Sun Yat-sen University, we have completed the development of floating wind power hoisting technology.

Offshore Engineering Equipment Manufacturing Business

The offshore oil and gas segment is experiencing a rapid recovery, and the stable growth in future market orders presents opportunities for the Group to further expand into the offshore engineering equipment manufacturing business. As one of the world's largest manufacturers of land drilling rigs, the Group has extensive experience in oil and gas exploration and development equipment manufacturing. In terms of offshore engineering equipment manufacturing, the Group has designed various types of drilling platforms, developed complete machinery systems, and manufactured various large-scale equipment, accumulating design and commissioning experience in offshore oil and gas extraction, marine hydrate development, and seabed mineral resource extraction. In terms of shipbuilding, the Company have previously delivered platform supply vessels, workover barges, oil barges, and LNG-powered transport vessels.

As at 31 December 2024, revenue from offshore oil and gas equipment and special ship business and modules of the Group amounted to RMB48.3 million, accounting for 0.9% of total revenue, representing a decrease of 45.2% compared to RMB88.1 million in 2023. During the reporting period, the Group successfully won a bid for an emergency firefighting vessel project, which has potential value and far-reaching significance for enhancing China's offshore emergency rescue and safety capabilities. We signed strategic cooperation agreements with COSL, CM Heavy Industry, and CSSC 708 Research Institute, and collaborated with CIMC Pacific and Shanghai Waigaoqiao to advance small and medium-sized LNG vessel and offshore module businesses. We also made breakthroughs in new technology applications. The Group successfully developed the first set of new technology of pipe handling system for fixed offshore platform in China. We were deeply involved in the development of the ship "MENG XIANG", serving as one of the three major supporting units. From the initial ship function positioning to project approval and the undertaking of national research projects and actual ship building, the Group has been fully committed to supporting "MENG XIANG".

V. Fracturing Business

2024 was a crucial year for achieving the goals of the "14th Five-Year Plan", marking the final year of the "Seven-Year Action Plan" for increasing efforts to increase oil and gas reserve and production. China has continued to increase oil and gas exploration and development efforts, delivering impressive results. The national oil and gas production equivalent exceeded 400 million tonnes for the first time, with crude oil production reaching 213 million tonnes, maintaining a rapid growth trend of over 10 million tonnes for eight consecutive years. Natural gas production reached 246.4 billion cubic meters, with an average annual increase of over 13 billion cubic meters in the past six years, effectively alleviating the tight supply of oil and gas and further consolidating the "stabilizing oil output and increasing gas output" development trend. Oil and gas development has focused on accelerating production in deep and ultra-deep layers, shale oil and gas, coalbed methane, and coal-measure gas, continuously enhancing the self-sufficiency of oil and gas. In terms of shale oil, high-yield breakthroughs had been achieved at the Sichuan Basin's Fuxing exploration area, further consolidating the production increase pattern in the "three demonstration zones" (Xinjiang Jimsar, Daqing Gulong, and Shengli Jiyang) and "one main production area" (Changqing Qingcheng), with production rapidly increasing to 6 million tonnes, representing a year-on-year increase of over 30%. Shale gas production maintained a scale of over 25 billion cubic meters, while deep coal-measure gas production rapidly increased to 2.5 billion cubic meters in just three years, becoming a new highlight in China's natural gas production growth.

The rapid development of unconventional oil and gas resources has brought growth opportunities for the Group's fracturing business. As at 31 December 2024, revenue from fracturing business of the Group amounted to RMB823.1 million, accounting for 14.6% of total revenue, representing an increase of 56.8% compared to RMB524.8 million in 2023. The revenue from this business was entirely derived from the domestic market. The Group has a total of 16 pumping teams, which completed over 3,000 stages of fracturing operations during the year, with a 50% increase in completion volume due to higher fluid injection per stage.

The table below sets forth the breakdown of revenue from the fracturing equipment and services business for the year by business:

Business	As at 31 December 2024 Revenue (RMB'million)	As at 31 December 2024 Percentage	As at 31 December 2023 Revenue (RMB'million)	As at 31 December 2023 Percentage	Changes of Revenue
Sales of fracturing equipment and fracturing services	527.9	64.1%	325.2	62.0%	62.4%
Special power	295.2	35.9%	199.6	38.0%	47.9%
Total	**823.1**	**100.0%**	**524.8**	**100.0%**	**56.8%**

As at 31 December 2024, the Group has successfully completed several key projects, including multiple platforms in the Daiji Deep Coalbed Methane National Demonstration Zone, the first fully electric-driven deep coal measure gas platform in China, a key demonstration platform for CNOOC's coalbed methane development, and the country's first deep coalbed "all-gas power generation + fully electric-driven fracturing" project. The completion of these projects has achieved a breakthrough in large-scale fully electric-driven fracturing for coalbed methane in China, marking a critical step forward for the domestic coalbed methane industry, which is of significant importance for the green and low-carbon development and construction of deep coalbed methane.

During the reporting period, the Group capitalized on the growing demand for unconventional oil and gas resource development in China, intensifying market expansion efforts and achieving a year-on-year increase of 118.05% in new orders, amounting to RMB574 million. The Group successfully won multiple projects, mainly including: the Daqing shale oil fracturing auxiliary construction service project, which has strengthened the Group's competitive edge in promoting its electric-driven concept; the Shanxi coalbed methane electric-driven fracturing equipment leasing service project, demonstrating the reliability and quality of its products and services, which have earned the trust of clients; and the land electric-driven fracturing operation support service project for unconventional oil and gas resources (shale oil and gas, and coalbed methane), laying a solid foundation for further expansion to new markets for the Group. Notably, the Group entered into its first direct fracturing service contract with a mineral rights owner, Sichuan Energy Investment Group Co., Ltd., for 11 wells in the shallow coal measure gas block in Gaoxian, Yibin. The fracturing plans for these 11 wells were optimized and designed by the Group based on the client's preliminary fracturing work, providing significant value for the client's early-stage evaluation and key exploitation and fracturing technology research.

FUTURE OUTLOOK

2025 marks the final year of the "14th Five-Year Plan" and the preparatory year for the "15th Five-Year Plan". It is also a year of significant improvement for the Group's return to its leading position, and our internal "Year of Management Enhancement". The Company will adhere to the overarching strategy of expanding markets externally while strengthening management internally, driving innovation, improving economic efficiency, and promoting high-quality development.

I. Drawing the Blueprint with Clearer Ideas

We will firmly adhere to the strategic layout of "Equipment + Services + Related Diversification," rapidly forming three large-scale and high-quality product clusters. We aim to stabilize the market order portfolio for the three major business segments, namely land drilling rigs, parts and components, and drilling engineering services. This will further consolidate the Group's leading position in the global high-end intelligent drilling rig market. We will reshape the fracturing business sector, seizing the opportunities presented by the increased development of unconventional oil and gas resources domestically, while accelerating breakthroughs in overseas markets, cultivating it to become a new profit growing point for the Company. We will accelerate breakthroughs in new industries and fields, focusing on the iterative upgrade and series development of intelligent drilling rigs, continuously improving equipment performance and intelligence, advancing from fewer personnel operations to unmanned operations, and from localized intelligence to comprehensive intelligence, serving customers in deeper and more complex geological environments, and continuously building the "intelligence and green" pioneer label. For the offshore business, we will adopt a long-term layout strategy. Using the "MENG XIANG" vessel as an opportunity, we will vigorously promote deep-sea exploration and the domestic production of offshore drilling equipment, gradually capturing market share.

II. Tackling Key Technological Barriers with Stronger Efforts

The Group will continue to maintain our investment in research and development (R&D) at approximately 5%. We will focus on effective efforts in areas such as R&D investment, platform construction, and technological layout. This will strengthen the role of scientific and technological innovation in supporting industries towards high-end, intelligent, and green development. We will concentrate on the construction of a scientific and technological innovation system, promoting the efficient operation of the Joint Innovation Research Institute, deepen R&D cooperation with high-level national innovation institutions, and fully commit to tackle key technological barriers. We will vigorously develop new productive capacities in the energy equipment segment, and strengthen research in strategic emerging industries, future industries, and cutting-edge technologies.

III. Anchoring Offshore Business with Greater Determination

Currently, global oil and gas exploration and development are rapidly shifting towards deepwater and ultra-deepwater areas. It is expected that deepwater oil and gas will become the fastest-growing type of resource in the next decade. The path of integration of new-generation information technologies with advanced manufacturing technologies is accelerating, driving the intelligent upgrade of design, manufacturing, and operation and maintenance services for ship and offshore engineering equipment, fostering new demands for offshore engineering technology development. During the reporting period, the Group has broken away from the previous single-industry model in the offshore business. Moving forward, we will focus on the design and construction of offshore oil and gas drilling platforms as the core, building a synergistic "Three Oceans" business system that includes offshore wind power, offshore engineering modules (including specialized ships) and offshore drilling platforms, positioning the offshore segment as a key accelerator for the Company's high-speed growth in the future.

IV. Enhancing Operating Efficiency with a Higher Capacity

We will promote the comprehensive coverage of lean management, rapidly extending from parts and component workshops to structural workshops, final assembly and debugging departments, and eventually to all production units, strive to transform the achievements of lean production into improved delivery rates. By focusing on building a lean supply chain, we will optimize supply chain management, increase multi-level and multi-dimensional centralized procurement, thoroughly review bottleneck resource suppliers, further reducing procurement costs. We will advance target cost control, further enhance financial management capabilities, reduce financing costs and management expenses, and continuously improve the gross profit margin of each industry segment. We will accelerate the construction of a quality-leading indicator system, improve the efficiency of quality issue resolution, and ensure that the annual quality loss rate below 0.1%. We will strengthen risk control, continuously enhance the effectiveness of risk management.

V. Unleashing Growth Vitality with a Stronger Team

Focusing on the goal of talent leadership, we will deeply promote the high-quality construction of a talent team, fostering high-quality development momentum. During the reporting period, the Group had a total of 2,934 employees, representing an increase of 4.5% as compared to the previous year, and conducted more than 400 training sessions throughout the year. We will specifically introduce professional talents in the fields of new energy, offshore, and information governance, strengthening job rotation and multi-position training, and build a versatile talent team. At the same time, we will cultivate lean belt-level talents, discovering, training, and applying lean talents in various lean projects.

FINANCIAL REVIEW

During the year, the Group's gross profit and profit attributable to shareholders of the Company amounted to approximately RMB677 million and RMB8 million, respectively, and gross margin and net profit margin amounted to 12.0% and 0.1%, respectively. In the previous year, the gross profit and loss attributable to shareholders of the Company amounted to approximately RMB542 million and RMB387 million, respectively, and gross margin and net loss margin amounted to 9.9% and 7.1%, respectively. Relying on its mature global market network and long-term stable customer relationships, the Group has consistently secured domestic and international market orders, with the total value of new active orders reached a record high, laying a solid foundation for the overall performance growth of the Company. The Group has constantly optimized cost management, improved operational management level, and further reduced financing costs, enabling the Group to turn losses into profits.

Turnover

During the year, the Group's revenue amounted to approximately RMB5,633 million, representing an increase of RMB160 million or 2.9% from RMB5,473 million for the previous year. The Group adjusted its business layout, resulting in a significant increase in revenue from the marine sector compared to the previous year.

Cost of Sales

During the year, the Group's cost of sales amounted to approximately RMB4,957 million, representing an increase of RMB26 million or approximately 0.5% from RMB4,931 million for the previous year. Mainly affected by the increase in sales revenue, the cost of sales of each sector increased accordingly. Meanwhile, the Group's business structure adjustment and the effective implementation of cost reduction and efficiency enhancement measures have improved its profitability.

Gross Profit and Gross Margin

During the year, the Group's gross profit amounted to approximately RMB677 million, representing an increase of RMB135 million or 24.9% from RMB542 million for the previous year.

During the year, the Group's overall gross margin was 12.0%, representing an increase of 2.1 percentage point from 9.9% for the previous year. This was mainly due to the following reasons: First, the Group capitalized on the growing demand for unconventional oil and gas resource development in China, leading to a significant expansion of its fracturing service business and an increase in revenue scale. Second, the wind power jacket business experienced rapid growth, as the wind power jacket market continued to reach new highs.

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses in the Year

During the year, the Group's distribution expenses amounted to approximately RMB211 million, representing a decrease of RMB38 million or 15.3% from RMB249 million for the previous year. This was mainly due to the Group has achieved cost reduction and efficiency improvement, resulting in a year-on-year decrease of 34 million in travel expenses, business expenses and rental fees.

During the year, the Group's administrative expenses amounted to approximately RMB383 million, representing a decrease of RMB42 million or 9.9% from RMB425 million for the previous year. This was mainly due to the decrease in impairment of the Group's long-term assets during the year.

During the year, the Group's research and development expenses amounted to approximately RMB150 million, representing an increase of RMB38 million or 33.9% from RMB112 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 its investment in research and development, with an investment in research and development of RMB257 million for the year, representing an increase of RMB30 million or 13.47% compared with that of the previous year.

During the year, the Group's net finance expenses amounted to approximately RMB130 million, representing a decrease of RMB46 million or 26.1% from approximately RMB176 million for the previous year. This was mainly due to the continuous improvement of the Group's financing structure and continuous optimisation of financing costs.

Profit before Income Tax

During the year, the Group's profit before income tax amounted to approximately RMB40 million, representing an increase profit of RMB451 million compared to the loss of RMB411 million for the previous year.

Income Tax Expense

During the year, the Group's income tax expense amounted to approximately RMB35 million, compared to the income tax expense of approximately RMB8 million for the previous year. The increase was primarily due to the improvement in the Group's performance, which led to a corresponding rise in income tax expense.

Profit for the Year

During the year, the Group's profit for the year amounted to approximately RMB5 million, compared to a loss of approximately RMB419 million for the previous year. Specifically, profit attributable to equity shareholders of the Company was approximately RMB8 million, while the loss attributable to non-controlling interests was approximately RMB3 million. During the year, the net profit margin was 0.1%, compared with a net loss margin of 7.1% for the previous year.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

During the year, EBITDA amounted to approximately RMB492 million, compared to approximately RMB74 million for the previous year. This was mainly attributable to the increase in the Group's revenue and reduction in costs. The EBITDA margin was 8.7%, compared to 1.3% for the previous year.

Dividends

The Board does not recommend distribution of annual dividends for the year ended 31 December 2024.

Source of Capital and Borrowings

The Group's major sources of funding for the year included cash generated from operations, bank loans.

As at 31 December 2024, the Group's borrowings amounted to approximately RMB4,150 million, representing a decrease of RMB320 million as compared to 31 December 2023. Specifically, borrowings repayable within one year amounted to approximately RMB2,111 million, representing a decrease of RMB213 million or 9.2% compared to 31 December 2023.

Deposits and Cash Flow

As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB791 million, representing an increase of approximately RMB13 million as compared to 31 December 2023.

During the Year, the Group's net cash inflow from operating activities amounted to approximately RMB678 million; net cash outflow from investing activities amounted to approximately RMB84 million; and net cash outflow from financing activities amounted to approximately RMB636 million.

Assets Structure and Changes

As at 31 December 2024, the Group's total assets amounted to approximately RMB11,928 million. Particularly, current assets amounted to approximately RMB7,634 million, accounting for 64.0% of total assets, representing a decrease of RMB432 million compared to 31 December 2023. This was mainly due to the decrease in accounts receivable, prepayments and inventories. Non-current assets amounted to approximately RMB4,295 million, accounting for 36.0% of total assets, representing a decrease of RMB158 million compared to 31 December 2023. This was mainly due to the decrease in long-term receivables.

Liabilities

As at 31 December 2024, the Group's total liabilities amounted to approximately RMB8,264 million. Specifically, current liabilities amounted to approximately RMB6,143 million, accounting for approximately 74.3% of total liabilities, representing a decrease of approximately RMB619 million compared to 31 December 2023. Non-current liabilities amounted to approximately RMB2,120 million, accounting for approximately 25.7% of total liabilities, representing a decrease of approximately RMB56 million compared to 31 December 2023. As at 31 December 2024, the Group's total liabilities/ total assets ratio was 69.3%, representing a decrease of 2.1 percentage points compared to 31 December 2023. As at 31 December 2024, the Group had no significant contingent liabilities.

Equity

As at 31 December 2024, the total equity amounted to approximately RMB3,665 million, representing an increase of RMB83 million as compared to 31 December 2023. The total equity attributable to equity shareholders of the Company amounted to approximately RMB3,470 million, representing an increase of RMB86 million compared to 31 December 2023. Non-controlling interests amounted to approximately RMB195 million, representing a decrease of RMB3 million as compared to 31 December 2023. During the year, the Company's basic profit per share was approximately RMB0.08 cent, and diluted profit per share was RMB0.08 cent.

Capital Expenditure, Major Investment and Capital Commitments

During the year, capital expenditure of the Group on infrastructure and technical improvements amounted to approximately RMB202 million, representing a decrease of approximately RMB7 million compared to the previous year.

As at 31 December 2024, the capital commitment of the Group amounted to approximately RMB16 million, which was used to optimize and adjust the Group's business and production capacity.

Principal Risks and Uncertainties

The Group provides development equipment and engineering services of oil and gas fields, the main market risk and uncertainties come from the fluctuation of oil and gas price and oil and gas development activities. The Board of the Company pays close attention to the market conditions and will change the Group's market strategy in a timely manner according to the market changes to ensure a stable business development of the Group. The Group also faces the risks of international operation, market competition, strategic management and technology research and development. Through formulating strategic development objectives, increasing R&D investment, establishing core brand image, improving product price and delivery advantage, the Group aims to enhance the market competitiveness of the company and reduce the impact of risks on the company's operation.

Meanwhile, The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Details of these financial risks are set out in note 34 to the notes to the consolidated financial statements for the year ended 31 December 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Xu (王旭先生), aged 51, has been an Executive Director and the Chairman of the Board of the Company since 25 November 2022. He is also the Chairman of each of the Nomination Committee and the Strategic Investment Committee, and a member of the Remuneration Committee of the Company. Mr. Wang joined Dongfang Electric Corporation ("Dongfang Electric"/"DEC") in 1995 and is currently an employee director of Dongfang Electric. Previously, he served as the head of the party-masses work department of Dongfang Electric and the head of the corporate culture department of Dongfang Electric Corporation Limited, the deputy secretary of the party committee and the secretary of the discipline inspection committee of Dongfang Electric Wind Power Co., Ltd. and the manager of the Coil Branch Factory of Dongfang Electric, as well as the secretary of the joint party branch of the production management department and the warehouse management center of DongFang Electric Machinery Corporation Limited, and deputy head of the production management department of DongFang Electric Machinery Corporation Limited. Mr. Wang has extensive experience in production management and enterprise management. Mr. Wang received his Bachelor's degree in Engineering from Chongqing University in 1995. Positions held by Mr. Wang in the Company's subsidiaries are set forth below.

Subsidiary	Position	Term of Office
Honghua Holdings Limited	Director	Since 16 December 2022
Honghua (China) Investment Co., Ltd.	Director	Since 16 December 2022
	Secretary of the Party Committee	Since 21 November 2022
Sichuan Honghua Petroleum Equipment Co., Ltd.	Chairman	Since 16 December 2022

Mr. Zhu Hua (朱驊先生), aged 41, has been an Executive Director of the Company since 4 July 2022 and has been the President of the Company with effect from 7 February 2024. He is also a member of the Strategic Investment Committee of the Company. Mr. Zhu joined the DEC in 2009 and once served as a director, general manager and party secretary of MHI Power Dongfang Boiler Co., Ltd., a subsidiary of DEC. He once served as the deputy director of the boiler technology department, the deputy director of the product project management department, the director of the marketing center and the director of the thermal power marketing department of Dongfang Boiler Co., Ltd. Mr. Zhu has extensive experience in technology and corporate management. Mr. Zhu obtained a Bachelor's Degree in Thermal and Power Engineering from Zhejiang University in 2006, a Master's Degree in Mechanical Engineering from the Hong Kong University of Science and Technology in 2008, and a Doctorate Degree in Power Engineering and Engineering Thermophysics from Xi'an Jiaotong University in 2020. Positions held by Mr. Zhu is currently the general manager and director of Sichuan Honghua Petroleum Equipment Co., Ltd..

Mr. Yang Qiang (楊強先生), aged 44, has been an Executive Director of the Company since 17 May 2024. Mr. Yang is also a member of the Strategic Investment Committee of the Company. He once worked in Dongfang Electric Machinery Co., Ltd from 2004, served as deputy director of the equipment department, deputy director of the material purchasing department and deputy director of the procurement centre, and was the deputy secretary of the Party Committee and employee representative of Dongfang Electric Autocontrol Engineering Co., Ltd.. At present, Mr. Yang serves as the Party Deputy Secretary of Honghua (China) Investment Co., Ltd. and a director of Sichuan Honghua Petroleum Equipment Co., Ltd., both being the subsidiaries of the Company. Mr Yang has extensive experience in material procurement, equipment management, technology management and human resources management. Mr. Yang holds a Bachelor's degree.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Yang Yangzhuang (楊養莊先生), aged 58, has been a Non-executive Director, the members of each of the Audit Committee and the Strategic Investment Committee of the Company since 28 June 2024. Mr. Yang is currently serves as a director of Sichuan Honghua Petroleum Equipment Co., Ltd., a subsidiary of the Company. Mr. Yang was a deputy director of the marketing department of Dongfang Electric Co., Ltd., deputy manager of thermal power division, Party Secretary, chairman and general manager of Dongfang Electric (Sichuan) Supplies Co., Ltd. Mr. Yang has extensive experience in marketing, service and management. Mr. Yang received his Bachelor of Engineering degree in water conservancy and hydropower power engineering from College of Water Resources and Hydropower, Shanxi Institute of Mechanical Engineering in 1988.

Mr. Liu Xinggui (劉興貴先生), aged 59, has been a Non-executive Director since 28 June 2024. He has been also the members of each of the Remuneration Committee and the Strategic Investment Committee of the Company. Mr. Liu is currently serves as a director of Sichuan Honghua Petroleum Equipment Co., Ltd., a subsidiary of the Company. Mr. Liu once served as a deputy general manager of Dongfang Steam Turbine Co., Ltd., general manager of gas turbine division and nuclear power division of Dongfang Electric Co., Ltd., chairman and secretary of the Party Committee of Dongfang Electric Wind Power Co., Ltd. Mr. Liu has rich experience in business management. Mr. Liu received his Bachelor of Engineering degree in Thermal Turbine-machinery from the Department of Energy and Power Engineering of Xi ‘an Jiaotong University in 1987 and his Doctor of Management degree in Management Science and Engineering from the University of Electronic Science and Technology of China in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Shiju (張士舉先生), aged 47, has been an Independent Non-executive Director of the Company since 4 July 2022. Mr. Zhang is also the chairman of Remuneration Committee, the members of each of the Audit Committee and the Nomination Committee of the Company. Mr. Zhang is currently a senior counsel of AllBright Law Firm Shanghai Office. Mr. Zhang holds a Master's Degree in Economic Law from Nanjing University. He is an external expert of the Shanghai Technology Exchange Expert Think Tank, and a management consulting service expert of the Management Consulting Professional Committee of the China Enterprise Confederation. Mr. Zhang served as a senior partner of Beijing Yingke Law Firm Shanghai Office, the Deputy Secretary-General of Shanghai Youth Entrepreneurship and Employment Foundation, a co-tutor for graduate students of Tsinghua University and Shanghai Jiaotong University Law School, and an adjunct professor of Jilin University Business School. Mr. Zhang has extensive experience in legal services such as investment and mergers and acquisitions, IPO listing, corporate governance, and industrial funds.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Yuedong (李越冬女士), aged 48, has been an Independent Non-executive Director, the chairman of the Audit Committee and the members of each of the Remuneration Committee and the Nomination Committee of the Company since 28 June 2024. Ms. Li is currently a director of the audit Department of the Accounting School of Southwestern University of Finance and Economics, doctoral supervisor, one of the first international high-end accounting talents of the Ministry of Finance, and a certified public accountant of the United States of America. She served as an independent director of Chengdu Leejun Industrial Co., Ltd. (002651.SZ), Sichuan Kelun Pharmaceutical Co., Ltd. (002422.SZ), Chengdu High-Tech Development Group Co., Ltd. (000628.SZ), Sichuan Fengsheng Paper Technology Co., Ltd. and Sichuan Neautus Traditional Chinese Medicine Co., Ltd. She currently served as an independent director of Chengdu Sino Microelectronics Technology Co., Ltd. (688709.SH), Ya'an Bestry Performance Material Co., Ltd., Chengdu Zhimingda Electronics Co., Ltd. (688636.SH), Chengdu Shengbang Seals Co., Ltd. (301233.SZ) and as an independent non-executive director of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (6990. HK). Ms. Li obtained her bachelor's degree in economics from Chongqing Technology and Business University in 2000, master's degree in Accounting (MAcc) from Georgia College & State University in 2004, and doctoral degree in Management (Accounting) from Southwestern University of Finance and Economics in 2011.

Mr. Wang Junren (王俊仁先生), aged 63, has been an Independent Non-executive Director, the members of each of the Remuneration Committee and Strategic Investment Committee of the Company since 20 August 2024. He started to work in 1982 and has successively served as director of Strategic Development Center of China National Oil and Gas Exploration and Development Corporation, deputy general director and general director of Kazakhstan PetroChina Aktobe Oil and Gas Co., LTD., deputy general director of PetroChina Kazakhstan Company, deputy general director of PetroChina Central Asia Company, general director of PetroChina West Africa Company and other positions. Mr. Wang has rich experience in oil and gas exploration and development, international oil management and engineering construction management. Mr. Wang holds an Executive Master's degree in Business Administration from Peking University.

SENIOR MANAGEMENT

Mr. Luo Xiaoming (羅曉明先生), aged 57, has been the Vice President of the Company since 4 July 2022. Mr. Luo joined the DEC since 1992. He was the vice general manager of DEC International Cooperation Limited, Dongfang Electric Co., Ltd, International Engineering Branch and Dongfang Electric Co., Ltd., Import and Export Branch, respectively. Mr. Luo is experienced in international trade business. Mr. Luo obtained a bachelor's degree in thermal engineering from the thermal engineering department of Chongqing University in 1989 and holds a master's degree of engineering thermal physics from the power engineering department of Harbin Institute of Technology in 1992.

Mr. Su Mingchuan (蘇明川先生), aged 42, has been the Chief Financial Officer of the Company since 14 June 2024. Mr. Su joined Dongfang Boiler Co., Ltd. ("Dongfang Boiler") in 2004 and has served as the deputy head and head of the finance department of Dongfang Boiler, and the deputy head of the finance department of Dongfang Electric Corporation and Dongfang Electric Co., Ltd.. Mr. Su graduated from the School of Economics and Management of Southwest Jiaotong University in 2004, majoring in accounting, and is a senior accountant.

Mr. Lin Hai (林海先生), aged 54, has been the Vice President of the Company since 17 May 2024. Mr. Lin previously held the positions of assistant to the President of the Company, assistant to the General Manager of Sichuan Honghua Petroleum Equipment Co., Ltd., and Chairman and Party Branch Secretary of Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. He also served as director of the Deyang Manufacturing Center, Head of the Deyang Management Department, Party Branch Secretary, and director of the Combustion Workshop at Dongfang Furnace, a subsidiary of Dongfang Investment. Mr. Lin obtained a bachelor's degree in electromechanical integration engineering from the University of Electronic Science and Technology in 2000.

Mr. Li Liqiang (李利強先生), aged 49, has been the Vice President of the Company since 17 May 2024. Mr. Li previously held the positions of assistant to the President of the Company, assistant to the General Manager and Director of the project management center of Sichuan Honghua Petroleum Equipment Co., Ltd., and Chairman of Honghua Oil & Gas Engineering Technology Services Limited. He also served as director of the Generator Branch Factory and First Party Branch Secretary at Dongfang Electric Machine, a subsidiary of Dongfang Investment, and as general manager of the Energy Engineering Division and General Manager of the Guli Project Department at Dongfang Electric Machine Co., Ltd. Mr. Li obtained a bachelor's degree in electrical machinery and its control engineering from Shenyang University of Technology in 2001.

Ms. Lv Lan (呂蘭女士), aged 50, has been the Vice President of the Company since 17 May 2024. Ms. Lv previously held the positions of director of the technology innovation center at Sichuan Honghua Petroleum Equipment Co., Ltd., supervisor at Han Zheng Testing Technology Co., Ltd., and director at Honghua Offshore Oil and Gas Equipment Co., Ltd. Ms. Lv obtained a bachelor's degree in mechanical manufacturing processes and equipment engineering from Southwest Petroleum Institute in 1997 and a master's degree in mechanical engineering from Southwest Jiaotong University in 2014. Ms. Lv received a special allowance from the State Council in 2019 and was recognized as the chief technical expert (petrochemical equipment) in the fourth session of Dongfang Electric Corporation in 2023. She was also named a leading figure in science and technology under the "Tianfu Qingcheng Plan" in 2023.

COMPANY SECRETARY

Mr. He Bin (何斌先生), aged 51, has been the secretary of Board of Director and Joint Company Secretary of the Company since 9 January 2023. He joined the Group in 2008 and has served as the Vice President of the Company. Mr. He has a wealth of experience in strategic investment, corporate governance and compliance control. He holds a Bachelor's Degree from Renmin University of China and a Master's Degree in Business Administration from University of Alberta in Canada.

Ms. Lee Mei Yi (李美儀女士), aged 57, has been a Joint Company Secretary of the Company since July 2015. Ms. Lee is an executive director of corporate services division of Tricor Services Limited and a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Lee has over 30 years' experience in company secretarial area.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhancing corporate value and accountability.

The Group strives to attain and maintain high standards of corporate governance to enhance Shareholder value and safeguard Shareholder interests. The Group's corporate governance principles emphasize a quality Board, effective internal controls and accountability to Shareholders.

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting Shareholder value and investor confidence.

The Company has adopted the principles and all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in part 2 of Appendix C1 to the Listing Rules as the standard of the Company's corporate governance practices.

Throughout the entire year from 1 January 2024 to 31 December 2024, the Company has complied with all code provisions of the CG Code, except for code provision F.2.2. Code provision F.2.2 stipulates that the Chairman of the Board should attend the annual general meeting. However, due to other commitments, Mr. Wang Xu, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 26 June 2024. Mr. Wang Xu will make every effort to attend all future annual general meetings of the Company.

In addition, reference is made to the Company's announcement dated 28 June 2024 in relation to, among others, the resignation of Independent Non-executive Directors and appointment of Directors. Following the change in the Board members as disclosed in the announcement, the Company has (i) two Independent Non-executive Directors, which is below the minimum requirement under Rule 3.10(1) of the Listing Rules; (ii) less than one-third of Independent Non-executive Directors on the Board, which does not meet the percentage requirement under Rule 3.10 A of the Listing Rules.

As a remedial measure, the Board has made its best effort to identify suitable candidates to fill the vacancy of an independent non-executive director and appointed Mr. Wang Junren as an Independent Non-executive Director of the Company on 20 August 2024. Following the appointment of Mr. Wang Junren, the Company has three Independent Non-executive Directors representing at least one-third of the Board and has met the requirements under Rules 3.10(1) and 3.10A of the Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After the specific enquiries made by the Company, all Directors have confirmed that they have complied with the standards specified in both the Code for Securities Trading and the Model Code throughout the year ended 31 December 2024.

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

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

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

The Company has established a Mechanism (the "Mechanism") to ensure the Board has independent views and which sets out the processes and procedures to ensure a strong independent element on the Board, mainly including: (i) the Board ensures the appointment of at least one-third of its members being Independent Non-executive Directors, with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise; (ii) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including Independent Non-executive Directors, for appointment as Directors; (iii) the Independent Non-executive Directors affirm their independence to the company annually; (iv) the Directors are entitled to seek independent professional advice reasonably necessary for discharging their duties as Directors at the Group's expense; and (v) a Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

The Board will review the implementation of the Mechanism on an annual basis to ensure its effectiveness.

BOARD MEETINGS

Code provision C.5.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors entitled to be present, either in person or through electronic means of communications.

BOARD COMPOSITION

The Board currently comprises eight Directors, consisting of three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors.

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

Non-executive Directors
Mr. Yang Yangzhuang
Mr. Liu Xinggui

Independent Non-executive Directors
Mr. Zhang Shiju
Ms. Li Yuedong
Mr. Wang Junren

The biographical information of Directors are set out under "Biographical Details of Directors and Senior Management" on pages 23 to 26 of this annual report. There are no relationships (financial, business, family, or otherwise) between Board members, particularly between the Chairman and the President.

CHAIRMAN AND PRESIDENT

Mr. Zhu Hua, an Executive Director of the Company, and has been promoted to the President of the Company with effect from 7 February 2024. The President focuses on the Company's business development and daily management and operations generally.

The position of Chairman is held by Mr. Wang Xu throughout the year ended 31 December 2024. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Following the resignation of Mr. Chen Guoming, Ms. Su Mei, Mr. Chang Qing and Mr. Wei Bin, the Board included two Independent Non-executive Directors since 28 June 2024. Following the appointment of Mr. Wang Junren as an Independent Non-executive Director on 20 August 2024, the Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. For details, please refer to announcements dated 28 June 2024 and 20 August 2024.

Saved as disclosed above, during the year ended 31 December 2024, the Company had three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise so that there is a strong independent element on the Board, which can effectively make independent judgment.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, and code provision B.2.3 of the CG Code stipulates that if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders.

Each of the Directors of the Company is appointed for a specific term of not exceeding three years and is subject to retirement by rotation at least once every three years.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board of Directors of the Company and the management are committed to upholding good corporate governance practices and business ethics. The Company believes that maintenance of high standard of business ethics and good corporate governance is essential for effective management, healthy business growth and fostering a contemporary corporate culture, which drives the Group to growing sustainably and safeguarding the interests of the shareholders of the Company.

The Board is responsible for leadership and control of the Company and collectively for directing and supervising the Company's affairs, and oversees the Group's businesses, strategic decisions and performance.

The senior management has been delegated by the Board the authority and responsibility for the day-to-day management and operations of the Group. In addition, the Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to these Board committees various responsibilities as set out in their terms of reference.

All Directors have carried out duties in good faith, in compliance with the standards of applicable laws and regulations, and act in the interests of the Company and its Shareholders at all times.

All Directors, including the then Non-executive Directors and the Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors are always provided in a timely manner with comprehensive, accurate and detailed information on the Company's operation through monthly report, business operation report, important projects report and financial report so as to enable the Directors to make decisions and perform their duties and responsibilities. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Board Diversity Policy") outlining the approaches to achieving board diversity, and the implementation and effectiveness of the Board Diversity Policy are reviewed annually. The Board Diversity Policy is available on the Company's website for reference. The Company acknowledges and strongly believes that Board diversity brings benefits, and considers that an increasingly diverse board is a key element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Board and the Nomination Committee will regularly review the structure, size, and composition of the Board, and consider the Company's Board Diversity Policy to ensure that the Board members possesses the relevant expertise, skills, experience, and diversity required to meet the Company's business needs, and make recommendations on the changes to complement the Company's corporate strategy. In reviewing and assessing the composition of the Board, the Board shall strive for diversity at all levels and consider multiple factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, as well as regional and industry experience.

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

During the reporting period, the Board has conducted a review and evaluation of the Board Diversity Policy. The Board believes that the policy has been effectively implemented and has played a positive role in enhancing the Company's governance structure. Currently, the composition of the Company's Board has taken into account the needs of the Company's operations and business activities, and the structure of the Board has become more diverse, encompassing a wide range of backgrounds, professional fields, experiences, and skills. Additionally, one of the members of the Board is a female. Therefore, the Board believes that it has achieved board member diversity, including gender diversity.

The Board recognizes the need to consider setting measurable objectives for the implementation of the Board Diversity Policy, and to periodically review these objectives to ensure their appropriateness and to assess progress in achieving them. The Board will regularly monitor the gender composition of the Board and, depending on the Group's business needs and development plans, set further gender diversity targets at the Board level when necessary. In determining the composition of the Board members, consideration will be given to various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, and length of service, with an emphasis on maintaining a balanced gender ratio.

CORPORATE GOVERNANCE REPORT

GENDER DIVERSITY

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

	Male	Female
Board	88%	12%
	7	1
Senior Management	88%	12%
	7	1
Other employees	80%	20%
	2,336	587
Overall workforce	80%	20%
	2,350	589

The Group has always adhered to, and will continue to adhere to, the two key principles of lawful employment and equal employment. When hiring employees, we focus on the overall qualities of candidates and ensure equal employment opportunities and labor protection for employees from different genders, nationalities, races, religions, and cultural backgrounds. We firmly support equal pay for equal work, eliminate forced labor and any form of employment discrimination, and ensure that equal employment policies are implemented throughout the hiring process for all employees.

Although the Group has not yet formulated specific plans or measurable goals to further promote gender diversity at the employee level, the Company will regularly review the Company's employment culture and assess whether it continues to meet the Company's development strategy in the constantly changing environment. As of the end of the reporting period, the Group has not identified any factors or circumstances that would make achieving gender diversity more challenging or irrelevant for all employees (including senior management). The Company will continue to focus on employee diversity and maintain flexibility in relevant policies to make appropriate adjustments in the future based on industry and Company needs.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "Director Nomination Policy") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and Board committees of the Company.

The nomination procedures and the process for selection and appointment of new Directors and re-election of Director at the general meetings set out in the Director Nomination Policy are as follows:

(a) The nomination committee shall nominate candidates for the consideration of the Board. The Board shall have the final decision on all matters in relation to its nomination of any candidates to stand for election at a general meeting of the Company.

(b) A candidate nominated by the Board to stand for election at a general meeting (the "Board Candidate") will submit the necessary personal information, together with their written consent to be elected as a Director.

(c) A circular will be available to Shareholders (the "Shareholder Circular") to provide information of the Board Candidate. The Shareholder Circular will include the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, their name, brief biography (including qualifications and relevant experience), independence and proposed remuneration.

(d) The Board Candidate shall not assume that they have been nominated by the Board to stand for election at the general meeting prior to the despatch/publication of the Shareholder Circular.

Where appropriate, the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

The Board will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

INDUCTION TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed director will receive formal, comprehensive and tailored made induction on the first occasion of his/her appointment, so as to ensure that he/she has adequate understanding of the business and operations and governance of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. During the year, Mr. Yang Yangzhuang, Mr. Liu Xinggui, Ms. Li Yuedong and Mr. Wang Junren were appointed as Directors of the Company. The Company arranged induction package for each of Mr. Yang Yangzhuang, Mr. Liu Xinggui and Ms. Li Yuedong on 28 June 2024 and to Mr. Wang Junren on 20 August 2024, including legal advice from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to each of them as a director of the Company and the possible consequence of making a false declaration or giving false information to the Stock Exchange. Each of Mr. Yang Yangzhuang, Mr. Liu Xinggui, Ms. Li Yuedong and Mr. Wang Junren has confirmed that he/she understood his/her obligations as a director of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

All the Directors have actively participated in the continuous professional development by way of attending seminar and/or conferences and/or forums and/or reading materials.

During the year ended 31 December 2024, the following Directors attended seminars/training sessions/in-house briefing/reading materials:

Directors	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc.
Executive Directors		
Mr. Wang Xu	✓	✓
Mr. Zhu Hua	✓	✓
Mr. Yang Qiang (Appointed with effect from 17 May 2024)	✓	✓
Non-executive Directors		
Mr. Yang Yong (Resigned with effect from 7 February 2024)		✓
Mr. Yang Yangzhuang (Appointed with effect from 28 June 2024)	✓	✓
Mr. Liu Xinggui (Appointed with effect from 28 June 2024)	✓	✓
Independent Non-executive Directors		
Mr. Chen Guoming (Resigned with effect from 28 June 2024)		✓
Ms. Su Mei (Resigned with effect from 28 June 2024)		✓
Mr. Chang Qing (Resigned with effect from 28 June 2024)		✓
Mr. Wei Bin (Resigned with effect from 28 June 2024)		✓
Mr. Zhang Shiju	✓	✓
Ms. Li Yuedong (Appointed with effect from 28 June 2024)	✓	✓
Mr. Wang Junren (Appointed with effect from 20 August 2024)	✓	✓

BOARD COMMITTEES

The Board has established 4 committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Strategic Investment Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

During the reporting period, the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

AUDIT COMMITTEE

During the year 2024, Mr. Wei Bin resigned as the Chairman of the Audit Committee on 28 June 2024. Mr. Chen Guoming, Ms. Su Mei, and Mr. Chang Qing resigned as members of the Audit Committee on 28 June 2024. Ms. Li Yuedong was appointed as the Chairman of the Audit Committee and Mr. Yang Yangzhuang was appointed as a member of the Audit Committee both on 28 June 2024.

As at the date of publication of this annual report, the Audit Committee comprises 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 them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To review and monitor integrity of the Company's financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management systems and associated procedures and internal audit function;
- To review the compliance of the corporate governance issues, the corporate governance report and the corporate governance policy in accordance with code provision A.2.1 of the Corporate Governance Code; and
- To perform other duties as set out in the Corporate Governance Code and the Audit Committee's terms of reference and responsibilities. For details, please refer to the Audit Committee's terms of reference and responsibilities published by the Company on the Hong Kong Stock Exchange website on 27 August 2024.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's interim and annual financial results and reports for the year ended 31 December 2024, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, the compliance of the corporate governance issues, the corporate governance report and the corporate policy.

The Audit Committee held four meetings among of met with the external auditors twice without the presence of the Executive Directors during the year ended 31 December 2024. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 38 to 39 of this Corporate Governance Report.

REMUNERATION COMMITTEE

During the year 2024, Ms. Su Mei resigned as the Chairman of the Remuneration Committee and Mr. Wei Bin resigned as a member of the Remuneration Committee both on 28 June 2024. Mr. Zhang Shiju was appointed as the Chairman of the Remuneration Committee on 28 June 2024, Ms. Li Yuedong was appointed as a member of the Remuneration Committee on 28 June 2024, and Mr. Wang Junren and Mr. Liu Xinggui were appointed as members of the Remuneration Committee on 20 August 2024.

As of the date of publication of this annual report, the Remuneration Committee comprises five members, including three Independent Non-executive Directors namely Mr. Zhang Shiju (Chairman of Remuneration Committee), Ms. Li Yuedong and Mr. Wang Junren, one Executive Director namely Mr. Wang Xu and one Non-executive Director namely Mr. Liu Xinggui.

The main duties of the Remuneration Committee include the following:

- To make recommendations to the Board on the remuneration policy and structure of the Directors and the senior management, the incentive mechanism, and the establishment of procedures for developing the remuneration policy and the incentive mechanism;

- To review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions;

- To review and approve the compensation arrangements for the executive Directors and the senior management in connection with (i) any loss or termination of their office or appointment and (ii) any dismissal or removal of directors for misconduct to ensure such arrangements are determined in accordance with contractual terms and that such compensation is reasonable and appropriate; and

- To perform other duties as set out in the Corporate Governance Code and the Remuneration Committee's terms of reference and responsibilities. For details, please refer to the Remuneration Committee's terms of reference and responsibilities published by the Company on the Hong Kong Stock Exchange website on 27 August 2024.

The Remuneration Committee normally meets at least once a year for reviewing and making recommendation to the Board on the remuneration policy and structure and determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The Remuneration Committee held a meeting during the year ended 31 December 2024. During the year under review, the Remuneration Committee has assessed the performance of all Directors, reviewed and made the recommendations to the Board on the remuneration policy, package and structure of the Directors and the senior management, the incentive mechanism and the compensation arrangement of the Group. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 38 to 39 of this Corporate Governance Report.

Details of the remuneration of the senior management by band are set out in note 9 in the notes to the Consolidated Financial Statements for the year ended 31 December 2024.

The remuneration policies of the Group focus on the efficiency of the employees and the position-value index, with reference to the individual ability and experience of an employee as well as the market value of the labour market, and emphasize on incentive-orientation and also the establishment of a fair and competitive remuneration system. For long-term incentive policies, the Company has adopted the Share Option Scheme and Restricted Share Award Scheme for eligible participants. Details are set out under the paragraphs headed "Share Option Scheme" and "Restricted Share Award Scheme" in the Report of the Directors.

The basis of determining the emolument of Directors is based on various considerations, including Directors' capability, knowledge and experience, participation to the Board, job duties and responsibilities and is also made reference to the market practices and conditions. Except Mr. Wang Xu, the Chairman of the Board, whose remuneration consists of annual basic remuneration and annual performance appraisal remuneration, the remuneration of the Executive Directors is based on their administrative management positions. Independent Non-executive Directors are entitled to a fixed emolument package. Non-executive Directors do not receive director's remuneration from the Company. During the reporting period, the Remuneration Committee adopted the approach set out in paragraph (ii) of Code Provision E.1.2(c) of the Corporate Governance Code, under which it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-monetary benefits, retirement benefits and compensation payments (including compensation for loss or termination of office or appointment).

NOMINATION COMMITTEE

Pursuant to Rule 3.27A of the Listing Rules that the issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

During the year 2024, Mr. Chang Qing resigned as a member of the Nomination Committee and Ms. Li Yuedong was appointed as a member of the Nomination Committee both on 28 June 2024.

As of the date of publication of this annual report, the Nomination Committee comprises three members, including one Executive Director namely Mr. Wang Xu (Chairman of Nomination Committee) and two Independent Non-executive Directors namely Mr. Zhang Shiju and Ms. Li Yuedong.

The primary objectives of the Nomination Committee include the following:

- To make recommendations to the Board on the composition of Board members according to the scale of the Company's operations and corporate governance and on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;
- To review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- To identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors; and
- To perform other duties as set out in the Corporate Governance Code and the Nomination Committee's terms of reference and responsibilities. For details, please refer to the Nomination Committee's terms of reference and responsibilities published by the Company on the Hong Kong Stock Exchange website on 27 August 2024.

The Nomination Committee normally meets at least once a year to review the nomination policy, structure, size, and composition (including skills, knowledge, and experience), diversity policy, the appointment, re-election, and succession planning of Directors, and to make recommendations to the Board to complement the Company's corporate strategy and assess the independence of Independent Non-executive Directors. During the year ended 31 December 2024, the Nomination Committee held a meeting and has reviewed the structure, size and composition of the Board, identified and selected the suitable candidates for directorships and made the recommendation to Board on the appointment of the Directors, reviewed the Board Diversity Policy of the Group. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 38 to 39 of this Corporate Governance Report.

STRATEGIC INVESTMENT COMMITTEE

During the year 2024, Mr. Chang Qing resigned as a member of the Strategic Investment Committee (formerly known as "Strategic Investment and Risk Control Committee") on 28 June 2024. Mr. Yang Qiang, Mr. Yang Yangzhuang and Mr. Liu Xinggui were appointed as members of the Strategic Investment Committee on 28 June 2024, and Mr. Wang Junren was appointed as a member of the Strategic Investment Committee on 20 August 2024.

As of the date of publication of this annual report, the Strategic Investment Committee comprises six members, including three Executive Directors namely Mr. Wang Xu (Chairman of Strategic Investment Committee), Mr. Zhu Hua and Mr. Yang Qiang, two Non-executive Directors namely Mr. Yang Yangzhuang and Mr. Liu Xinggui, and one Independent Non-executive Director namely Mr. Wang Junren.

The main duties of the Strategic Investment Committee include the following:

- To study and make recommendations on the strategic planning for the Company's medium to long-term development;
- To study and make recommendations on major investment proposals subject to the approval of the Board;
- To study and make recommendations on projects in respect of major capital operation and asset management subject to the approval of the Board;
- To be responsible for overseeing the Company's ESG development direction and strategies; to assess, monitor and review sustainability issues as well as reviewing the annual ESG report.

The Strategic Investment Committee normally meets at least once a year for reviewing the investment and risk control issues. The Strategic Investment Committee held a meeting and has studied the projects in respect of the disposal of assets and made recommendations to the Board during the year ended 31 December 2024. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 38 to 39 of this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2024, the Board held ten meetings for reviewing and approving the interim and annual financial results and reports, the financial and operational performance, and considering and approving the overall strategies and policies of the Company.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

The summary of the attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings during the year ended 31 December 2024 is set out below:

	Attendance/Number of Meetings							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	(note 1) Extraordinary General Meeting	(note 2) Annual General Meeting	Meeting between Chairman and Independent Non-executive Directors
Mr. Wang Xu (note 3)	7/10	–	1/1	1/1	1/1	1/2	0/1	1/1
Mr. Zhu Hua (note 4)	9/10	–	–	–	1/1	1/2	1/1	–
Mr. Yang Qiang (appointed on 17 May 2024)	7/7	–	–	–	1/1	1/2	1/1	–
Mr. Yang Yong (note 5) (resigned on 7 February 2024)	0/1	–	–	–	–	0/1	–	–
Mr. Yang Yangzhuang (appointed on 28 June 2024)	5/5	3/3	–	–	1/1	0/1	–	–
Mr. Liu Xinggui (appointed on 28 June 2024)	5/5	–	1/1	–	1/1	0/1	–	–
Mr. Chen Guoming (resigned on 28 June 2024)	3/4	1/1	–	–	–	1/1	0/1	–
Ms. Su Mei (resigned on 28 June 2024)	3/4	1/1	–	–	–	1/1	0/1	–
Mr. Chang Qing (resigned on 28 June 2024)	3/4	1/1	–	1/1	–	1/1	0/1	–
Mr. Wei Bin (resigned on 28 June 2024)	3/4	1/1	–	–	–	1/1	0/1	–
Mr. Zhang Shiju	10/10	4/4	1/1	1/1	–	2/2	1/1	1/1
Ms. Li Yuedong (appointed on 28 June 2024)	5/5	3/3	1/1	–	–	1/1	–	1/1
Mr. Wang Junren (appointed on 20 August 2024)	5/5	–	1/1	–	1/1	1/1	–	1/1

The Directors attended the meetings via video or telephone conference, or in person.

Note 1: The extraordinary general meeting of the Company were held on 30 January 2024 and 31 December 2024.

Note 2: The annual general meeting of the Company was held on 26 June 2024.

Note 3: Mr. Wang Xu was unable to attend three Board meetings due to other arrangements. He has reviewed the relevant Board meeting proposals prior to the meetings and provided written authorization for a proxy to vote on his behalf to ensure his opinions were fully reflected at the meetings.

Note 4: Mr. Zhu Hua was unable to attend one of Board meetings due to other arrangements. He has reviewed the relevant Board meeting proposals prior to the meeting and provided written authorization for a proxy to vote on his behalf to ensure his opinions were fully reflected at the meeting.

Note 5: Mr. Yang Yong was unable to attend a Board meeting due to other arrangements. He has reviewed the relevant Board meeting proposals prior to the meeting and provided written authorization for a proxy to vote on his behalf to ensure his opinions were fully reflected at the meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 65 to 69 of this annual report.

Where appropriate, a statement from the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS AND AUDITORS' REMUNERATION

Since 1 November 2022, the Company's auditor has been changed from PricewaterhouseCoopers to Deloitte Touche Tohmatsu. For details, please refer to the Company's announcement dated 1 November 2022. Apart from the above disclosure, the Company has not changed its auditor in the past three years. During the year ended 31 December 2024, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu in respect of audit services and non-audit services are set out below:

Service Category	**Fees (in Renminbi)**
Audit Services	3,600,000
Non-Audit Services (Tax-Specific Services)	1,004,000

The auditors' remuneration disclosed in note 6 to the consolidated financial statements included the remuneration paid to Deloitte Touche Tohmatsu as detailed above. Audit services include review of financial information and the non-audit services include tax advisory services to the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

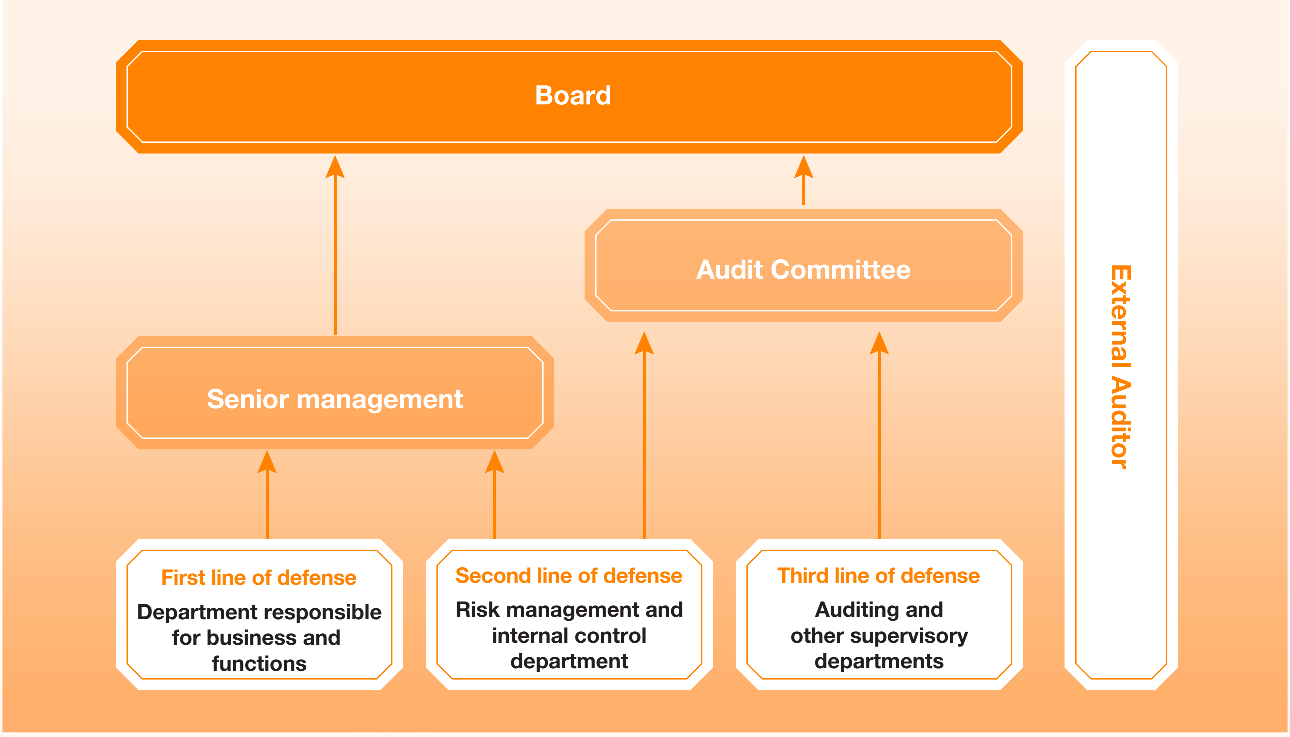
The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has established and formulated appropriate policies and checks to ensure that there is no unauthorized use or disposal of asset. Reliable financial and accounting records are maintained in accordance with relevant rules and regulations, relevant accounting standards and regulatory reporting requirements. Material risks which may affect the performance of the Company are properly identified and managed.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Company has established a risk management organizational structure with clear responsibility rank and reporting procedure. The risk management and internal control department and the audit and monitoring department assist the Board and the Audit Committee in the continuous review of effectiveness of the Company's risk management and internal control systems. The Directors regularly receive information on material risks which may affect the performance of the Company from these Committees and management.

The Company has adopted the following "three lines of defense" model as the guideline of risk management structure:



As the first line of defense, each department and subsidiary of the Company responsible for business management and internal control-related functions are the frontline of risk exposure and shall actively analyze the likelihood and impact of potential/actual risks in the course of ordinary business. They also carry out preliminary risk signal collection and identification, actively implement risk mitigation measures, participate in the risk management culture-building, and serve as the first-responsible-body for mitigation of risk events in order to facilitate the addressing and handling of risk events. The business units in the first line of defense are subject to the guidance and supervision of the risk management and internal control department.

As the second line of defense, the risk management and internal control department and the relevant departments of the Company are primarily responsible for the formulation of risk management policy, coordination and organisation of tackling risk events, coordinated planning and development, maintenance and enhancement of the risk management and internal control systems. In accordance with the Company's strategic goals and business plans, they set up the risk management mechanism and internal control mechanism, make recommendations on risk management strategy and internal control improvement, and report to the management and the Audit Committee.

As the third line of defense, the Audit Committee and the auditing and other supervisory departments of the Company are primarily responsible for the follow-up scrutiny, audit and monitoring of the tasks assigned to the first and second lines of defense, evaluation and organisation of continuous rectification of the risk management mechanism and risk controllability, and reporting to the Board. The audit department is responsible for performing independent review and assessment of the adequacy and effectiveness of the risk management and internal control systems, examining key issues in relation to the accounting practices and all material controls and providing its findings and recommendations for improvement to the Audit Committee.

With the assistance of the risk and internal control department and the auditing and other supervisory departments, the management of the Company is responsible for the design, implementation and monitoring of the risk management and internal control systems as well as the submission of regular reports to the Board on the effectiveness of these systems. During the year, the Board has obtained confirmation from the management on the effectiveness of the risk management and internal control systems of the issuer.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

The Company has adopted several policies and programs to evaluate and prudently boost the effectiveness of the risk management and internal control systems, including the requirement on the executive management of the Company to conduct evaluation and review the proper and effective operation of such matters every year. The Company believes that such measures shall strengthen future effectiveness of risk management and internal control.

During the year 2024, the Company has achieved the following key results in risk management system:

1. The Company further improved the risk management and internal control systems, optimized and revised the "Three Importance and One Significance" system, incorporating major risk assessment and legal compliance review as mandatory pre-procedures for significant decision-making matters. The risk management department organized the identification and assessment of key risks at the Group level, and the management discussed, agreed upon, and implemented relevant risk management measures and corresponding countermeasures, and regularly reported the results of risk assessments to the Board and the Audit Committee. The Company continued to consolidate the management mechanism of historical risks with "rating and classification" and "one strategy for one project," effectively promoting the resolution of various historical risks. In the ordinary course of business, the Company actively carried out specialized risk screening and risk warnings.

2. The Company further consolidated the legal working system, strengthened the organizational system construction of subsidiaries, guided and supervised six subsidiaries to establish leadership teams for the rule of law construction and risk control compliance, organized and coordinated the legal, internal control, risk, and compliance management work within the enterprise. The Company continued to deepen the integration of legal services and businesses, solidly carried out the legal and compliance review of economic contracts, major decisions, and rules and regulations, providing legal services to ensure compliance with the law. The legal department deeply participated in major projects, assisting in the steady progress of the Company's reforms. The contract management system was fully launched in all domestic enterprises of the Company, promoting the digital transformation of legal work.

3. The Company continuously improved the compliance management system, formulated the "Guidelines for Compliance Management Personnel," ensuring the performance of compliance management personnel. The Company carried out special work on the list of key business process controls, formulated the list of business process controls, promoting the integration of compliance management into processes and systems. The Company prepared the "Compliance Management Construction Plan for Overseas Marketing Business," gradually enhancing the compliance management capabilities of overseas marketing. The Company formulated and revised the compliance guidelines and role-specific compliance responsibilities, ensuring compliance obligations are assigned to specific roles and personnel. The Company organized various compliance training sessions, conducted compliance knowledge competitions, signed compliance commitment letters, and other activities to further enhance the compliance awareness of all employees.

4. The Company's internal audit and internal control assessment incorporated risk management into the audit planning stage, and prepared the internal control system self-assessment report for the year based on the Company's comprehensive risk analysis.

During the year, the risk management and internal control department and the audit department reported their work results in respect of the sufficiency and effectiveness of risk management and internal control for the previous period to the Board, including but not limited to highlighting any failures in the implementation of these control procedures or any material deficiencies in the procedures.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The Audit Committee and the Board were not aware of any key findings that would have any substantive impact on the business or financial condition of the Company, and of the opinion that the existing risk management and internal control systems are appropriate and effective in terms of sufficiency of resources, qualification and experience of staff, training program and financial budget, internal audit and financial report.

The management reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems of the year as at 31 December 2024.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

INTERNAL AUDIT

The Company has specially established an internal audit and supervision department responsible for the internal control of the Group.

The internal audit and supervision department conducts regular supervision and examination over the business of the Group and also carries out the special supervision and examination for significant projects to regulate the management of the Group.

The internal audit and supervision department reports its work to the Audit Committee on a periodical basis while the Audit Committee reviews and approves the internal audit reports and the annual plan for internal audit annually. The audit opinions will be reported to the Board through the Audit Committee.

The Company has adopted the anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has also set up an independent reporting channel through which the employees of the Company can report the corruption and bribery of other employees of the Company directly to the internal audit and supervision department, so that the Company can be held harmless from frauds and other misconducts.

INFORMATION DISCLOSURE

The Company has formulated a set of continuing disclosure obligation procedures in response to the inside information provisions under the SFO and the Listing Rules.

The Company proactively publishes voluntary announcements for the matters of significance involving the current development status of the Company so that Shareholders and investors can be timely aware of the current status of the business development of the Company.

COMPANY SECRETARY

As of the date of publication of this annual report, the primary contact person of the Company is Mr. He Bin, one of the Joint Company Secretaries of the Company. Ms. Lee Mei Yi of Tricor Services Limited, an external service provider, has been appointed by the Company as one of its Joint Company Secretaries since 7 July 2015.

All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters.

During the year 2024, Mr. He Bin and Ms. Lee Mei Yi, the Joint Company Secretaries, have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, separate resolutions are proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors.

All resolutions put forward at Shareholders' meetings will be taken by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after Shareholders' meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings may be convened by the Board on requisition of one or more Shareholders' holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

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

Email: shareholder@hhcp.com.cn

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address or 99 East Road, Information Park, Jinniu District, Chengdu, Sichuan, People's Republic of China and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Strategic Investment Committee or, in their absence, other members of the respective committees normally attend the annual general meetings and other relevant Shareholders' meetings to answer questions of Shareholders. Notices to Shareholders for annual general meetings and all other general meetings will be sent to the Shareholders before such meetings pursuant to the requirement of the Listing Rules.

Information relating to the Company's financial results, corporate details, major projects and events are disseminated through publications of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

To promote effective communication, the Company maintains a website at http://www.hh-gltd.com, where up-to date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy ("Shareholders' Communication Policy"). The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Company is committed to maintaining an open and effective communication policy through various channels, including the general meeting, annual and interim reports, notices, announcements, circulars, and the Company's website, providing shareholders and investors with the latest business-related information. The general meeting serves as an important platform, offering shareholders the opportunity to communicate with the Board and fostering interaction and understanding between both parties. Considering the previous operation of the general meeting as a communication platform, as well as the handling of past inquiries and feedback, the Company has consistently maintained an efficient and proactive approach in implementing its Shareholders' Communication Policy. In addition, the Company actively utilizes multiple existing communication channels listed below to ensure that shareholders are able to receive timely updates on the Company's business operations.

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

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and nonregistered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) **Announcements and Other Documents pursuant to the Listing Rules**

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) **Corporate Website**

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (https://www.hh-gltd.com).

(d) **Shareholders' Meetings**

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) **Shareholders' Enquiries**

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, call its hotline at (852) 2862 8555, or go in person to its public counter at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries or requests to the Board by email: shareholder@hhcp.com.cn or by post to Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(f) **Other Investor Relations Communication Platforms**

Investors/analysts briefings, roadshows, media interviews etc.

Based on the past experience and the existing communication system, the Board believes that these diversified communication channels and platforms have been operating effectively and have achieved the expected results, successfully facilitating sufficient contact and information exchange between shareholders, stakeholders and the Company, and the Board is confident that the Company's Shareholders' Communication Policy is effective and has been appropriately implemented in the current financial year. The successful execution of this policy helps ensure effective communication between the Shareholders, stakeholders and the Company, while supporting shareholders' full understanding and participation in the Company's operations and governance.

DIVIDEND POLICY

The Company has adopted a dividend policy. With an emphasis on providing reasonable investment return to its Shareholders, the Company strives to implement a sustained and stable dividend policy by considering the current actual operating conditions of the Company, the sustainability and the interests of the Shareholders as a whole. The Company may distribute dividends to the Shareholders in cash, in shares or in other forms as the Board considers appropriate. According to the Dividend Policy, subject to the relevant criteria, based on the audited annual statements and the net profit attributable to the Shareholders for the Year and on the premise that the distributable profit is positive and there is sufficient working capital, the Company may distribute annual dividends to the Shareholders in cash in proportion to at least 30% of the annual distributable profit in principle. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors as a whole: the financial results, the cash flows, the future operations and revenue, the capital requirements and capital expenditure plan, the Shareholders' interests of the Company and its subsidiaries as well as any other relevant factors. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it seems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board presents this annual report, together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group principally engages in research, design, manufacture, setting and sale of land rigs and related parts and components, design and manufacture the offshore drilling module. Meanwhile it also provides clients with technical support services and drilling engineering services. During the Year, the nature of principal activities of the Group has no substantial change.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements on pages 70 to 181 of this annual report. The Board did not recommend a final dividend for the year ended 31 December 2024.

SHARE CAPITAL

Changes in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There is no provision of pre-emptive right under the Articles of Association and the laws of the Cayman Islands stipulating that the Company shall offer new Shares to existing Shareholders in proportion.

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

As at 31 December 2024 and during the Year, the Company did not hold any treasury shares (including any treasury shares held or deposited with the Central Clearing and Settlement System).

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

UTILISATION AND ADJUSTMENT OF PROCEEDS

On 18 July 2023, Dongfang Electric International Investment Co., Limited ("Dongfang Investment") subscribed for 3,684,494,251 shares in the Company. The shares were appropriately allotted and issued by the Company to Dongfang Investment at the issue price of HK$0.2418 per share, pursuant to the special mandate granted by the independent shareholders of Dongfang at an extraordinary general meeting. The total consideration paid by Dongfang Investment under the subscription was HK$890,910,710. After deducting relevant costs and expenses, the net proceeds amounted to approximately HK$886.74 million. As of 1 January 2024, the unutilized net proceeds of the Company amounted to approximately HK$135.10 million. The table below presents the original intended use of the net proceeds, as well as the details and descriptions of the different uses during the reporting period:

Original intended use of proceeds	Original amount of proceeds to be used (HK$ million)	Proportion of originally intended use of proceeds to the total proceeds	Actual Utilized amount as at 31 December 2024 (HK$ million)	Unutilised amount as at 31December 2024 (HK$ million)
Repaying the Group's interest bearing borrowings	505.44	57%	518.95	0
Investment in construction and technical transformation of production line of the Group's offshore segment	106.41	12%	0	0
Supplementing the Group's working capital for general purpose	274.89	31%	367.79	0
Total	886.74	100%	886.74	0

Reference is made to the Company's announcement dated 26 March 2024, regarding the change in the use of proceeds. As disclosed in the announcement, during the reporting period, in line with the Company's operational development needs and to enhance fund utilization efficiency and reduce the Group's financial costs, approximately HK$106.41 million originally planned for investment in the construction and technical transformation of the production line in the Group's offshore segment has been used to repay interest-bearing loans and supplement general working capital.

As indicated in the table above, the total amount of consideration HK$886 million was fully utilized as at 31 December 2024, of which HK$519 million was repaid to the Group's interest bearing borrowings and the remaining HK$368 million was used to supplement the Group's working capital for general purpose.

RESERVES

As of 31 December 2024, the Group has a total of approximately RMB2,646 million worth of reserve. Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity in the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2024 are set out in note 11 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The existing Directors of the Company during the Year and as of the date of this annual report are set out on page 2 the section "Corporate Information" of this annual report.

The status of all the Directors of the Company holding their offices during the year is set out in the section "Corporate Information".

In accordance with the Articles of Association, one third of the Directors (or closest to but not less than one third if the number is not three or a multiple of three) shall retire from office by rotation at each annual general meeting and each Director is required to retire at least once every three years and any Director appointed by the Board shall hold office only until the next general meeting and shall then be eligible for re-election at the meeting.

According to the independent guidelines under the Listing Rules, the Company has received the annual confirmation of their independence from each Independent Non-executive Director, and the Company still considers such Independent Non-executive Directors as independent.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, save as disclosed below, there has been no change in the information required to be disclosed by the Directors and the Chief Executive of the Company under Rule 13.51(2)(a) to (e) and (g) of the Listing Rules during the reporting period and up to the date of this report.

On 17 May 2024, Mr. Yang Qiang was appointed as an Executive Director of the Company.

On 7 February 2024, Mr. Yang Yong resigned as a Non-Executive Director of the Company due to work reallocation. On the same day, Mr. Zhu Hua was appointed as the President of the Company.

On 28 June 2024, the following Directors resigned from their respective positions on the Board and its committees due to their need to devote more time to personal affairs:

(1) Mr. Chen Guoming resigned as an Independent Non-Executive Director and the members of each of the Audit Committee of the Company;

(2) Ms. Su Mei resigned as an Independent Non-Executive Director, a member and the Chairperson of the Remuneration Committee, and a member of the Audit Committee of the Company;

(3) Mr. Chang Qing resigned as an Independent Non-Executive Director, and a member of the Audit Committee, the Nomination Committee, and the Strategic Investment Committee of the Company; and

(4) Mr. Wei Bin resigned as an Independent Non-Executive Director, the Chairman of the Audit Committee, and a member of the Audit Committee and the Remuneration Committee of the Company.

Also on 28 June 2024:

(1) Mr. Yang Yangzhuang was appointed as a Non-Executive Director, and the members of each of the Audit Committee and the Strategic Investment Committee of the Company;

(2) Mr. Liu Xinggui was appointed as a Non-Executive Director and a member of the Strategic Investment Committee of the Company; and

(3) Ms. Li Yuedong was appointed as an Independent Non-Executive Director, the Chairperson of the Audit Committee, and the members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

In addition, on 20 August 2024, Mr. Wang Junren was appointed as an Independent Non-Executive Director of the Company and a member of both the Remuneration Committee and the Strategic Investment Committee of the Company. Mr. Liu Xinggui, a Non-Executive Director, was also appointed as a member of the Remuneration Committee of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the Director of the Company is engaged on a service contract for a term of 3 years. The appointment may be terminated by not less than 3 months' written notice. The Directors shall retire by rotation and be eligible for re-election subject to the Articles of Association.

None of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, subject to the Companies Law, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the sections titled "Continuing Connected Transactions during the Reporting Period" and the "Renewal of Continuing Connected Transactions", the Group has no other transaction, arrangement or contract of significance subsisting during or at the end of the reporting period in which a director of the Company or an entity connected with a director is or was materially interested, either directly or indirectly.

SIGNIFICANT CONTRACTS WITH THE CONTROLLING SHAREHOLDER

During the reporting period, details of significant contracts entered into between the Company and the controlling shareholder or its subsidiaries, as well as significant contracts under which the controlling shareholder or its subsidiaries provided services to the Company or its subsidiaries, are set out in the sections titled "Continuing Connected Transactions during the Reporting Period" and the "Renewal of Continuing Connected Transactions".

REMUNERATION FOR DIRECTORS AND SENIOR MANAGEMENT

For the year ended 31 December 2024, details of remuneration for the Directors and Senior Management of the Company are set out in notes 8 and 9 to the consolidated financial statements.

The emoluments of the Executive Director and Senior Management by bands are as follows:

	2024 Number of individuals
RMB0 to RMB1,000,000	9
RMB1,000,001 to RMB2,000,000	4
RMB2,000,001 to RMB3,000,000	–
RMB3,000,001 to RMB4,000,000	–
RMB4,000,001 to RMB5,000,000	–
RMB5,000,001 to RMB6,000,000	–

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

At 31 December 2024, none of the Directors or the Chief Executive held any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO, or as notified to the Company and the Stock Exchange in accordance with the Model Code set out in Appendix C3 to the Listing Rules.

As at 31 December 2024, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that, as at 31 December 2024, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives of the Company.

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

Notes:

(1) Tricor Equity Trustee Limited, as the trustee of 3 Family Trusts, holds 491,576,29 Shares in total.

(2) Dongfang Electric International Investment Co., Limited is owned 100% by Dongfang Electric Corporation and holds 5,290,494,251 Shares.

Save as disclosed above, to the best of the Directors and the Chief Executives of the Company's knowledge, as at 31 December 2024, none of the persons, other than the Directors or the Chief Executives of the Company, had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register as required under Section 336 of the SFO.

SHARE OPTION SCHEME

(A) SHARE OPTION SCHEME

Upon conditional approval by resolution in writing by all shareholders of the Company on 21 January 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The Pre-IPO Share Option Scheme will remain in force for a period of ten years from the date of grant until 20 January 2018. Save as disclosed below, no options were granted or to be granted under the Share Option Scheme. As at 1 January 2024 and 31 December 2024, no options were available for grant under the scheme mandate. For the year ended 31 December 2024, no shares may be issued in respect of options granted under the Share Option Schemes. Details of the Share Option Scheme are as follows:

Purpose

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are available to the Group. The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will (a) motivate the Participants to optimise their performance and efficiency; and (b) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

Participants

The Participants of the Share Option Scheme are (a) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group; (b) any non-executive director (including independent non-executive directors) of any member of the Group; (c) any supplier of goods or services to any member of the Group; (d) any customer of any member of the Group; (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (g) any joint venture partner, business or strategic alliance partner, in each case of any member of the Group; (h) any discretionary trust whose discretionary objects may be any executive director, employee or proposed employee (whether full time or part time) and any non-executive director (including independent non-executive directors) of any member of the Group, any supplier of goods or services to any member of the Group, any customer of any member of the Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, any shareholder of any member of the Group or any holder of any securities issued by any member of the Group, and any joint venture partner, business or strategic alliance partner, in each case of any member of the Group.

Total number of Shares available for issue under the Share Option Scheme and% of issued share capital as at the date of this annual report

There are no Shares available for issue pursuant to the Share Option Scheme.

Maximum entitlement of each Participant

The total number of Shares issued and to be issued upon exercise of options granted to any Participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such Participant), and all other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further granted should be taken as the date of grant for the purpose of calculating the subscription price.

Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Vesting period

The Share Option Scheme does not provide for a vesting period for the options granted or to be granted under the Share Option Scheme.

Amounts to be paid on acceptance of share options

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (c) the nominal value of a Share on the date of grant of the option.

Details of the grant share options under the Share Option Scheme in the validity period ended 31 December 2024 were as follows:

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

Particulars and movements of share options under the Share Option Scheme during the year ended 31 December 2024 were as follows:

	Number of share options									
Name or category of participant	Outstanding as at 01/01/2024	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31/12/2024	Date of grant (DD/MM/YY)	Exercise period (DD/MM/YY)	Exercise price per Share HK$	Price immediately preceding the grant date of share options HK$
Directors										
Mr. Chen Guoming *(Resigned with effect from 28 June 2024)*	550,000	–	–	550,000	–	0	24/03/2014	24/04/2014-23/03/2024	2.024	2.02
	500,000	–	–	–	–	500,000	21/09/2016	21/09/2017-20/09/2026	0.44	0.435
Sub-total	1,050,000	–	–	550,000	–	500,000				
Other										
Employee	2,650,000	–	–	2,650,000	–	0	24/03/2014	24/04/2014-23/03/2024	2.024	2.02
Employee	13,519,548	–	–	13,519,548	–	0	02/07/2014	02/07/2014-01/07/2024	1.96	1.92
Employee	31,471,000	–	–	2,470,000	–	29,001,000	21/09/2016	21/09/2017-20/09/2026	0.44	0.435
Sub-total	47,640,548	–	–	18,639,548	–	29,001,000				
Total	48,690,548	–	–	19,189,548	–	29,501,000				

(B) SHARE OPTION SCHEME OF 2017

The 2017 Share Option Scheme is conditionally adopted by the Shareholders at the annual general meeting held on 14 June 2017. As at 31 December 2024, no options were granted or to be granted under the 2017 Share Option Scheme. No share options were granted to the following persons under the 2017 Share Option Scheme since the adoption thereof and up to the date of this report:

(i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) each participant with options to be granted in excess of the 1% individual limit;

(iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company;

(iv) the five highest paid individuals during the financial year; and

(v) other employee participants, related entity participants and service providers.

As at 1 January 2024 and 31 December 2024, 513,742,090 and 513,742,090 options were available for grant under the scheme mandate. For the year ended 31 December 2024, 513,742,090 shares may be issued in respect of options granted under the 2017 Share Option Scheme. Details of the 2017 Share Option Scheme are as follows:

Purpose

The purpose of the Scheme is to provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are available to the Group. The Scheme will give the Participants an opportunity to have a personal stake in the Company and will (a) motivate the Participants to optimise their performance and efficiency; and (b) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

Participants

(a) any Executive Director, employee or proposed employee (whether full time or part time) of any member of the Group; (b) any Non-executive Director (including Independent Non-executive Director) of any member of the Group; (c) any supplier of goods or services to any member of the Group; (d) any customer of any member of the Group; (e) any advisor, consultant, any person or entity with professional or other services who provides research, development or other technical support to any member of the Group; (f) any joint venture, business or strategic alliance partner of any member of the Group; (g) discretionary trust whose discretionary objects are as follows: any Executive Director, employee or prospective employee (whether full time or part time) and any Non-executive Director (including Independent Non-executive Director) of any member of the Group, any supplier of goods or services to any member of the Group, any customer of any member of the Group, any advisor, consultant, any person or entity with professional or other services who provides research, development or other technical support to any member of the Group, and any joint venture, business or strategic alliance partner of any member of the Group.

Total number of Shares available for issue under the 2017 Share Option Scheme and% of issued share capital as at the date of this annual report

The total number of Shares available for issue under the 2017 Share Option Scheme are 513,742,090 shares, accounting for 5.68% of the issued share capital of the Company as at the date of this annual report. As at the date of this annual report, no options were granted under the 2017 Share Option Scheme.

Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any Participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such Participant and his associates (as defined under the Listing Rules) abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such Participant), and all other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further granted should be taken as the date of grant for the purpose of calculating the subscription price.

The period in which Shares must be taken up for under the Share Option Scheme

An offer for the grant of options must be made to a Participant on a trading day by letter in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned within seven days inclusive of the day on which such offer was made.

The minimum period, if any, for which a share option must be held before it can be exercised

Unless otherwise determined by the Board and stated in the offer of grant of share options to the grantee, there is no minimum period for which a share option must be held before it can be exercised. The 2017 Share Option Scheme does not provide for a vesting period for the options granted or to be granted under the 2017 Share Option Scheme.

Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Amounts to be paid on acceptance of share options

Grantee of share option must pay HK$1.00 to the Company upon acceptance of share option offer.

Basis of determining the exercise price

The subscription price of the share option granted under the Share Option Scheme is solely determined and notified to the participants by the Board of Directors, but not less than the highest of (i) the closing price of the Company's Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant; (ii) the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's Shares as at date of grant.

The remaining life of the 2017 Share Option Scheme

Subject to early termination of the Share Option 2017 Scheme pursuant to the terms thereof, the 2017 Share Option Scheme shall remain valid and effective for 10 years commencing on the date of its adoption on 14 June 2017. As at the date of this annual report, the remaining life of the 2017 Share Option Scheme is less than 3 years.

RESTRICTED SHARE AWARD SCHEME

On 30 December 2011, the Board approved and adopted a restricted share award scheme ("the Original Scheme"). The Original Scheme has expired at 30 December 2021 for a term of 10 years commencing on the Adoption Date. As at 30 December 2021, in accordance with the Original Scheme Rules, the Trustee has purchased 97,817,000 of the Company's Shares, accounting for 1.08% of the issued share capital of the Company and total of 36,917,700 shares were granted to the Selected Participants and out of which 190,000 Shares were subsequently cancelled. 61,089,300 Shares may be administered and have not yet been granted (representing approximately 0.67% of the total number of issued Shares of the Company).

At the Board meeting of the Company held on 29 December 2021, the Board adopted the 2021 Restricted Share Award Scheme. The 2021 Scheme shall be effective for a term of 10 years commencing on the Adoption Date (29 December 2021). As at the date of this annual report, the remaining life of the 2021 Restricted Share Award Scheme is less than 7 years. As at 1 January 2024 and 31 December 2024, 267,799,745 and 267,799,745 restricted shares were available for grant under the scheme mandate. There are 267,799,745 restricted shares to be granted under the 2021 Restricted Share Award Scheme. With the prior approval of the Board, the Trustee may purchase Shares up to 5% of the issued share capital of the Company from time to time in accordance with the Scheme Rules (including the Shares which may be administered and have not yet been granted under the original Scheme). The Shares will be held in trust for the relevant Selected Participant until such Shares are vested with the relevant Selected Participants in accordance with the Scheme Rules. The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules. Details of the 2021 Restricted Share Award Scheme and the terms thereof are set out in the announcement of the Company dated 30 December 2021.

Purpose

The purpose of the 2021 Restricted Share Award Scheme is to recognise the contributions by the eligible participants and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group, and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Participants

Any employee or Director, any consultant or adviser of the Company or any member of the Group.

Total number of Shares available for issue under the 2021 Restricted Share Award Scheme and% of issued share capital as at the date of this annual report

No new Shares will be granted under the 2021 Restricted Share Award Scheme.

Maximum entitlement of each participant

The maximum number of the Restricted Shares which may be awarded to a Selected Participant under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Vesting Period

When the Selected Participant has satisfied all vesting conditions specified by the Board in the written grant letter at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares to that Selected Participant. The 2021 Restricted Share Award Scheme does not provide for a vesting period of the restricted share granted or to be granted under the 2021 Restricted Share Award Scheme.

Amounts to be paid on acceptance of the restricted shares

The 2021 Restricted Share Award Scheme does not provide for the amounts to be paid on acceptance of the restricted shares.

Basis of determining the purchase price

The 2021 Restricted Share Award Scheme does not provide for the basis of determining the purchase price of the restricted shares granted under the 2021 Restricted Share Award Scheme.

Movement of the restricted shares granted under the Restricted Share Award Scheme

No restricted shares were granted under the 2021 Restricted Share Award Scheme since the adoption thereof and up to the date of this report.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

PURCHASE AND SALES FRAMEWORK AGREEMENT BETWEEN DONGFANG ELECTRIC CORPORATION AND THE GROUP

Purchase Framework Agreement

On 10 December 2024, the Company entered into the Purchase Framework Agreement with Dongfang Electric Corporation, pursuant to which the Group will purchase products and services from Dongfang Electric Corporation.

Sales Framework Agreement

On 10 December 2024, the Company entered into the Sales Framework Agreement with Dongfang Electric Corporation, pursuant to which the Group will sell products and services to Dongfang Electric Corporation.

LEASE FRAMEWORK AGREEMENT BETWEEN HONGHUA LEASING AND THE GROUP

Lease Framework Agreement

On 10 December 2024, the Company entered into the Lease Framework Agreement with Honghua Financial Leasing (Shanghai) Co., Ltd. ("Honghua Leasing"), pursuant to which the Group will purchase direct financial leasing services and operating leasing services from Honghua Leasing.

FINANCIAL SERVICES FRAMEWORK AGREEMENT BETWEEN DONGFANG ELECTRIC FINANCE AND THE GROUP

Financial Services Framework Agreement

On 10 December 2024, the Company entered into the Financial Services Framework Agreement with Dongfang Electric Finance Co., Ltd. ("Dongfang Electric Finance"), pursuant to which Dongfang Electric Finance will provide the Group with deposit services, loan advancement services and settlement services.

The terms of the above framework agreements are from 1 January 2025 to 31 December 2027.

CONTINUING CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

During the reporting period, the Group has the following continuing connected transactions which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Certain related parties transactions disclosed in note 33 to the consolidated financial statements were not disclosed below as they fulfilled the exemption requirements in Chapter 14A of the Listing Rules.

PURCHASE, SALES AND FINANCE LEASE FRAMEWORK AGREEMENT BETWEEN DFEC AND THE GROUP

On 30 September 2022, the Company entered into the Purchase Framework Agreement with Dongfang Electric Co., Ltd. ("DFEC"), pursuant to which, The Group will purchase products (including but not limited to materials and equipments such as steel, oil storage tanks, casing heads and preventers, semi-finished products, parts and components, production tools and others) and services (including but not limited to processing services, technical services, inspection and testing services, after-sales and engineering services, transportation services and others) from DFEC, its subsidiaries and its associates (collectively, the "DFEC Group") during the period from 26 October 2022 to 31 December 2024. The annual cap under the Purchase Framework Agreement for the year 2024 is RMB1, 000 million and the actual amount was RMB455.894 million.

Pursuant to the Purchase Framework Agreement, the relevant terms for the provision of the products and services by DFEC Group to the Group will be determined based on the nature of each transaction. The details of pricing will be determined by taking into account comprehensive factors, such as the quality, payment terms and transportation conditions of the products and services provided by DFEC Group in accordance with the Group's request on the specifications of the relevant products and services, after the arm's length negotiation with reference to the prevailing market prices (including the quotation for similar products and services offered by independent third parties), and on normal commercial terms and terms no less favourable than terms of the transactions between the Group and independent third parties. In particular, where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices. Where there are no market prices for the relevant products and services which meet the specific business needs of the Group, the prices shall be determined after arm's length negotiation based on the costs of the materials and services plus a charge of not more than 15%.

Entering into the Purchase Framework Agreement is conducive to broadening the Group's customer base and sales channels, expanding the Group's international sales market share and increasing the Group's sales revenue. The Group and DFEC Group have well-established cooperation foundation and smooth communication, which is conducive to the implementation and furtherance of transactions. In addition, through business cooperation in multiple projects, the Company and DFEC Group can make full use of the industrial foundation and advantages of both parties, and further enhance the strength of both companies.

For further details regarding the pricing standards of products and services provided by DFEC Group to the Group under the Purchase Framework Agreement, as well as the reasons for and benefits of the transactions, please refer to the Company's circular dated 6 October 2022.

On 30 September 2022, the Company entered into the Sales Framework Agreement with DFEC, pursuant to which, the Group will sell products (including but not limited to structural parts such as weldments products for containers, steel structure products, semi-finished products, accessories, equipments such as fuel tank, oil tank and pressure vessels, parts and components and others) and provide services (including but not limited to processing services, technical services, inspection and testing services, sales of electronic control, electric machinery products and after-sales services, engineering services and others) to DFEC Group during the period from 26 October 2022 to 31 December 2024. The annual cap under the Sales Framework Agreement for the year 2024 is RMB800 million and the actual amount was RMB232.253 million.

Pursuant to the Sales Framework Agreement, the relevant terms for the provision of the products and services by the Group to DFEC Group will be determined based on the nature of each transaction. The details of pricing will be determined by taking into account comprehensive factors such as the quality, payment terms and transportation conditions of the products and services provided by the Group in accordance with DFEC Group's request on the specifications of the relevant products and services, after the arm's length negotiation with reference to the prevailing market prices (including the quotation for similar products and services offered by independent third parties), and on normal commercial terms and terms no less favourable than terms of the transactions between the Group and independent third parties. In particular, where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices and where there are no market prices for the relevant products and services which meet the specific business needs of DFEC Group, the prices shall be determined after arm's length negotiation based on the costs of the materials and services plus a charge of not more than 15%.

Entering into the Sales Framework Agreement is beneficial for selling relevant products and technical services to DFEC Group, thus increasing the Group's revenue. In addition, entering into the Sales Framework Agreement is in line with the business development needs of the Group, achieving full synergic effect between the Group and DFEC Group in fair and reasonable manner, and realising the complementarity of resources and win-win situation for all parties.

For further details regarding the pricing standards of products and services provided by the Group to DFEC Group under the Sales Framework Agreement, as well as the reasons for and benefits of the transaction, please refer to the Company's circular dated 6 October 2022.

On 30 September 2022, the Company entered into the Finance Lease Framework Agreement with DFEC, pursuant to which, the Group will provide DFEC Group with finance leasing services. The annual caps (including principal, lease interest and handling fees) under the Finance Lease Framework Agreement for the year 2024 is RMB150 million and the actual amount was RMB0 million.

Pursuant to Finance Lease Framework Agreement, he lease consideration is made up by the purchase price (in the case of direct lease) or value (in the case of the sale and leaseback) of the leased equipment, the lease interest and handling fee (if any) agreed by both parties. The lease consideration will be determined after arm's length negotiation between the Group and DFEC Group with reference to the market price of the same type of finance leased assets.

Entering into the Finance Lease Framework Agreement meets the business needs of the Group. On the one hand, the Company is familiar with the business and demands of DFEC Group while the provision of finance leasing services to DFEC Group provides stable and low-risk income to the Group. On the other hand, the on-going provision of finance leasing services to DFEC Group will help to keep DFEC Group to continue to acquire more finance leasing services from the Company.

For further details regarding the pricing standards of the financing leasing services provided by the Group to Dongfang Electric Corporation Group under the Financing Leasing Framework Agreement, as well as the reasons for and benefits of the transactions, please refer to the Company's circular dated 6 October 2022.

As at the date of this report, Dongfang Electric Corporation holds 5,290,494,251 shares (representing 58.52% of the total issued share capital of the Company) of the Company through its wholly-owned subsidiary Electric Investment, and it is a controlling shareholder within the meaning of the Listing Rules and is therefore a connected person of the Company. Dongfang Electric Corporation is the controlling shareholder of DFEC within the meaning of the Listing Rules. DFEC is an associate of Dongfang Electric Corporation and therefore a connected person of the Company. Accordingly, the above Purchase, Sales and Finance Lease Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

FINANCIAL SERVICES FRAMEWORK AGREEMENT BETWEEN DONGFANG ELECTRIC FINANCE AND THE GROUP

On 30 September, 2022, the Company entered into the Financial Services Framework Agreement with Dongfang Electric Finance, pursuant to which, Dongfang Electric Finance will provide the Group with deposit services, lending services and settlement services. The term of the Financial Services Framework Agreement is from 26 October 2022 to 31 December 2024. The daily maximum balance of deposits placed by the Group with Dongfang Electric Finance for the year 2023 is RMB1.8 Billion and the actual amount was RMB225.069 million; the cap of lending provided by Dongfang Electric Finance to the Group and secured by the Group's assets is RMB1.8 Billion and the actual amount was RMB0 million.

The price of the transaction under the Financial Services Framework Agreement shall be determined in accordance with the following pricing policy:

(i) in respect of Deposit Services: the deposit interest rate applicable to the Group's deposit at Dongfang Electric Finance shall not be lower than the benchmark interest rate stipulated by the PBOC for such type of deposit during the same period, and shall be determined on normal commercial terms;

(ii) in respect of Lending Services: the interest rates for the loans granted by Dongfang Electric Finance to the Group shall be in accordance with the relevant regulations of the PBOC and the relevant loan interest rate policies and regulations of Dongfang Electric Finance. At the time of entering into each specific loan contract, both parties shall negotiate with each other based on the market conditions of the time, and the interest rate shall generally not exceed the interest rate of the same kind of loans obtained by the Group from major commercial banks in the PRC during the same period; and

(iii) in respect of Settlement Services: the aggregated settlement expenses incurred by Dongfang Electric Finance for the provision of settlement services for the Group during the agreement period shall not exceed RMB1 million.

As at the date of this report, Dongfang Electric Corporation holds 5,290,494,251 shares (representing 58.52% of the total issued share capital of the Company) of the Company through its wholly-owned subsidiary Electric Investment, and therefore is a controlling shareholder and connected person of the Company. DFEC holds 95% of the shares of Dongfang Electric Finance, and Dongfang Electric Corporation holds 5% of the shares of Dongfang Electric Finance, thus Dongfang Electric Finance is an associate of Dongfang Electric Corporation and in turn a connected person of the Company. Therefore, the transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details regarding the Financial Services Framework Agreement, please refer to the Company's circular dated 6 October 2022.

The Company confirms that the signing and execution of specific agreements under the above continuous connected transactions framework agreement during the reporting period have been carried out in accordance with the pricing principles related to such transactions as outlined in the respective agreements. Furthermore, all the Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into are:

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

(2) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company is required to obtain a letter from its auditor to confirm that nothing has come to their attention that causes them to believe that these continuing connected transactions:

(1) have not been approved by the board of directors of the company;

(2) were not made in accordance with the pricing policy of the Company;

(3) were not conducted, in all material respects, in accordance with the relevant agreement governing those transactions;

(4) have exceeded the cap disclosed in previous announcements.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued to the Board an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 59 to 61 of this annual report in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has also been provided to the Stock Exchange.

The details of the connected transactions and continuing connected transactions required to be disclosed under Chapter 14A of the Listing Rules during the year set out above are also included in note 33 to the consolidated financial statements. Save as disclosed above, the other related party transactions set out in note 33 to the consolidated financial statements are not connected transactions or continuing connected transactions under chapter 14A of the Listing Rules. The disclosure of the above connected transactions and continuing connected transactions by the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

BANK LOANS

Details of our bank loans and other borrowings are set out in note 24 to the consolidated financial statements.

FINANCIAL SUMMARY

Our financial summary for the past five years are set out in the section headed "Five-Year Financial Highlights" of this annual report.

STAFF RETIREMENT AND BENEFIT SCHEME

During the reporting period, the Group's subsidiaries located in the PRC complied with relevant PRC labor regulations and participated in the fixed-contribution social insurance schemes and housing provident fund plans organized by municipal government agencies in the PRC. The funding sources for these plans are contributions from both the employer and the employees. Social insurance contributions are made by both the employer and employees at a certain percentage as stipulated by the local human resources and social security departments. Housing provident fund contributions are made by both the employer and employees, with contribution rates ranging from 6% to 10% based on the actual circumstances of each company. The Group does not have any related forfeited contributions, as all contributions are fully vested in the employees immediately upon payment to the plans.

Details of the staff retirement and benefit scheme are set out in notes 9 and 30 to the consolidated financial statements.

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of the changes of the fixed assets of the Group are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

1. During the Year, the Group's five largest suppliers in total accounted for approximately 14.88% of total purchase, and the largest supplier accounted for approximately 8.32% of total purchase.

2. During the Year, the Group's five largest customers accounted for approximately 37.16% of total sales and the largest customer accounted for approximately 12.78% of revenue.

3. None of the Directors of the Company, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's total number of issued shares (excluding treasury shares, if any) had an interest in the above suppliers or customers.

ENTRUST DEPOSITS AND ENTRUST LOANS

As at 31 December 2024, the Company has no entrust deposits or entrust loans being placed with commercial banks or non-commercial banks and other finance institutions.

TAXATION POLICY

The details of the Group's applicable income taxation policy and income tax rate are set out in note 12 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float since its Listing Date.

MANAGEMENT CONTRACTS

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Year.

AUDITOR

The financial statements of the Group for the year ended 31 December 2024 have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming annual general meeting and being eligible, offer themselves for reappointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 25 March 2025

TO THE SHAREHOLDERS OF HONGHUA GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Honghua Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 181, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on trade receivables from a customer domicile in Ukraine	
We identified the impairment assessment on trade receivables due from a customer domicile in Ukraine as a key audit matter due to the significance of the balance to the Group's consolidated financial statements, combined with the involvement of significant management estimations in assessing the expected credit loss ("ECL") of the trade receivables due from such customer. As disclosed in notes 3(a) and 34.3.2(i) to the consolidated financial statements, the provision of ECL was assessed by the management with the support of an independent qualified professional valuer engaged by the Company and approved by management and the ECL is determined by the Group based on loss rate given default and default probability. During the year ended 31 December 2024, in view of the Russia-Ukraine War, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. The provision is made based on key assumption that the management expect to recover 15% of the uncollectible balance upon necessary collection actions being taken. As disclosed in Note 21(b) to the consolidated financial statements, as at 31 December 2024, carrying amount of trade receivables from the customer domicile in Ukraine amounting to approximately RMB249,232,000 (net of cumulative impairment loss of approximately RMB149,520,000). During the year ended 31 December 2024, the Group reversed ECL of approximately RMB104,758,000 in respect of such receivables.	Our procedures in relation to the impairment assessment on trade receivables from a customer domicile in Ukraine include: • Obtaining an understanding on the process of how the management determined the ECL of trade receivables including the individual assessment on the credit-impaired trade receivables with the involvement of independent qualified professional valuer engaged by the Company, including but not limited to an understanding on the methodology and key assumptions made in determining the default probability and default loss rate for the ECL assessment; • Testing the accuracy and completeness on key data sources applied in the ECL assessment by checking to the Group's relevant sales contracts and other supporting information; • Evaluating, together with our internal valuation specialists, the reasonableness and appropriateness on the ECL methodology and key assumptions applied in determining the default probability and default loss rate, with reference to the economic information related to the customer; and • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer engaged by the Company and obtaining an understanding on their scope of work.

Key audit matter	How our audit addressed the key audit matter
Allowance for inventories	
We identified the allowance for inventories as a key audit matter due to the significance of the balance to the Group's consolidated financial statements as a whole, combined with the involvement of significant management estimations in assessing of net realisable value ("NRV") of inventories. As disclosed in note 3(b) to the consolidated financial statements, inventories are stated at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The management reviews the aging of inventories at the end of the reporting period and estimates allowance for obsolete and slow-moving inventory items identified, as well as those inventories with carrying amount less than NRV, using the key inputs including the latest selling prices, and estimated costs of completion. As set out in Note 20 to consolidated financial statements, the carrying amount of the Group's inventories was approximately RMB1,303,599,000 (net of provision of inventory of approximately RMB252,555,000) as at 31 December 2024. During the year ended 31 December 2024, the Group recognised allowance for inventories of approximately RMB101,174,000.	Our procedures in relation to allowance for inventories include: • Obtaining an understanding on the process of how the management estimates the allowance for inventories; • Assessing the appropriateness on the management's estimation of cost necessary to make the sale included in NRV assessments; • Testing the estimated selling prices by referencing to the selling prices of the recent sales transactions from customers and/or the contract prices, on a sample basis; and • Evaluating the reasonableness on the estimated costs of completion by comparing the estimated gross margin ratio with the similar historical contracts with customers, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor’s report is Chan, Benjie Pak Kin.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Year ended 31 December **2024** **RMB'000**	 2023 RMB'000
Revenue	4	**5,633,410**	5,473,234
Cost of sales	6	**(4,956,906)**	(4,931,461)
Gross profit		**676,504**	541,773
Distribution costs	6	**(210,516)**	(249,175)
Administrative expenses	6	**(383,231)**	(424,799)
Research and development expenses	6	**(150,457)**	(112,415)
Net impairment reversal/(losses) on financial assets and contract assets	34.3.2	**124,347**	(18,983)
Other income	5	**67,416**	44,871
Other gains or losses, net	7	**24,116**	18,866
Operating profit/(loss)		**148,179**	(199,862)
Finance income	10	**24,770**	38,277
Finance expenses	10	**(155,110)**	(213,877)
Finance expenses – net	10	**(130,340)**	(175,600)
Share of results of an associate and a joint venture accounted for using the equity method	18	**21,984**	(35,544)
Profit/(loss) before income tax		**39,823**	(411,006)
Income tax expense	12	**(35,087)**	(8,259)
Profit/(loss) for the year		**4,736**	(419,265)
Profit/(loss) for the year attributable to:			
– Owners of the Company		**7,576**	(386,597)
– Non-controlling interests		**(2,840)**	(32,668)
		4,736	(419,265)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	14	**0.08**	(5.54)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit/(loss) for the year	**4,736**	(419,265)
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(14,734)**	(52,604)
Fair value loss on hedging instruments designated as cash flow hedges	**(10,454)**	–
Income tax relating to items that will be reclassified to profit or loss	**1,568**	–
Items that will not be reclassified to profit or loss		
Currency translation differences	**91,259**	41,173
Change in the fair value of equity investments at fair value through other comprehensive income	**11,747**	4,528
Income tax relating to items that will not be reclassified to profit or loss	**(1,295)**	(679)
Other comprehensive income/(expense) for the year, net of tax	**78,091**	(7,582)
Total comprehensive income/(expense) for the year	**82,827**	(426,847)
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	**85,667**	(394,179)
– Non-controlling interests	**(2,840)**	(32,668)
	82,827	(426,847)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	Notes	At 31 December 2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,541,627**	2,597,483
Right of use assets	16	**414,398**	310,699
Intangible assets	17	**391,337**	353,691
Investments accounted for using the equity method	18	**55,455**	38,096
Deferred tax assets	27	**268,163**	272,282
Financial assets at fair value through other comprehensive income	34.4.1	**95,329**	86,440
Trade and other receivables	21	**472,391**	719,486
Other non-current assets	19	**55,909**	75,137
		4,294,609	4,453,314
Current assets			
Inventories	20	**1,303,599**	1,780,023
Contract costs		**194,913**	176,668
Contract assets	4	**1,472,915**	942,206
Trade and other receivables	21	**3,638,072**	4,243,826
Current tax recoverable		**12,545**	11,503
Financial assets at fair value through other comprehensive income	34.4.1	**170,544**	26,539
Pledged bank deposits	22	**50,418**	43,392
Cash and cash equivalents	22	**790,586**	777,660
		7,633,592	8,001,817
Assets classified as held for sale		**–**	64,408
		7,633,592	8,066,225
Total assets		**11,928,201**	12,519,539
Current liabilities			
Contract liabilities	4	**514,307**	538,965
Trade and other payables	23	**3,407,501**	3,797,675
Income tax payable		**25,676**	23,695
Borrowings	24	**2,110,702**	2,324,052
Other financial liabilities	34.4.1	**10,454**	–
Provisions for other liabilities and charges	25	**34,499**	41,025
Deferred income	26	**1,120**	6,422
Lease liabilities	16	**39,173**	23,699
		6,143,432	6,755,533
Liabilities associated with assets classified as held for sale		**–**	6,571
		6,143,432	6,762,104

	Notes	At 31 December 2024 RMB'000	2023 RMB'000
Non-current liabilities			
Borrowings	24	**2,039,052**	2,146,017
Deferred income	26	**28,655**	17,306
Lease liabilities	16	**52,473**	12,350
		2,120,180	2,175,673
Total liabilities		**8,263,612**	8,937,777
EQUITY			
Share capital	28	**823,804**	823,804
Other reserves	30	**4,781,708**	4,722,640
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group held for sale		**–**	9,869
Accumulated losses		**(2,135,616)**	(2,172,084)
Equity attributable to owners of the Company		**3,469,896**	3,384,229
Non-controlling interests		**194,693**	197,533
		3,664,589	3,581,762
Total liabilities and equity		**11,928,201**	12,519,539

The consolidated financial statements on pages 70 to 181 were approved and authorised for issue by the board of directors on 25 March 2025 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company											
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30)	Other Reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Surplus reserve RMB'000 (Note 30)	Exchange reserve RMB'000 (Note 30)	Fair value reserve RMB'000 (Note 30)	Shares held for share award scheme RMB'000 (Note 29)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	488,023	3,597,179	61,199	512,321	473,007	(264,765)	10,439	(124,618)	(1,788,991)	2,963,794	230,201	3,193,995
Loss for the year	–	–	–	–	–	–	–	–	(386,597)	(386,597)	(32,668)	(419,265)
Other comprehensive (expense)/income	–	–	–	–	–	(11,431)	3,849	–	–	(7,582)	–	(7,582)
Total comprehensive (expense)/income	–	–	–	–	–	(11,431)	3,849	–	(386,597)	(394,179)	(32,668)	(426,847)
Transactions with owners												
Issue of shares (Note 28)	335,781	478,833	–	–	–	–	–	–	–	814,614	–	814,614
Options lapsed under share option schemes	–	–	–	(354)	–	–	–	–	354	–	–	–
Utilisation of surplus reserve	–	–	–	–	(3,150)	–	–	–	3,150	–	–	–
Total transactions with owners, recognised directly in equity	335,781	478,833	–	(354)	(3,150)	–	–	–	3,504	814,614	–	814,614
Balance at 31 December 2023	823,804	4,076,012	61,199	511,967	469,857	(276,196)	14,288	(124,618)	(2,172,084)	3,384,229	197,533	3,581,762
Profit/(loss) for the year	-	-	-	-	-	-	-	-	7,576	7,576	(2,840)	4,736
Other comprehensive income	-	-	-	-	-	76,525	1,566	-	-	78,091	-	78,091
Total comprehensive income/ (expense)	-	-	-	-	-	76,525	1,566	-	7,576	85,667	(2,840)	82,827
Transactions with owners												
Disposal of subsidiaries	-	-	-	-	-	-	(12,775)	-	12,775	-	-	-
Options lapsed under share option schemes	-	-	-	(4,912)	-	-	-	-	4,912	-	-	-
Utilisation of surplus reserve	-	-	-	-	(11,205)	-	-	-	11,205	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	(4,912)	(11,205)	-	(12,775)	-	28,892	-	-	-
Balance at 31 December 2024	823,804	4,076,012	61,199	507,055	458,652	(199,671)	3,079	(124,618)	(2,135,616)	3,469,896	194,693	3,664,589

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	31	**708,088**	87,478
Income tax paid		**(29,755)**	(25,434)
Net cash from operating activities		**678,333**	62,044
Investing activities			
Payment for additions of property, plant and equipment and construction in progress		**(80,924)**	(114,169)
Payment for registered capital of an associate		**–**	(39,151)
Settlement of purchase consideration for acquisition of an associate from Shanghai Leasing (as defined in Note 35)		**(13,855)**	–
Proceeds from disposal of property, plant and equipment		**1,357**	1,906
Proceeds from disposal of right of use assets		**–**	5,545
Proceeds from government grants related to assets		**17,686**	12,347
Net cash inflow on disposal of a subsidiary (Note 35)		**61,185**	–
Receipts of deposit for disposal of a subsidiary (Note 35)		**–**	100,000
Dividends received		**16,296**	2,002
Expenditure on development projects and other intangible assets		**(85,837)**	(109,905)
Withdraw of term deposits		**–**	90,000
Net cash used in investing activities		**(84,092)**	(51,425)
Financing activities			
Proceeds from issue of shares		**–**	814,614
Proceeds from borrowings		**3,288,181**	5,359,068
Share issue cost paid		**–**	(3,338)
Repayments of borrowings		**(3,756,246)**	(5,727,247)
Interest and charges paid		**(141,431)**	(217,796)
Payments of lease liabilities		**(26,526)**	(29,945)
Net cash (used in)/from financing activities		**(636,022)**	195,356
Net (decrease)/increase in cash and cash equivalents		**(41,781)**	205,975
Cash and cash equivalents at the beginning of year		**811,273**	601,001
Effect of foreign exchange rate changes		**21,094**	4,297
Cash and cash equivalents at end of the year		**790,586**	811,273
Represented by cash and cash equivalents	22	**790,586**	777,660
Represented by assets classified as held for sale		**–**	33,613

1. GENERAL

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

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

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

These financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of Hong Kong dollars ("HKD"), unless otherwise stated, and were approved for issue by the Board of Directors of the Company on 25 March 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of *IFRS 2 Share-based Payment*, leasing transactions that are accounted for in accordance with *IFRS 16 Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in *IAS 2 Inventories* or value in use in *IAS 36 Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policy information are set out below.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, 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 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the 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.

2.1.2 New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 New and amendments to IFRS Accounting Standards in issue but not yet effective *(Continued)*

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures o management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

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

2.2 Subsidiaries

2.2.1 Consolidation

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

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

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

Indicators of impairment of the investments in subsidiaries include the receipt of dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. The amount of impairment is calculated as the difference between the recoverable amount of the investment in the subsidiary and its carrying value.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint ventures' identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

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

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.2 Transactions and balances

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

Foreign exchange gains and losses are presented in the statement of profit or loss within 'other gains or losses, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments measured at fair value through other comprehensive income, are included in other comprehensive income.

2.5.3 Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

(c) all resulting currency translation differences are recognised in other comprehensive income.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.4 Disposal of foreign operation and partial disposal

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

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

For the drilling rigs used for drilling engineering services included in plant and machinery, the depreciation is calculated using units-of-production method. Drilling rig is depreciated over an approximate of 5,000~6,000-day period, after provision for residual values.

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

• Buildings held for own use	20-35 years
• Plant and machinery	5-10 years
• Furniture, fittings and equipment	5-10 years
• Motor vehicles	5-6 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains or losses, net' in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Construction-in-progress ("CIP") represents buildings under construction and plant and equipment pending for installation, and are stated at cost less impairment loss. Costs include construction and acquisition costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

Capitalised development costs

Capitalised development costs that are directly attributable to the design and testing of new or improved products when meet relevant criteria as set out in Note 2.23. Amortisation is calculated using the straight-line method over its estimated useful life of 5 to 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amount shall be estimated for the individual asset, and if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date. Corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be established.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets

2.9.1 Classification

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

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

- those to be measured at amortised cost.

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

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

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

2.9.2 Recognition and derecognition

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

2.9.3 Measurement

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets *(Continued)*

2.9.3 Measurement *(Continued)*

Debt instruments

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

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

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other gains or losses, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains or losses, net' and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within 'other gains or losses, net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other gains or losses, net' in the statement of profit or loss as applicable.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets *(Continued)*

2.9.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 34.3.2 for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 34.3.2 for a description of the Group's impairment policies.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.13 Trade and other payables

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

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

2.15 Borrowing costs

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.16.2 Deferred income tax

Inside basis differences

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Current and deferred income tax *(Continued)*

2.16.2 Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

2.17.1 Pension obligations

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes. The local government authority is responsible for the entire pension obligations payable to retired employees. The contributions to the schemes are charged to profit or loss as and when incurred.

2.17.2 Housing fund and other benefits

All full-time employees of the Group's subsidiaries in the PRC are entitled to participate in various government-sponsored housing and other benefits funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.17 Employee benefits *(Continued)*

2.17.3 Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

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

2.18 Provision

Provisions for warranties costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.19 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.19.1 Sales of goods

Revenue recognised at a point of time

The Group manufactures and sells land drillings rigs, parts and components, offshore engineering to the ultimate customers. Sales are recognised when control of the products has transferred, being when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the products. The control of products is transferred when products have been shipped to the specified location, being when customer has accepted the products and collectability of the related parted receivables is reasonably assured.

Revenue recognised over time

Revenue is recognised over time for contracts (related to manufacture and sell of land drilling rigs and offshore engineering) that the Group's performance does not create an asset with alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, which best depicts the Group's performance in transferring control of goods.

The sales commission is the incremental cost of obtaining a contract and the Group expenses these costs as incurred where the expected amortisation period is one year or less.

For contracts that contain more than one performance obligations, typically sales of products, transportation as well as installation services in one contract, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

2.19.1 Sales of goods (Continued)

Revenue recognised over time (Continued)

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see Note 25.

Instalment sales, under which the consideration is receivable by instalments. Financing components shall be considered for certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group adjusts the transaction prices for the time value of money.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.19.2 Sales of services

The Group provides drilling engineering services and fracturing services, other services represented in parts and components and others. Revenue is recognised on the basis of outputs to the satisfaction of the performance obligation relative to the total expected outputs to the satisfaction of that performance obligation.

2.19.3 Contract costs – costs to fulfil a contract

The Group incurs costs to fulfil a contract in its drilling engineering services and fracturing services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases

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

Contracts may contain both lease and non-lease components. As a lessee, for lease that contracts both lease and no-lease components, the Group has elected not to separate lease and non-lease components and instead accounts the lease as a single lease component.

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The variable lease payments which are not based on an index or a rate are not included in the measurement of the lease liability initially, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the entities within the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term or on another systematic basis. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The respective leased assets are included in the consolidated statement of financial position based on their nature.

In classifying a sublease, the intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease that the Group, as a lessee, has accounted this lease on a straight-line basis over the lease term as an expense in profit or loss, the sublease shall be classified as an operating lease;
- otherwise, the sublease shall be classified by reference to the right of use assets arising from the head lease, rather than by reference to the underlying asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 Interest income

Interest income on financial assets at amortised cost and financial assets at FVTOCI calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

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

2.23 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.23 Research and development *(Continued)*

- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment on trade receivables due from a customer domicile in Ukraine

The Group determines ECL based on loss rate given default and default probability.

During the year ended 31 December 2024, in view of the Russia-Ukraine War, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. The reversal of ECL was assessed by the management with the support of an independent qualified professional valuer engaged by the Company and approved by the management. When determines the ECL of such receivables, the Group takes into account the compensation from insurance company received during the current year, amounting to USD46,143,000 (equivalent to approximately RMB328,951,000), as well as the economic information related to the customer. As at 31 December 2024, carrying amount of trade receivables due from the customer domicile in Ukraine amounted to approximately RMB249,232,000 (2023: RMB468,201,000), net of ECL of approximately RMB149,520,000 (2023: RMB254,278,000).

Details of the Group’s measurement of ECL is in Note 34.3.2(i).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Allowance for inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The management reviews the aging of inventories at the end of the reporting period and estimates allowance for obsolete and slow-moving inventory items identified, as well as those inventories with carrying amount less than NRV, using the key inputs including the latest selling prices, and estimated costs of completion. Due to changes in market conditions, actual selling price and costs of completion may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2024, the carrying amount of inventories amounted to RMB1,303,599,000 (2023: RMB1,780,023,000). During the year ended 31 December 2024, the Group recognised allowance for inventories of approximately RMB101,174,000 (2023: RMB56,617,000).

(c) Deferred tax assets

As at 31 December 2024, a deferred tax asset of RMB83,488,000 (2023: RMB76,447,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,847,477,000 (2023: RMB2,170,046,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(d) Impairment of non-financial assets

If circumstances indicate that the carrying value of non-financial assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36 *Impairment of Assets*. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When an asset is impaired, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining that value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to revenue, gross margin and pre-tax discount rate. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

4. SEGMENT INFORMATION

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.

The offshore engineering segment of the Group primarily includes businesses such as offshore wind power jacket foundations, marine oil and gas equipment, and specialised vessels. Starting in the current year, the offshore engineering segment, which was originally grouped under the parts and components and others segment, was presented separately as a standalone segment. Comparative segment information have also been restated correspondingly.

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 senior executive management assesses the performance of the operating segments based on a measure of segment profit or loss. This measurement basis excludes the share of loss of the associate and joint venture, other gains or losses 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 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 profit or loss.

4. SEGMENT INFORMATION *(Continued)*

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2024 and 2023 respectively. The Group derives revenue from the transfer of good and services over time and at a point in the following operating segments.

	Land drilling rigs Year ended 31 December		Parts and components and others Year ended 31 December		Drilling engineering services Year ended 31 December		Fracturing services Year ended 31 December		Offshore engineering Year ended 31 December		Total Year ended 31 December	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue	**2,034,969**	2,631,142	**2,542,015**	2,859,619	**355,149**	413,797	**1,035,741**	527,884	**1,048,753**	549,937	**7,016,627**	6,982,379
Inter-segment revenue	**(83,651)**	(276,863)	**(879,799)**	(1,090,289)	**(18,213)**	(17,543)	**(212,603)**	(3,077)	**(188,951)**	(121,373)	**(1,383,217)**	(1,509,145)
Revenue from external customers	**1,951,318**	2,354,279	**1,662,216**	1,769,330	**336,936**	396,254	**823,138**	524,807	**859,802**	428,564	**5,633,410**	5,473,234
Timing of revenue recognition for contracts with customers												
– At a point in time	**490,129**	978,152	**2,464,234**	2,523,738	**-**	–	**86,960**	10,979	**980,128**	444,531	**4,021,451**	3,957,400
– Over time	**1,544,840**	1,652,990	**8,040**	207,814	**355,149**	413,797	**948,781**	516,905	**68,625**	105,406	**2,925,435**	2,896,912
Lease income	**-**	–	**69,741**	128,067	**-**	–	**-**	–	**-**	–	**69,741**	128,067
Reportable segment profit/(loss)	**34,256**	81,469	**145,086**	19,537	**18,485**	(19,236)	**(82,917)**	(190,267)	**(11,302)**	(74,164)	**103,608**	(182,661)
Other segment information:												
Depreciation and amortisation (Note)	**60,877**	72,945	**113,224**	109,828	**43,699**	49,752	**47,550**	29,687	**56,983**	46,907	**322,333**	309,119
Impairment on trade and other receivables and contract assets, net of reversal	**(100,662)**	12,982	**(6,369)**	(9,471)	**(5,880)**	18,551	**1,171**	(3,567)	**(12,607)**	488	**(124,347)**	18,983
Allowance for inventories	**43,926**	17,756	**30,203**	16,010	**866**	5,290	**667**	(292)	**25,512**	17,853	**101,174**	56,617
Write-down of contract costs	**-**	–	**-**	535	**-**	17,110	**-**	(971)	**-**	–	**-**	16,674
Impairment provision on property, plant and equipment	**-**	–	**-**	2,541	**18,920**	11,888	**-**	–	**-**	34,631	**18,920**	49,060

Note: The amount includes depreciation and amortisation of property, plant and equipment, intangible assets, right of use assets and other non-current assets.

Given the manufacturing processes of the Group's businesses are in a form of vertical integration, the CODM considered segment assets and liabilities information was not relevant in assessing performance of and allocating resources to the operations segments. During the years ended 31 December 2024 and 2023, such information was not reviewed by the Group's CODM. Accordingly, no segment assets and liabilities are presented.

4. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Segment profit/(loss)		
– for reportable segments	**103,608**	(182,661)
Elimination of inter-segment profit	**(15,608)**	(69,621)
Segment profit/(loss) derived from the Group's external customers	**88,000**	(252,282)
Share of profit/(loss) of an associate and a joint venture	**21,984**	(35,544)
Other income and other gains or losses, net	**91,532**	63,737
Finance income	**24,770**	38,277
Finance expenses	**(155,110)**	(213,877)
Unallocated head office and corporate expenses	**(31,353)**	(11,317)
Profit/(loss) before income tax	**39,823**	(411,006)

The following is an analysis of the Group's revenue from its major products and services:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Land drilling rigs	**1,951,318**	2,354,279
Parts and components and others	**1,662,216**	1,769,330
Drilling engineering services	**336,936**	396,254
Fracturing services	**823,138**	524,807
Offshore engineering	**859,802**	428,564
	5,633,410	5,473,234

4. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
The PRC (country of domicile)	**2,618,076**	2,210,059
Middle East	**1,881,781**	2,255,816
Including: United Arab Emirates	***739,620***	*254,133*
Kuwait	***454,441***	*1,060,637*
Iraq	***303,721***	*299,228*
Oman	***253,562***	*602,705*
Saudi Arabia	***130,083***	*18,570*
Africa	**619,779**	538,363
Including: Nigeria	**583,431**	163,782
Europe	**231,420**	354,596
South Asia and South East Asia	**172,311**	51,026
Americas	**110,043**	63,374
	5,633,410	5,473,234

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
The PRC (country of domicile)	**3,037,834**	2,973,302
Middle East	**377,919**	362,917
Including: Iraq	**345,794**	356,635
Africa	**41,863**	38,096
Europe	**1,036**	699
Americas	**74**	92
	3,458,726	3,375,106

4. SEGMENT INFORMATION *(Continued)*

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Customer A[1]	**729,961**	195,696[2]
Customer B[1]	**582,766**	167,432[2]
Customer C[1]	**26,735[2]**	551,548

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

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

Assets and liabilities related to contracts with customers

(a) The Group has recognised the following assets and liabilities related to contracts with customers:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Contract assets – current	**1,511,268**	980,015
Less: loss allowance	**(38,353)**	(37,809)
Contract assets, net	**1,472,915**	942,206
Contract liabilities – current	**514,307**	538,965

As at 1 January 2023, contract assets and contract liabilities amounted to RMB631,374,000 and RMB760,953,000, respectively.

Included in contract assets and contract liabilities represented amount of approximately RMB57,553,000 and RMB14,739,000 (2023: RMB38,326,000 and RMB22,993,000), respectively, received from the Group's related companies.

Contract assets and contract liabilities are recognised under fracturing services, drilling engineering services, offshore engineering and land drilling rigs segments. The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group also recognised a loss allowance for contract assets in accordance with IFRS 9, see Note 34.3.2 for further information.

4. SEGMENT INFORMATION *(Continued)*

Assets and liabilities related to contracts with customers *(Continued)*

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**503,749**	695,826

(c) Unsatisfied performance

As at 31 December 2024, the aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied is RMB2,943,568,000 (2023: RMB2,944,164,000).

The management estimates that 81% or RMB2,371,344,000 (2023: 89% or RMB2,630,295,000) of the transaction price allocated to unsatisfied performance obligations as at 31 December 2024 will be recognised as revenue during the next reporting period. The remaining will be recognised in the 2026 financial year and afterwards.

5. OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants	**33,541**	33,637
Sales of scrap materials	**29,688**	7,583
Others	**4,187**	3,651
	67,416	44,871

6. EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	**2,603,138**	3,263,646
Employee benefit expenses	**542,026**	555,028
Service fee	**717,717**	712,622
Depreciation and amortisation		
– Property, plant and equipment	**253,852**	261,321
– Intangible assets	**48,178**	31,600
– Right of use assets	**15,747**	10,527
– Investment properties	**4,556**	5,671
Transportation	**110,639**	138,623
Changes in inventories of finished goods and work in progress and contract costs	**380,869**	(407,329)
Provision for inventory write-down	**101,174**	56,617
Provision for contract costs	**–**	16,674
Research and development costs (Note)	**103,228**	56,130
Less: amount capitalised into intangible assets	**(74,659)**	(33,385)
Utilities	**141,549**	129,670
Short-term and variable lease expenses	**495,047**	540,699
Travelling expenses	**112,168**	132,363
(Reversal of)/provision for impairment of prepayments	**(897)**	5,891
Repairs and maintenance expenditure on property, plant and equipment	**951**	15,661
Other taxes	**32,773**	33,111
Provision for warranty	**41,602**	34,115
Auditors' remuneration	**3,600**	3,480
Impairment provision on property, plant and equipment	**18,920**	49,060
Other expenses	**48,932**	106,055
Total cost of sales, distribution costs, research and development expenses and administrative expenses	**5,701,110**	5,717,850

Note: The amount does not include staff costs of the research and development department of approximately RMB81,096,000 (2023: RMB60,739,000) and relevant amortisation and depreciation of approximately RMB39,982,000 (2023: RMB28,931,000), which are included in the total staff costs as disclosed in Note 9 and total depreciation and amortisation in Notes 15 and 17, respectively.

7. OTHER GAINS OR LOSSES, NET

	Year ended 31 December 2024 RMB'000	2023 RMB'000
Net foreign exchange gains	**31,836**	13,322
Gains on disposals of property, plant and equipment	**515**	775
Losses on disposal of subsidiaries (Note 35)	**(16,801)**	–
Others	**8,566**	4,769
	24,116	18,866

8. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors and the chief executive is set out below:

For the year ended 31 December 2024

Names	Fees RMB'000	Basic salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Chairman and Executive Director						
Mr. Wang Xu	–	1,085	100	120	–	1,305
Executive Director						
Mr. Zhu Hua	–	1,030	100	145	–	1,275
Mr. Yang Qiang (i)	–	345	59	10	–	414
Non-executive Directors						
Mr. Yang Yong (ii)	–	–	–	–	–	–
Mr. Yang Yangzhuang (iii)	–	–	–	–	–	–
Mr. Liu Xinggui (iv)	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Chen Guoming (v)	56	–	–	–	–	56
Ms. Su Mei (vi)	56	–	–	–	–	56
Mr. Chang Qing (vii)	56	–	–	–	–	56
Mr. Wei Bin (viii)	83	–	–	–	–	83
Mr. Zhang Shiju	125	–	–	–	–	125
Ms. Li Yuedong (ix)	69	–	–	–	–	69
Mr. Wang Junren (x)	50	–	–	–	–	50
Total	495	2460	259	275	–	3,489

8. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2023

Names	Fees RMB'000	Basic salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Chairman and Executive Director						
Mr. Wang Xu	–	511	82	12	–	605
Executive Director						
Mr. Zhu Hua	–	565	82	60	–	707
Non-executive Directors						
Mr. Zhang Mi (xi)	–	–	–	–	–	–
Mr. Yang Yong	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Chen Guoming	110	–	–	–	–	110
Ms. Su Mei	110	–	–	–	–	110
Mr. Chang Qing	110	–	–	–	–	110
Mr. Wei Bin	220	–	–	–	–	220
Mr. Zhang Shiju	110	–	–	–	–	110
Total	660	1,076	164	72	–	1,972

Notes:

(i) Mr. Yang Qiang was appointed as the Executive Director of the Company with effect from 17 May 2024.

(ii) Mr. Yang Yong tendered his resignation as the Non-executive Director of the Company with effect from 7 February 2024.

(iii) Mr. Yang Yangzhuang was appointed as the Non-Executive Director of the Company with effect from 28 June 2024.

(iv) Mr. Liu Xinggui was appointed as the Non-Executive Director of the Company with effect from 28 June 2024.

(v) Mr. Chen Guoming tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

8. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2023 *(Continued)*

Notes: *(Continued)*

(vi) Ms. Su Mei tendered her resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

(vii) Mr. Chang Qing tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

(viii) Mr. Wei Bin tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

(ix) Ms. Li Yuedong was appointed as the Independent Non-Executive Director of the Company with effect from 28 June 2024.

(x) Mr. Wang Junren was appointed as the Independent Non-Executive Director of the Company with effect from 20 August 2024.

(xi) Mr. Zhang Mi tendered his resignation as the Non-executive Director of the Company with effect from 31 July 2023.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Directors' retirement benefits and termination benefits

For the years ended 31 December 2024 and 2023, no special retirement and termination benefits plans to the directors for the year. No other retirement and termination benefits were paid to or receivable by those directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2024, the Company did not provide any consideration to any third party for making available director's services (2023: nil).

8. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2024, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2023: nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save for contracts amongst group companies and the interests in transactions, arrangements or contracts mentioned in Note 33, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

9. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Contributions to defined contribution retirement schemes	**194,775**	194,759
Salaries, wages and other benefits	**465,108**	423,824
	659,883	618,583

Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year ended 31 December 2024 did not include any director (2023: nil). The emoluments of the directors are reflected in the analysis disclosed as Note 8. The emoluments payable to the five (2023: five) individuals for the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Basic salaries, allowances and other benefits in kind	**1,323**	1,245
Discretionary bonuses	**5,652**	5,726
Contributions to defined contribution retirement schemes	**533**	418
	7,508	7,389

9. EMPLOYEE BENEFIT EXPENSE *(Continued)*

Five highest paid individuals *(Continued)*

The emoluments of the above individual fell within the following bands:

	Number of individuals	
	2024	2023
HKD1,000,001 to HKD1,500,000	**1**	2
HKD1,500,001 to HKD2,000,000	**4**	3

10. FINANCE EXPENSES, NET

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Finance expenses		
Interest on borrowings wholly repayable within five years	**153,709**	215,276
Interest expense from lease liabilities	**1,775**	626
Net foreign exchange loss	**–**	(1,877)
Less: interest expense capitalised into assets under construction	**(374)**	(148)
	155,110	213,877
Finance income		
Interest income on bank deposits	**(21,626)**	(21,438)
Interest income from non-current receivables	**(3,144)**	(16,839)
	(24,770)	(38,277)
Finance expenses, net	**130,340**	175,600

11. PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2024 and 2023:

Name of companies	Place of incorporation	Place of operation	Particulars of issued and paid-up capital	Attributable equity interest 2024	Attributable equity interest 2023	Principal activities
Directly held:						
Honghua Holdings Limited ("Honghua Holdings")	Hong Kong	Hong Kong	1 ordinary share	**100%**	100%	Investment holding
Indirectly held:						
Honghua (China) Investment Co., Ltd. ("Honghua China") ((b) and (c))	The PRC	The PRC	Registered capital United States Dollars ("USD") 320,000,000	**100%**	100%	Investment holding
Sichuan Honghua Petroleum Equipment Co., Ltd. ("Honghua Company") ((a) and (c))	The PRC	The PRC	Registered capital RMB2,200,000,000	**100%**	100%	Manufacturing of petroleum equipment
Sichuan Honghua Electric Co., Ltd. ("Honghua Electric") ((a) and (c))	The PRC	The PRC	Registered capital RMB100,000,000	**84%**	84%	Manufacturing of panel of drilling rigs
Honghua International Co., Ltd. ("Honghua International") ((a) and (c))	The PRC	The PRC	Registered capital RMB51,200,000	**91%**	91%	Trading of drilling rigs and related parts
Honghua Oil & Gas Engineering Technology Services Limited ("Sichuan Oil & Gas Services") ((a) and (c))	The PRC	The PRC	Registered capital RMB732,600,000	**100%**	100%	Drilling engineering service and fracturing service
Gansu Hongteng Oil & Gas Equipment Co., Ltd. ("Gansu Hongteng") ((a) and (c))	The PRC	The PRC	Registered capital RMB120,000,000	**70%**	70%	Manufacturing of related parts of drilling rigs
Honghua Oil & Gas Engineering Services Limited ("Hongkong Oil & Gas Services")	Hong Kong	Iraq	Registered capital USD41,080,000	**100%**	100%	Drilling engineering service and fracturing service
Newco (H.K.) Limited	Hong Kong	Hong Kong	1,000 ordinary shares	**100%**	100%	Trading of drilling rigs and related parts
Honghua America, LLC	United States of America	United States of America	Registered capital USD3,414,000	**100%**	100%	Trading of drilling rigs and related parts
Han Zheng Testing Technology Co., Ltd. ("Han Zheng Testing") ((b) and (c))	The PRC	The PRC	Registered capital RMB11,103,000	**100%**	100%	Testing service
Honghua Golden Coast Equipment FZE	United Arab Emirates	United Arab Emirates	Registered capital Arab Emirates Dirham 1,000,000	**100%**	100%	Trading of drilling rigs and related parts
Honghua Energy Equipment Limited	Russia Federation	Russia Federation	Registered capital RUB13,340,000	**100%**	100%	Trading of drilling rigs and related parts

11. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of companies	Place of incorporation	Place of operation	Particulars of issued and paid-up capital	Attributable equity interest 2024	2023	Principal activities
Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. ("Honghua (Jiangsu)") ((a) and (c))	The PRC	The PRC	Registered capital RMB2,737,139,000	**100%**	100%	Manufacturing of wind power equipment

Notes:

(a) These entities are domestic limited liability companies established in the PRC.

(b) The entity is a wholly-owned foreign invested company established in the PRC.

(c) The official names of these companies are in Chinese. The English translation of the company name is for reference only.

Material non-controlling interests

The total non-controlling interests as at 31 December 2024 was approximately RMB194,693,000 (2023: RMB197,533,000), of which approximately RMB174,569,000 (2023: RMB171,168,000) is attributed to Honghua Electric, approximately RMB23,086,000 (2023: RMB23,663,000) is attributed to Honghua International and approximately RMB2,962,000 of net liabilities (2023: RMB2,702,000 of net assets) is attributed to Gansu Hongteng. The summarised financial information on Honghua Electric with material non-controlling interests is set out below. The amounts disclosed are before inter-company eliminations.

Summarised financial information on subsidiaries with material non-controlling interests

Summarised statement of financial position

	Honghua Electric As at 31 December 2024 RMB'000	2023 RMB'000
Current		
Assets	**2,766,432**	2,743,074
Liabilities	**(1,911,469)**	(1,824,919)
Total current net assets	**854,963**	918,155
Non-current		
Assets	**671,176**	565,461
Liabilities	**(374,962)**	(344,980)
Total non-current net assets	**296,214**	220,481
Net assets	**1,151,177**	1,138,636

11. PARTICULARS OF SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material non-controlling interests *(Continued)*

Summarised statement of profit or loss and other comprehensive income

	Honghua Electric Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue	**1,378,710**	1,119,335
Profit/(loss) before income tax	**22,790**	(198,731)
Income tax credit	**2,649**	25,479
Profit/(loss) for the year	**25,439**	(173,252)
Other comprehensive income for the year	**–**	–
Total comprehensive income/(expense) for the year	**25,439**	(173,252)
Total comprehensive income/(expense) allocated to non-controlling interests	**3,401**	(31,583)

Summarised cash flows

	Honghua Electric Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Cash flows generated from/(used in) operating activities		
Cash generated from/(used in) operations	**10,130**	(71,755)
Income tax paid	**–**	(6,394)
Net cash generated from/(used in) operating activities	**10,130**	(78,149)
Net cash used in investing activities	**(77,765)**	(14,919)
Net cash generated from financing activities	**65,320**	174,928

12. INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax – Hong Kong Profits Tax (a)		
Provision for the year	**4,509**	135
Current income tax – the PRC (b)		
Provision for the year	**592**	5,249
Under(over) provision in respect of prior years	**1,956**	(14,070)
	2,548	(8,821)
Current income tax – Other jurisdictions (c)		
Provision for the year	**23,638**	23,009
Total current income tax	**30,695**	14,323
Deferred income tax (Note 27)		
– Current year	**4,392**	(6,064)
Income tax expense	**35,087**	8,259

(a) 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 for the years ended 31 December 2024 and 2023.

12. INCOME TAX EXPENSE *(Continued)*

(b) 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% for the years ended 31 December 2024 and 2023, except for the following companies:

(i) Honghua Company, Han Zheng Testing, Gansu Hongteng, and Honghua (Jiangsu)

Corporate income tax ("CIT") of Honghua Company, Han Zheng Testing, 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 for the years ended 31 December 2024 and 2023.

(ii) Honghua Electric and Sichuan Oil & Gas Services

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

(c) Others

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

(d) Withholding tax

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

The Company's directors revisited the dividend policy of the Group in 2024 and 2023. 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.

12. INCOME TAX EXPENSE *(Continued)*

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the group entities as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit/(loss) before income tax	**39,823**	(411,006)
Tax calculated at statutory tax rates applicable to each group entities	**22,412**	(51,805)
Tax effect of non-deductible expenses	**1,359**	3,315
Tax effect of income not taxable	**(632)**	(1,706)
Additional deduction of research and development expense	**(9,275)**	(8,279)
Tax effect of losses not recognised	**43,788**	37,222
Utilisation of tax losses not recognised in previous years	**(2,927)**	(337)
Tax effect of deductible temporary differences not recognised	**–**	7,492
Utilisation of deductible temporary differences previously not recognised	**(21,594)**	(1,097)
Reversal of previously recognised deferred income tax assets	**–**	37,524
Under(over) provision in respect of prior years	**1,956**	(14,070)
Income tax expense	**35,087**	8,259

Amounts recognised directly in other comprehensive income

Aggregate deferred tax arising in the reporting period and not recognised in the profit or loss but charged to other comprehensive income:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred tax: Changes in the fair value of equity investments at FVTOCI	**(1,295)**	(679)
Deferred tax: Fair value loss on hedging instruments designated in cash flow hedges	**1,568**	–
	273	(679)

13. DIVIDENDS

No dividend was approved or paid in respect of the previous financial years for the years ended 31 December 2024 and 2023.

No dividend was proposed for the year ended 31 December 2024.

14. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2024	2023
Profit/(loss) attributable to owners of the Company (RMB'000)	**7,576**	(386,597)
Weighted average number of ordinary shares in issue (in thousands)	**9,040,489**	7,041,777
Effect of the share award scheme (in thousands)	**(61,089)**	(61,089)
Adjusted weighted average number of ordinary shares in issue (in thousands)	**8,979,400**	6,980,688
Basic and diluted earnings/(loss) per share (RMB cents per share)	**0.08**	(5.54)

The computation of diluted loss per share in 2024 and 2023 does not assume the exercise of all share options because the adjusted exercise price of those options was higher than the average market price for shares for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023						
Cost	1,659,858	1,623,366	718,501	90,389	111,679	4,203,793
Accumulated depreciation and impairment	(385,997)	(555,057)	(550,811)	(54,932)	–	(1,546,797)
Net book amount	1,273,861	1,068,309	167,690	35,457	111,679	2,656,996
Year ended 31 December 2023						
Opening net book amount	1,273,861	1,068,309	167,690	35,457	111,679	2,656,996
Additions	2,320	84,075	9,409	2,724	65,982	164,510
Transfer from construction in progress	2,045	20,637	2,670	–	(25,352)	–
Transfer from inventories	–	153,134	–	–	–	153,134
Transfer from investment properties	582	–	–	–	–	582
Disposals	–	76	(970)	(237)	–	(1,131)
Transfer to inventories	–	(63,999)	–	–	(7,228)	(71,227)
Transfer to investment properties	(1,191)	–	–	–	–	(1,191)
Transfer to right of use assets	–	–	(1,440)	–	–	(1,440)
Depreciation charge	(98,703)	(126,623)	(34,311)	(1,684)	–	(261,321)
Currency translation difference	100	6,601	917	13	–	7,631
Impairment provision	–	(13,010)	–	–	(36,050)	(49,060)
Closing net book amount	1,179,014	1,129,200	143,965	36,273	109,031	2,597,483
At 31 December 2023						
Cost	1,664,471	1,820,963	726,514	88,279	145,081	4,445,308
Accumulated depreciation and impairment	(485,457)	(691,763)	(582,549)	(52,006)	(36,050)	(1,847,825)
Net book amount	1,179,014	1,129,200	143,965	36,273	109,031	2,597,483
Year ended 31 December 2024						
Opening net book amount	1,179,014	1,129,200	143,965	36,273	109,031	2,597,483
Additions	21,305	76,430	15,408	2,519	38,170	153,832
Transfer from construction in progress	14,053	8,890	378	–	(23,321)	–
Transfer from inventories	–	139,523	172	99	–	139,794
Disposals	–	(10)	(293)	(539)	–	(842)
Transfer to inventories	–	(61,071)	–	–	(17,617)	(78,688)
Transfer to investment properties	(4,216)	–	–	–	–	(4,216)
Disposal of subsidiaries (Note 35)	–	–	(5)	–	–	(5)
Depreciation charge	(102,728)	(128,199)	(21,742)	(1,183)	–	(253,852)
Currency translation difference	64	6,233	744	–	–	7,041
Impairment provision	–	(18,920)	–	–	–	(18,920)
Closing net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627
At 31 December 2024						
Cost	1,688,189	1,953,247	738,486	77,306	142,313	4,599,541
Accumulated depreciation and impairment	(580,697)	(801,171)	(599,859)	(40,137)	(36,050)	(2,057,914)
Net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of approximately RMB223,762,000 (2023: RMB213,243,000) has been charged in cost of sales, RMB9,347,000 (2023: RMB6,444,000) in distribution expenses, RMB18,590,000 (2023: RMB40,168,000) in administrative expenses and RMB2,153,000 (2023: RMB1,466,000) in research and development expenses.

As at 31 December 2024, the Group was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB63,823,000 (2023: RMB75,799,000).

The Group has capitalised borrowing costs amounting to approximately RMB374,000 (2023: RMB148,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 2.8% in 2024.

For the year ended 31 December 2024, inventories were transferred to property, plant and equipment using to provide services to the customers, and property, plant and equipment was transferred out to inventories for rebuild and future sale.

Net rental income amounting to approximately RMB51,962,000 (2023: RMB115,505,000) relating to the lease of plant and machinery is included in profit or loss.

The category of plant and machinery and furniture fittings and equipment leased by the Group to third parties under operating leases with the following carrying amount:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost	**514,948**	508,456
Accumulated depreciation at 1 January	**(183,607)**	(154,578)
Additions	**39,762**	46,912
Deduction	**(57,875)**	(40,420)
Depreciation charge for the year	**(19,485)**	(29,029)
Net book amount	**293,743**	331,341

16. LEASES

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

(a) Amounts recognised in the consolidated statement of financial position

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right of use assets		
Lease prepayments for land use rights	**300,008**	309,310
Buildings and equipment	**114,390**	1,389
	414,398	310,699
Lease liabilities		
Current	**39,173**	23,699
Non-current	**52,473**	12,350
	91,646	36,049

Additions to the right of use assets during the year ended 31 December 2024 was approximately RMB120,053,000 (2023: RMB2,771,000).

Lease liabilities are payable at the followings:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**39,173**	23,699
Within a period of more than one year but not exceeding two years	**23,217**	12,350
Within a period of more than two years but not exceeding five years	**7,692**	–
More than five years	**21,564**	–
	91,646	36,049

The incremental borrowing rates applied to lease liabilities range from 3.35% to 5.75% (2023: from 4.25% to 5.75%).

16. LEASES *(Continued)*

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

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

	Note	**2024 RMB'000**	2023 RMB'000
Depreciation charge of right of use assets			
Lease prepayments for land use rights		**8,880**	7,682
Buildings and equipment		**6,867**	2,845
Interest expense (included in finance cost)	10	**1,775**	626
Expense (included in cost of goods sold and distribution expenses) relating to:			
– short-term leases		**387,583**	289,120
– variable lease payment (not included in short-term leases)		**107,464**	251,579

The total cash outflow for leases in 2024 was RMB521,573,000 (2023: RMB570,644,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 1 to 3 years without extension or termination options. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants in relation to security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

17. INTANGIBLE ASSETS

	Technical know-how RMB'000	Development cost and others RMB'000	Total RMB'000
At 1 January 2023			
Cost	348,839	390,190	739,029
Accumulated amortisation and impairment	(348,839)	(114,788)	(463,627)
Net book amount	–	275,402	275,402
Year ended 31 December 2023			
Opening net book amount	–	275,402	275,402
Additions	–	109,905	109,905
Amortisation charge	–	(31,600)	(31,600)
Reclass to assets held for sale	–	(16)	(16)
Closing net amount	–	353,691	353,691
At 31 December 2023			
Cost	348,839	499,906	848,745
Accumulated amortisation and impairment	(348,839)	(146,215)	(495,054)
Net book amount	–	353,691	353,691
Year ended 31 December 2024			
Opening net book amount	**–**	**353,691**	**353,691**
Additions	**–**	**85,837**	**85,837**
Amortisation charge	**–**	**(48,178)**	**(48,178)**
Disposal of subsidiaries (Note 35)	**–**	**(13)**	**(13)**
Closing net amount	**–**	**391,337**	**391,337**
At 31 December 2024			
Cost	**348,839**	**585,743**	**934,582**
Accumulated amortisation and impairment	**(348,839)**	**(194,406)**	**(543,245)**
Net book amount	**–**	**391,337**	**391,337**

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight line basis over the following years.

Development cost and others	5 to 10 years

Amortisation expense of approximately RMB10,349,000 (2023: RMB4,135,000) has been charged in cost of sales, and RMB37,829,000 (2023: RMB27,465,000) in research and development expenses.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Investment in an associate and a joint venture	**55,455**	38,096

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Investment in an associate and a joint venture	**21,984**	(37,292)

Movement of investment in an associate and a joint venture are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At 1 January	**38,096**	35,624
Capital injection	**–**	39,151
Share of profit/(loss)	**16,584**	(37,292)
Currency translation differences	**775**	613
At 31 December	**55,455**	38,096

Investment in an associate

Set out below is the associate of the Group as at 31 December 2024, which is held directly by the Group.

Name of company	**Place of establishment**	**% of ownership interest**		**Measurement method**
		2024	2023	
Honghua Financial Leasing (Shenzhen) Co., Ltd. ("Honghua (Shenzhen)")	The PRC	**45%**	45%	Equity

The associate is unlisted company and there is no quoted market price available for its equity. There is no contingent liabilities to the Group's interest in the associate.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Investment in an associate *(Continued)*

Honghua (Shenzhen) was incorporated in 2014 and mainly engages in providing leasing services. As at 31 December 2022, the Group's voting rights in the board of directors of Honghua (Shenzhen) is 50%, and Honghua (Shenzhen) was accounted as a joint venture. On 7 July 2023, Chengdu Ronghe Modern Agriculture Development Co., Ltd, a third party which owned 10% equity interest in Honghua (Shenzhen), acquired additional 45% equity interest of Honghua (Shenzhen). The Group's voting rights in the board of directors of Honghua (Shenzhen) decreased to 40%, and Honghua (Shenzhen) is accounted as an associate as at 31 December 2023. On 9 October 2023, the Group paid the remaining registered capital of Honghua (Shenzhen) amounted to RMB39,151,000 and as a result, the equity interests in Honghua (Shenzhen) increased to 45%.

Set out below are the summarised financial information for Honghua (Shenzhen) which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Honghua (Shenzhen)

Summarised statement of financial position

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current assets	**83,314**	253,499
Non-current assets	**405,131**	120,521
Current liabilities	**(296,487)**	(118,082)
Non-current liabilities	**(164,788)**	(262,991)
Net assets/(liabilities)	**27,170**	(7,053)

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Investment in an associate *(Continued)*

Honghua (Shenzhen) *(Continued)*

Summarised statement of comprehensive income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	**183,507**	201,569
Depreciation and amortisation	**(37,509)**	(107,522)
Profit for the year	**46,223**	4,761
Total comprehensive income	**46,223**	4,761

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

	2024	2023
	RMB'000	RMB'000
Opening net assets 1 January	**(7,053)**	(87,974)
Profit for the year	**46,223**	4,761
Dividends paid during the year	**(12,000)**	–
Increase in registered capital	**–**	76,160
Closing net assets/(liabilities)	**27,170**	(7,053)
Proportion of the Group's interest in Honghua (Shenzhen)	**45%**	45%
The Group's share of net assets/(liabilities) of Honghua (Shenzhen)	**12,227**	(3,174)
Adjustment (i)	**1,365**	3,174
Carrying value	**13,592**	–

(i) During the current year, the adjustment recognised includes a realised profit of RMB1,365,000 resulting from the recognition of transactions between the Group and Honghua (Shenzhen).

As at 31 December 2023, Honghua (Shenzhen) was suffered from losses and the net assets were negative, thus the carrying value of the investment is zero at the period end date. Cumulative unrecognised share of loss of Honghua (Shenzhen) was RMB3,174,000 as at 31 December 2023.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Investment in a joint venture

Set out below are a joint venture of the Group as at 31 December 2024, which are held directly by the Group.

Nature of investment in joint ventures as at 31 December 2024 and 2023:

Name of company	Place of establishment	% of ownership interest		Measurement method
		2024	2023	
Egyptian Petroleum HH Rigs Manufacturing Co. S.A.E. ("HH Egyptian Company")	Egypt	**50%**	50%	Equity

HH Egyptian Company was established in 2006 by the Group and three other entities ("JV Partners") and is mainly engages in the manufacturing and sale of drilling rigs, parts and components. Under the joint venture agreement, it is stipulated that JV Partners operate in concert. HH Egyptian Company consists of 8 directors and each of the Group and JV Partners are entitled to nominate 4 directors to HH Egyptian Company. The Group's voting rights in the board of directors of HH Egyptian Company is 50%, and HH Egyptian Company is accounted as a joint venture.

The joint venture is unlisted companies and there is no quoted market price available for its equity.

There are no contingent liabilities relating to the Group's interest in the joint venture.

Set out below are the summarised financial information for HH Egyptian Company which are accounted for using the equity method. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

HH Egyptian Company

Summarised statement of financial position

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Current assets	**63,225**	50,626
Non-current assets	**108,805**	110,301
Current liabilities	**(87,676)**	(84,739)
Non-current liabilities	**(629)**	–
Net assets	**83,725**	76,188

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Investment in a joint venture *(Continued)*

HH Egyptian Company *(Continued)*

Summarised statement of comprehensive income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	**64,264**	126,414
Profit for the year	**6,337**	4,382
Other comprehensive income	**1,200**	559
Total comprehensive income	**7,537**	4,941

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	2024	2023
	RMB'000	RMB'000
Opening net assets 1 January	**76,188**	71,247
Profit for the year	**6,337**	4,382
Currency translation differences	**1,200**	559
Closing net assets	**83,725**	76,188
Proportion of the Group's interest in HH Egyptian Company	**50%**	50%
The Group's share of net assets of HH Egyptian Company	**41,863**	38,094

19. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Investment properties (Note)	**53,287**	54,493
Right of use assets improvements	**2,226**	7,186
Others	**396**	13,458
	55,909	75,137

Note: The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years (2023: 1 to 2 years). Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

Movement of the investment properties is as below:

	RMB'000
COST	
At 1 January 2023	76,977
Transfer	1,534
At 31 December 2023	78,511
Transfer	4,470
At 31 December 2024	82,981
DEPRECIATION AND AMORTISATION	
At 1 January 2023	(18,096)
Transfer	(251)
Charge for the year	(5,671)
At 31 December 2023	(24,018)
Transfer	(1,120)
Charge for the year	(4,556)
At 31 December 2024	(29,694)
CARRYING AMOUNT	
At 31 December 2024	53,287
At 31 December 2023	54,493

20. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	**293,943**	452,341
Work in progress	**532,784**	789,921
Finished goods	**475,768**	537,081
Revolving materials and others	**1,104**	680
	1,303,599	1,780,023

For the year ended 31 December 2024, the cost of inventories recognised as the Group's expense and included in 'cost of sales' amounted to approximately RMB3,085,181,000 (2023: RMB2,912,934,000).

Movement on the provision for inventories is as follows:

	2024	2023
	RMB'000	RMB'000
At 1 January	**245,540**	221,730
Addition	**101,174**	56,617
Write off	**(94,159)**	(32,807)
At 31 December	**252,555**	245,540

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables (Notes (a & b))	**2,683,320**	3,099,587
Bills receivables	**215,246**	324,960
Less: provision for impairment of trade receivables and bills receivables	**(399,297)**	(543,808)
	2,499,269	2,880,739
Amounts due from related parties (Note 33(d))		
– Trade	**256,145**	322,721
– Non-trade	**219,249**	123,722
– Less: provision for impairment of trade receivables for amounts due from related parties	**(153,394)**	(8,849)
	322,000	437,594
Finance lease receivables	**219,651**	307,218
Less: provision for impairment of finance lease receivables	**(56,096)**	(62,554)
Value-added tax recoverable	**283,628**	191,142
Prepayments to related parties (Note 33(d))	**215,435**	271,588
Prepayments to non-related parties	**455,121**	762,607
Less: provision for impairment of prepayments	**(16,836)**	(23,969)
Other receivables	**351,050**	340,347
Less: provision for impairment of other receivables	**(162,759)**	(141,400)
	4,110,463	4,963,312
Representing by:		
– Current portion (Note (c))	**3,638,072**	4,243,826
– Non-current portion (Note (d))	**472,391**	719,486
	4,110,463	4,963,312

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2024 and 2023, 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:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**2,374,741**	2,621,342
Over 1 year	**365,514**	573,269
	2,740,255	3,194,611

The Group maintains different billing policies for different customers based on the negotiated terms with each of the customers. The Group issues progress billings 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.

Bills receivables of the Group are held for future settlement of trade receivables, of which certain bills were further discounted/endorsed by the Group. The Group continue to recognise in their full carrying amounts at the end of the reporting period.

The following were the Group's bills receivables as at 31 December 2024 and 2023 that were transferred to banks or suppliers by discounting/endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as borrowing.

As at 31 December 2024	**Bills discounted to banks with full recourse RMB'000**	**Bills endorsed to suppliers with full recourse RMB'000**	**Total RMB'000**
Carrying amount of transferred assets	**–**	**63,706**	**63,706**
Carrying amount of associated liabilities	**–**	**(63,706)**	**(63,706)**
Net position	**–**	**–**	**–**

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

As at 31 December 2023	Bills discounted to banks with full recourse RMB'000	Bills endorsed to suppliers with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	10,050	220,683	230,733
Carrying amount of associated liabilities	(10,050)	(220,683)	(230,733)
Net position	–	–	–

(b) Included in trade receivables represented balance due from a customer domicile in Ukraine amounting to approximately USD34,671,000 (equivalent to approximately RMB249,232,000) (2023: RMB468,201,000), net of cumulative impairment loss of approximately RMB149,520,000 (2023: RMB254,278,000). During the previous years, the Group made instalment sales of drilling rigs to such Ukrainian customer and the balance was receivable between 2022 and 2024. Balance that is expected to be received over one year after the end of the reporting period was discounted at the rate which discounts with the nominal amount of the promised consideration to the price that customer would pay in cash for the goods or services when or as the Group transfers to the customer.

Due to the current Russia-Ukraine War, the National Bank of Ukraine has imposed certain restrictions over the payments of foreign currencies to foreign entities starting from 24 February 2022. Therefore, the Ukrainian customer was unable to repay part of the instalments which was originally due before 2024. The management has been taking active measures to closely monitor the credit risk exposures of such balance by holding periodic meetings with such customer to understand the latest development of the conflict and to collect the latest information regarding the physical status of the drilling rigs sold, and also the latest status on the national restrictions, etc. On 30 March 2023, the Ukrainian customer repaid overdue instalments of USD26,740,000 (equivalent to RMB184,607,000). On 5 July 2024, the Group received the reimbursement from the insurance company of USD46,143,000 (equivalent to approximately RMB328,951,000). In view of the potential credit-impaired characteristics, the management has individually assessed the recoverability of the balance. During the year ended 31 December 2024, the Group reversed previously recognised ECL of approximately RMB104,758,000 (2023: the Group provided further ECL of approximately RMB10,623,000). Note 34.3.2(i) provides details about the impairment assessment.

(c) Except for the non-current trade and other receivables, all of the other trade and other receivables are expected to be recovered within one year.

(d) Non-current trade and other receivables as at 31 December 2024 included (1) finance lease receivables of approximately RMB61,577,000 (2023: RMB93,750,000); (2) receivables of approximately RMB305,866,000 (2023: RMB503,330,000) arising from installment sale; (3) prepayments for land use rights of approximately RMB104,948,000 (2023: RMB104,948,000); (4) nil prepayments for plant and machinery of approximately (2023: RMB17,458,000).

21. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2024 and 2023, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above.

The carrying amounts of the current portion of trade and other receivables approximate their fair value.

The creation and release of provision for prepayments has been included in "administrative expenses" and provision for impaired receivables has been included in "net impairment losses on financial assets and contract assets" in profit or loss respectively.

As at 31 December 2024, nil bills receivables (2023: RMB10,050,000) and nil trade receivables (2023: RMB524,928,000) was secured for borrowings (Note 24).

Finance lease receivables

The Group entered into finance leases to lease its machineries to third parties and earn finance income from leasing activities. As at 31 December 2024 and 2023, the Group had receivables under finance lease as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current receivables		
Finance leases – gross receivables	**65,416**	97,171
Unearned finance income	**(2,572)**	(3,421)
	62,844	93,750
Current receivables		
Finance leases – gross receivables	**158,371**	223,816
Unearned finance income	**(1,564)**	(10,348)
	156,807	213,468
Gross receivables from finance leases:		
– No later than 1 year	**158,371**	223,816
– Later than 1 year and no later than 5 years	**65,416**	97,171
	223,787	320,987
Unearned future finance income on finance leases	**(4,136)**	(13,769)
Net investment in finance leases	**219,651**	307,218

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Finance lease receivables *(Continued)*

The net investment in finance leases is analysed as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
No later than 1 year	**156,807**	213,468
Later than 1 year and no later than 5 years	**62,844**	93,750
Total	**219,651**	307,218

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables, finance lease receivables and contract assets. Note 34.3.2 provides details about the calculation of the allowance.

22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Cash on hand	**340**	796
Cash at bank	**790,246**	776,864
Cash and cash equivalents	**790,586**	777,660

Pledged bank deposits

As at 31 December 2024, the deposits are pledged to banks as security against letters of guarantee for bills payable and performance-related bonds (2023: letters of guarantee for bills payable and performance-related bonds).

23. TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**2,182,072**	2,048,025
Amounts due to related companies (Note 33(e))		
– Trade	**430,397**	303,080
– Non-trade	**4,298**	101,194
Bills payable	**520,065**	787,828
Other payables	**270,669**	557,548
	3,407,501	3,797,675
Representing by:		
– Current portion	**3,407,501**	3,797,675

At 31 December 2024 and 2023, 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:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**2,771,633**	2,889,394
Over 1 year	**360,901**	249,539
	3,132,534	3,138,933

As at 31 December 2024 and 2023, all the trade payables, bills payable and other payables of the Group were non-interest bearing and their fair value approximated their carrying amounts due to their short maturities.

As at 31 December 2024 and 2023, all the current trade and other payables are expected to be settled within one year or are repayable on demand.

24. BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank loans		
Secured (i)		
– Current portion	**47,000**	14,050
– Non-current portion	**–**	230,810
	47,000	244,860
Unsecured		
– Current portion	**1,769,102**	1,748,506
– Non-current portion	**1,126,254**	1,376,697
	2,895,356	3,125,203
Unsecured loan from related party (ii, iii & iv)		
– Current portion	**270,000**	533,000
– Non-current portion	**838,860**	445,000
	1,108,860	978,000
Other borrowing (v)		
– Current portion	**24,600**	28,496
– Non-current portion	**73,938**	93,510
	98,538	122,006
Total borrowings	**4,149,754**	4,470,069
Analysed as:		
– Current portion	**2,110,702**	2,324,052
– Non-current portion	**2,039,052**	2,146,017

24. BORROWINGS *(Continued)*

Notes:

(i) As at 31 December 2024, nil bank loan was secured by trade receivables (2023: RMB524,928,000) and bills receivable (2023: RMB10,050,000) as collateral. In addition, the bank loans were also secured by 20% equity interest of Sichuan Honghua, a subsidiary of the Group, for both years.

(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.

(iii) As at 5 February 2024, Sichuan Honghua, a subsidiary of the Group, had entered into a loan agreement with Dongfang Electric Finance and Sichuan Honghua 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, Sichuan Honghua has repaid a cumulative amount of RMB82,000,000.

On 14 June 2024, Sichuan Honghua had entered into an entrusted loan agreement with DEC and Dongfang Electric Finance, in which DEC provided RMB150,000,000 credit facility to Sichuan Honghua through Dongfang Electric Finance as entrustee. At the end of 31 December 2024, Sichuan Honghua 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, Sichuan Honghua had entered into a loan agreement with Dongfang Electric Finance and Sichuan Honghua obtained a working capital loan amounting to RMB160,000,000 from Dongfang Electric Finance. At the end of 31 December 2024, Sichuan Honghua 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, Sichuan Honghua had entered into a loan agreement with Dongfang Electric Finance and Sichuan Honghua obtained a working capital loan amounting to RMB100,000,000 from Dongfang Electric Finance. At the end of 31 December 2024, Sichuan Honghua has drawdown RMB30,000,000 from Dongfang Electric Finance, which carries fixed interest of 2.4% and is repayable on 31 December 2025.

On 26 December 2023, Sichuan Honghua, had entered into a loan agreement with Dongfang Electric Finance and Sichuan Honghua obtained a working capital loan amounting to RMB553,000,000 from Dongfang Electric Finance, which carries fixed interest rate of 2.8% and Sichuan Honghua has fully repaid as of 31 December 2024.

24. BORROWINGS *(Continued)*

Notes: *(Continued)*

(iv) On 22 July 2024, Honghua (Jiangsu), a subsidiary of the Group, 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 RMB98,538,000 as at 31 December 2024 (2023: RMB122,006,000) 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.

The borrowings at 31 December 2024 bore annual interest ranging from 1.0% to 4.65% annually (2023: 1.2% to 6.30% annually).

The maturities of the Group's borrowings at respective end of the year are set out as follows:

	Bank loans As at 31 December		**Other borrowings As at 31 December**	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Within 1 year	**1,816,102**	1,762,556	**294,600**	561,496
Between 1 and 2 years	**837,573**	536,165	**714,645**	29,627
Between 2 and 5 years	**288,681**	1,071,342	**198,153**	508,883
	2,942,356	3,370,063	**1,207,398**	1,100,006

The carrying amount of borrowings approximated their fair value, as the impact of discounting was not significant.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
RMB	**4,149,754**	4,470,069

At each balance sheet date, the Group had the following undrawn borrowing facilities:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Expiring within 1 year	**7,163,000**	8,842,340

These facilities have been arranged for financing daily operations.

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Compensation to shareholder RMB'000 (Note)	Legal claims RMB'000	Product warranties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	15,919	2,550	7,653	3,626	29,748
Provisions during the year	–	–	34,115	–	34,115
Utilised during the year	–	(2,350)	(18,987)	(1,501)	(22,838)
At 31 December 2023	15,919	200	22,781	2,125	41,025
Provisions during the year	–	–	41,602	–	41,602
Utilised during the year	(5,694)	(200)	(40,366)	(1,868)	(48,128)
At 31 December 2024	**10,225**	**–**	**24,017**	**257**	**34,499**

Note: Pursuant to the agreement signed in 2020 between the Company and Kehua Technology Co., Limited ("Kehua Technology", a wholly-owned subsidiary of 中國航天科工集團有限公司 China Aerospace Science and Industry Corporation Limited, "CASIC"), the Company will compensate CASIC for certain litigations and issues which cause losses. The right to this compensation was transferred to Dongfang Investment upon change in the shareholder in 2022. At 31 December 2024, as some issues have not been settled, the Group estimated that about RMB10,225,000 may need to be compensated to Dongfang Investment upon those issues are finalised. The Group recorded such estimated compensation amount as "Provision for other liabilities and charges" and recognised in the profit or loss as other losses.

26. DEFERRED INCOME

Deferred income of the Group represented the grant received from the government in relation to the acquisition of certain property, plant and equipment and costs incurred for certain operating projects. Movement on the deferred income is as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**23,728**	19,499
Government grants received during the year	**17,686**	12,347
Credited to profit or loss	**(11,639)**	(8,118)
At 31 December	**29,775**	23,728
Representing by:		
– Current portion	**1,120**	6,422
– Non-current portion	**28,655**	17,306

27. DEFERRED TAXATION

The analysis of deferred tax assets/(liabilities) is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred tax assets	**336,241**	342,819
Deferred tax liabilities	**(68,078)**	(70,537)
Deferred tax assets, net	**268,163**	272,282

Movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for inventories and contract cost RMB'000	Provision for product warranties RMB'000	Unrealised profit on inventories RMB'000	Impairment losses on financial assets, contract assets and prepayments RMB'000	Accruals RMB'000	Government grants RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Provision for investment in a former associate RMB'000 (Note)	Changes in fair value of FVTOCI RMB'000	Total RMB'000
At 1 January 2023	34,071	1,566	3,434	160,968	7,070	2,954	–	71,303	61,634	–	343,000
Credited/(charged) to profit or loss	1,195	1,881	8,503	(40,295)	22,850	626	302	5,144	–	–	206
Reclass to held for sale assets	–	–	–	(387)	–	–	–	–	–	–	(387)
At 31 December 2023	35,266	3,447	11,937	120,286	29,920	3,580	302	76,447	61,634	–	342,819
Credited/(charged) to profit or loss	1,285	(114)	2,950	(32,062)	4,490	880	7,384	7,041	–	–	(8,146)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	–	1,568	1,568
At 31 December 2024	**36,551**	**3,333**	**14,887**	**88,224**	**34,410**	**4,460**	**7,686**	**83,488**	**61,634**	**1,568**	**336,241**

Note: The amount represents deferred tax previously recognised in relation to the impairment loss on the investment in Honghua (Jiangsu), which was previously an associate of the Group with 49% interest, by Honghua Company. During 2021, the remaining 51% interest in Honghua (Jiangsu) was acquired by another wholly-owned subsidiary of the Group and Honghua (Jiangsu) became a subsidiary of the Group thereafter.

27. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	Changes in fair value of property, plant and equipment RMB'000	**Right of use assets** RMB'000	**Instalment sales** RMB'000	**Changes in fair value of FVTOCI** RMB'000	**Total** RMB'000
At 1 January 2023	(52,407)	–	(23,193)	(3,406)	(79,006)
Credited/(charged) to profit or loss	5,099	(394)	1,153	–	5,858
Charged to other comprehensive income	–	–	–	(679)	(679)
Reclass to liabilities associated with held for sale assets	–	–	–	3,290	3,290
At 31 December 2023	(47,308)	(394)	(22,040)	(795)	(70,537)
Credited/(charged) to profit or loss	5,099	(12,727)	11,382	–	3,754
Charged to other comprehensive income	–	–	–	(1,295)	(1,295)
At 31 December 2024	**(42,209)**	**(13,121)**	**(10,658)**	**(2,090)**	**(68,078)**

The Group has not recognised deferred income tax assets in respect of tax losses of approximately RMB1,847,477,000 as at 31 December 2024 (2023: RMB2,170,046,000) as it is not probable that future taxable profits against which the losses can be utilised in the relevant tax jurisdictions of those entities. These tax losses will be expired in 5 to 10 years.

As at 31 December 2024, deferred income tax liabilities of approximately RMB59,743,000 (2023: RMB58,798,000) had not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled approximately RMB1,194,868,000 as at 31 December 2024 (2023: RMB1,175,951,000). The Group does not intend to remit these unremitted earnings from the relevant subsidiaries in the foreseeable future.

28. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of Shares (thousands)	**Amount RMB'000**
At 1 January 2023	5,355,995	488,023
Issue of shares (Note)	3,684,494	335,781
At 31 December 2023	9,040,489	823,804
At 31 December 2024	9,040,489	823,804

The total authorised number of ordinary shares is 10,000,000,000 shares (2023: 10,000,000,000 shares) with a par value of HKD0.1 per share (2023: HKD0.1 per share).

Note: On 18 July 2023, 3,684,494,251 ordinary shares have been issued by the Company to one of shareholders, through a subscription agreement, at a price of HKD0.2418 per share. Proceeds amounting to HKD368,449,000 (equivalent to approximately RMB335,781,000), representing the par value of the share issued were credited to the share capital of the Company, the remaining proceeds RMB478,833,000 were credited to the share premium. For details of the transaction, please refer to the Company's announcement dated 18 July 2023.

29. SHARE-BASED PAYMENTS

Share Option Scheme

The Company adopted a share option scheme ("the Share Option Scheme") on 21 January 2008 for any eligible employees of the entities within the Group. The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

Options granted date	Number of share options (thousands)	Vesting conditions	Contractual life of options
On 20 June 2011	7,600 (a)	(i) 30% on 19 July 2011 (ii) 30% on 19 June 2012 (iii) 40% on 20 June 2013	10 years
On 5 April 2012	15,400	(i) 30% on 5 April 2013 (ii) 30% on 5 April 2014 (iii) 40% on 5 April 2015	10 years
On 24 March 2014	3,200 (b)	(i) 30% on 24 April 2014 (ii) 30% on 24 April 2015 (iii) 40% on 24 April 2016	10 years
On 2 July 2014	40,575 (c)	Vesting of the share options is conditional upon the achievement of corporate goals of the company and the individual performance of the respective grantees. The share options of any portion thereof shall lapse if the relevant corporate goals cannot be achieved. Up to 30% of the share options granted to each grantee after April 2015; up to 60% of the share options granted to each grantee after April 2016; all the remaining share options granted to each grantee after April 2017	10 years
On 21 September 2016	41,350 (d)	(i) 30% on 21 September 2017 (ii) 30% on 21 September 2018 (iii) 40% on 21 September 2019	10 years
Total share options	108,125		

Notes:

(a) 5,200,000 shares are granted to the directors of the Company.

(b) 3,200,000 shares are granted to the directors of the Company.

(c) 4,577,000 shares are granted to the directors of the Company.

(d) 8,450,000 shares are granted to the directors of the Company.

29. SHARE-BASED PAYMENTS *(Continued)*

Share Option Scheme *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Weighted average exercise price	**Number of share options (thousands)**	Weighted average exercise price	Number of share options (thousands)
At 1 January	**HKD0.97**	**48,691**	HKD0.97	50,346
Lapsed	**HKD1.78**	**(19,190)**	HKD1.00	(1,655)
At 31 December	**HKD0.44**	**29,501**	HKD0.97	48,691

Number of share options outstanding as at 31 December 2024 and 2023 are as below:

	Number of outstanding options	
	2024	2023
Options grant date		
On 24 March 2014	**–**	3,200,000
On 2 July 2014	**–**	13,519,548
On 21 September 2016	**29,501,000**	31,971,000
	29,501,000	48,690,548

The share options outstanding at 31 December 2024 had an exercise price HKD0.44 (2023: HKD0.44 to HKD2.02) and a weighted average remaining contractual life of 1.72 years (2023: 1.95 years).

No share options were exercised during the years ended 31 December 2024 and 2023.

Share Award Scheme

On 30 December 2011, the board of directors approved to adopt a Restricted Share Award Scheme (the "Scheme"). Under the Scheme, the Company may grant shares of the Company to certain selected participants at specified consideration.

Pursuant to the Scheme rules, existing issued shares will be purchased by the trustee of the Scheme (the "Trustee") from the market out of funds provided by the Company in accordance with the Scheme rules.

As at 31 December 2024 and 2023, no restricted shares has been granted or vested.

No shares were acquired by the Trustee under the Scheme for the years ended 31 December 2024 and 2023. As at 31 December 2024, 61,089,300 shares were held by the Trustee under the Scheme (2023: 61,089,300 shares).

30. OTHER RESERVES

Share premium

The application of the share premium account is governed by the Companies Law (Revised) of the Cayman Islands. The balance in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Other reserve

The other reserve represents the difference between the nominal value of share of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange; the difference between acquisitions of non-controlling interests and entities under common control over the consideration given; and the contribution of technology licenses by a shareholder in previous years.

Capital reserve

Capital reserve represents the value of employee services in respect of the equity-settled share-based payments as set out in Note 29, waiver of debts by the immediate holding company and capital contribution arising on shareholders' indemnity.

Surplus reserve

Surplus reserve comprises of the statutory reserve and maintenance and production reserve.

Statutory reserve

Pursuant to the applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that the balance after such issue is not less than 50% of its registered capital.

Maintenance and production reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as revenue amount, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in Note 2.5.

30. OTHER RESERVES *(Continued)*

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVTOCI and cash flow hedge reserve at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 2.9.

31. CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of loss before income tax to net cash generated from/(used in) operations:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Profit/(loss) before income tax	**39,823**	(411,006)
Adjustments for:		
– Depreciation of property, plant and equipment and investment properties	**259,359**	282,653
– Depreciation of right of use assets	**15,747**	10,527
– Amortisation of intangible assets	**48,178**	31,600
– Interest expense	**155,110**	215,754
– Share of net (profit)/loss from an associate and a joint venture	**(21,984)**	35,544
– Gains on disposals of property, plant and equipment	**(515)**	(775)
– Gains on disposals of right of use assets	**–**	(2,266)
– Foreign exchange gain	**(31,836)**	(15,199)
– Provision for impairment of property, plant and equipment	**18,920**	49,060
– Release of deferred income	**(11,639)**	(8,118)
– Share issue cost	**–**	3,338
Operating cash flows before movements in working capital	**471,163**	191,112
Changes in working capital:		
– Decrease/(increase) in inventories and contract costs	**378,752**	(376,321)
– Decrease in trade and other receivables	**817,266**	247,856
– (Increase)/decrease pledged bank deposits	**(7,026)**	166,857
– (Decrease)/increase in trade and other payables	**(390,174)**	379,517
– Increase in contract assets	**(530,709)**	(310,832)
– Decrease in contract liabilities	**(24,658)**	(221,988)
– (Decrease)/increase in provisions for other liabilities and charges	**(6,526)**	11,277
Cash generated from operations activities	**708,088**	87,478

31. CASH GENERATED FROM/(USED IN) OPERATIONS *(Continued)*

Proceeds from disposal of property, plant and equipment

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net book amount (Note 15)	**842**	1,131
Gains on disposals of property, plant and equipment	**515**	775
Non-cash investing activities	**–**	–
Proceeds received/receivable from disposal of property, plant and equipment	**1,357**	1,906

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents (Note 22)	**790,586**	777,660
Borrowings – repayable within one year (Note 24)	**(2,110,702)**	(2,324,052)
Borrowings – repayable after one year (Note 24)	**(2,039,052)**	(2,146,017)
Net debt	**(3,359,168)**	(3,692,409)
Cash and cash equivalents (Note 22)	**790,586**	777,660
Gross debt – fixed interest rates	**(1,189,896)**	(1,676,839)
Gross debt – variable interest rates	**(2,959,858)**	(2,793,230)
Net debt	**(3,359,168)**	(3,692,409)

31. CASH GENERATED FROM/(USED IN) OPERATIONS *(Continued)*

Net debt reconciliation *(Continued)*

	Assets	**Liabilities from financing activities**		
	Cash and cash equivalents	**Borrowings**	**Lease Liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	601,001	(4,947,594)	(65,994)	(4,412,587)
Cashflows	205,975	368,179	29,945	604,099
New Lease entered	–	–	(2,771)	(2,771)
Foreign exchange adjustments	4,297	(1,877)	–	2,420
Other non-cash movements	(33,613)	111,223	2,771	80,381
At 31 December 2023	777,660	(4,470,069)	(36,049)	(3,728,458)
Cashflows	(41,781)	468,065	26,526	452,810
New Lease entered	–	–	(120,053)	(120,053)
Foreign exchange adjustments	21,094	–	–	21,094
Other non-cash movements	33,613	(147,750)	37,930	(76,207)
At 31 December 2024	790,586	(4,149,754)	(91,646)	(3,450,814)

During the year, settlement of the relevant bills receivables received by the banks directly amounting to RMB10,050,000 are non-cash transactions and have not been reflected in the consolidated statement of cash flows.

32. CAPITAL COMMITMENTS

Capital expenditure contracted for or authorised but not contracted for at the date of consolidated statement of financial position but not yet incurred is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contracted for	**16,085**	7,615

33. RELATED PARTIES DISCLOSURE

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2024 and 2023, and balances arising from related party transactions as at 31 December 2024 and 2023.

(a) Related parties relationship

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

33. RELATED PARTIES DISCLOSURE *(Continued)*

(a) Related parties relationship *(Continued)*

Name of related parties	Relationship
Dongfang Electric Jieneng Technology Chengdu Co., Ltd. 東方電氣潔能科技成都有限公司 ("Jieneng Technology")	Subsidiary of DEC
Dongfang Electric (Deyang) Electric Auto Technology Co., Ltd. 東方電氣(德陽)電動機技術有限責任公司 ("Deyang Electric Auto Technology")	Subsidiary of DEC
Dongfang Electric Corporation Science Technology Research Institute 東方電氣集團科學技術研究院有限公司 ("Science Technology Research")	Subsidiary of DEC
Dongfang Electric (Guangzhou) Heavy Machine Co., Ltd. 東方電氣(廣州)重型機器有限公司 ("GZ Heavy Machine")	Subsidiary of DEC
Dongfang Electric New Energy Technology (Chengdu) Co., Ltd. 東方電氣新能科技(成都)有限公司 ("New Energy Chengdu")	Subsidiary of DEC
Dongfang Electric Group Dajian Logistics Co., Ltd. 東方電氣集團大件物流有限公司 ("Dajian Logistics")	Subsidiary of DEC
Dongfang Electric Qineng (Shenzhen) Technology Co., Ltd 東方電氣啟能(深圳)科技有限公司 ("Electric Qineng")	Subsidiary of DEC
Dongfang Lingri Boiler Co., Ltd 東方菱日鍋爐有限公司 ("Lingri boiler")	Joint venture of DEC
Sichuan Dongshu New Material Co., Ltd 四川東樹新材料有限公司 ("Dongshu New Material")	Subsidiary of DEC
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. 東方凱特瑞(成都)環保科技有限公司 ("Dongfang KWH")	Subsidiary of DEC
Honghua Huyi Financial leasing(Shanghai) Co., Ltd. 宏華滬一融資租賃(上海)有限公司 ("Huyi Leasing")	Subsidiary of DEC

33. RELATED PARTIES DISCLOSURE *(Continued)*

(b) Significant related party transactions

Purchases of parts and components and others

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Sichuan Property	**374,804**	192,607
Auto Control Engineering	**16,590**	–
Wind Power	**8,933**	–
Electric Control	**1,956**	2,069
Dongshu New Material	**370**	–
Honghua (Shenzhen)	**–**	27,898
	402,653	222,574

Sales of drilling rigs, parts and components and others

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Dongfang Electric Machine	**52,901**	26,714
Dongfang Furnace	**51,933**	83,047
Dongfang Turbine	**25,971**	56,629
Lingri boiler	**16,371**	4,542
HH Egyptian Company	**12,246**	104,516
Deyang Electric Auto Technology	**11,390**	3,931
Science Technology Research	**7,956**	28,646
Sichuan Property	**5,749**	–
Auto Control Engineering	**5,634**	13,524
Dongfang KWH	**4,765**	–
Wind Power	**2,079**	70,452
Honghua (Shenzhen)	**–**	11,947
GZ Heavy Machine	**–**	1,106
Other related companies	**702**	739
	197,697	405,793

33. RELATED PARTIES DISCLOSURE *(Continued)*

(b) Significant related party transactions *(Continued)*

Service income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Science Technology Research	**21,704**	–
Dongfang Turbine	**10,868**	–
GZ Heavy Machine	**5,416**	17,056
Dongfang Electric Machine	**4,226**	–
Dongfang Furnace	**3,769**	–
Deyang Electric Auto Technology	**491**	–
Honghua (Shenzhen)	**100**	2,541
Other related companies	**667**	–
	47,241	19,597

Service received

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Dajian Logistics	**50,764**	14,946
Wind Power	**2,147**	–
Sichuan Property	**207**	–
Honghua (Shenzhen)	**–**	2,121
	53,118	17,067

33. RELATED PARTIES DISCLOSURE *(Continued)*

(b) Significant related party transactions *(Continued)*

Rental income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Honghua (Shenzhen)	**357**	–
Wind Power	**–**	917
	357	917

Short-term lease expenses

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Honghua (Shenzhen)	**107,464**	251,579
Dajian Logistics	**87**	–
Dongfang Turbine	**35**	–
	107,586	251,579

Leasing activities

According to the tripartite agreements signed by the Group, Honghua (Shenzhen) and third party leasing companies, for the year ended 31 December 2019, the Group sold products amounted to approximately RMB960,177,000 to those third party leasing companies, meanwhile, those third party leasing companies have provided finance lease on these products to Honghua (Shenzhen), and the risk and rewards of those products have been transferred to Honghua (Shenzhen).

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

For the year ended 31 December 2024, the total operating lease expense incurred charged to the profit or loss in respect of these lease agreements entered by the Group stated above approximately RMB107,464,000 (2023: RMB251,579,000).

33. RELATED PARTIES DISCLOSURE *(Continued)*

(b) Significant related party transactions *(Continued)*

Financing activities

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Receipt of loan from		
– Dongfang Electric Finance	**935,700**	1,418,000
Repayment of loan from		
– Dongfang Electric Finance	**804,840**	440,000
Financial expenses		
– Dongfang Electric Finance	**33,481**	5,693

(c) Cash and cash equivalents

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
– Dongfang Electric Finance	**11,844**	2,297

33. RELATED PARTIES DISCLOSURE *(Continued)*

(d) Amounts due from related companies

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade-related (Notes 4 and 21)		
– Honghua (Shenzhen)	**215,902**	285,060
– HH Egyptian Company	**63,850**	79,151
– Dongfang Electric Machine	**52,212**	14,340
– Dongfang Turbine	**52,166**	63,253
– Dongfang Furnace	**37,619**	50,311
– International Cooperation	**24,352**	28,516
– Wind Power	**15,012**	51,071
– Deyang Electric Auto Technology	**12,864**	5,202
– Lingri boiler	**11,965**	4,432
– Science Technology Research	**10,722**	13,069
– Auto Control Engineering	**6,555**	17,389
– Dongfang KWH	**5,291**	–
– GZ Heavy Machine	**3,169**	10,854
– Sichuan Property	**1,916**	–
– Electric Qineng	**118**	811
– New Energy Chengdu	**–**	41
– Other related companies	**261**	286
	513,974	623,786
Non trade-related (Note 21)		
– Honghua (Shenzhen)	**65,606**	109,994
– HH Egyptian Company	**14,032**	13,571
– Huyi Leasing	**1,375**	–
– Other related companies	**1**	157
	81,014	123,722

The non-trade amounts due from related companies are unsecured, interest-free and repayable on demand (Note 21).

33. RELATED PARTIES DISCLOSURE *(Continued)*

(e) Amounts due to related companies

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Trade (Notes 4 and 23)		
– Sichuan Property	**342,512**	113,705
– Dajian Logistics	**39,070**	14,391
– Auto Control Engineering	**16,590**	–
– Wind Power	**16,555**	12,190
– Honghua (Shenzhen)	**9,019**	147,898
– Dongfang Electric Machine	**4,054**	7,973
– Science Technology Research	**3,483**	7,024
– Dongfang Furnace	**3,109**	2,525
– International Cooperation	**2,675**	2,675
– HH Egyptian Company	**1,870**	13,562
– Electric Control	**1,866**	3,149
– Other related companies	**4,333**	981
	445,136	326,073
Non-trade (Notes 23 and 24)		
– Dongfang Electric Finance	**1,108,860**	978,000
– Huyi Leasing	**2,756**	–
– HH Egyptian Company	**1,489**	–
– Dongfang Investment	**–**	100,000
– Dajian Logistics	**–**	1,137
– Honghua (Shenzhen)	**–**	4
– Other related companies	**53**	53
	1,113,158	1,079,194

The non-trade amounts due to related companies are unsecured, interest-free and have no fixed repayment terms.

(f) Key management compensation

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Basic salaries, allowances and other benefits in kind	**1,993**	1,898
Contributions to defined contribution retirement schemes	**839**	672
Discretionary bonus	**6,839**	4,239
	9,671	6,809

34. FINANCIAL INSTRUMENTS

34.1 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure is regularly reviewed and managed in accordance with the capital management practices of the Group and in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

Consistent with others in the industry, the Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

For the year ended 31 December 2024, the Group's strategy, which was unchanged from 2023, was to maintain sufficient capital to cover any net debt position by adjusting the amount of dividends paid to shareholders or issue new shares. The gearing ratios (calculated as Total liabilities/Total assets) as at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Total borrowings (Note 24)	**4,149,754**	4,470,069
Less: cash and cash equivalents (Note 22)	**(790,586)**	(777,660)
Net debt	**3,359,168**	3,692,409
Total equity	**3,664,589**	3,581,762
Total capital	**7,023,757**	7,274,171
Gearing ratio	**48%**	51%

34. FINANCIAL INSTRUMENTS *(Continued)*

34.2 Categories of financial instruments

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**4,014,119**	4,582,996
Financial assets at FVTOCI	**265,873**	112,979
	4,279,992	4,695,975
Financial liabilities		
Financial liabilities at amortised cost	**7,490,319**	8,169,544
Derivative financial liabilities	**10,454**	–
Lease liabilities	**91,646**	36,049
	7,592,419	8,205,593

The Group's exposure to various risks associated with the financial instruments is discussed in this note. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

34.3 Financial risk factors

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

Risk management is carried out by the senior executive management of the Group. The senior executive management of the Group identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.1 Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, Euros ("EUR") and RMB. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the commercial banks that are based on the middle price quoted by People's Bank of China and determined largely by supply and demand.

The following tables detailed the Group's exposure at 31 December 2024 and 2023 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at 31 December 2024 and 2023.

	Exposure to foreign currency		
	USD items RMB'000	**EUR items RMB'000**	**RMB items RMB'000**
At 31 December 2024			
Cash and cash equivalents	**147,508**	**1,769**	**1,228**
Trade and other receivables	**525,822**	**34**	**25,821**
Trade and other payables	**(236,692)**	**(1,364)**	**(1,519)**
Overall net exposure	**436,638**	**439**	**25,530**

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.1 Market risk (Continued)

Foreign exchange risk (Continued)

	Exposure to foreign currency		
	USD items RMB'000	EUR items RMB'000	RMB items RMB'000
At 31 December 2023			
Cash and cash equivalents	191,579	2,608	24,303
Trade and other receivables	494,537	2,796	54,865
Trade and other payables	(243,895)	(8,467)	(2,209)
Overall net exposure	442,221	(3,063)	76,959

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

As at 31 December 2024, if RMB had weakened/strengthened by 5% (2023: 5%) against the USD with all other variables held constant, the Group's post-tax profit for the year then ended would have been approximately RMB18,557,000 higher/lower (2023: post-tax loss for the year then ended would have been approximately RMB18,794,000 lower/higher), mainly as a result of foreign exchange (losses)/gains on translation of USD-denominated assets and liabilities.

The sensitivity analysis above represents an aggregation of the instantaneous effects on each of the group entities profit after tax (2023: loss after tax) measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.1 Market risk (Continued)

Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. All borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group does not use derivative financial instruments to hedge its fixed and variable rate debt obligations.

As at 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax by approximately RMB9,219,000 (2023: would have increased/decreased the Group's loss after tax by approximately RMB8,570,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (2023: loss after tax) that would arise assuming that the change in interest rates had occurred as at end of the year, the impact on the Group's profit after tax (2023: loss after tax) is estimated as annualised impact on interest expense of such a change in interest rates.

34.3.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at FVTOCI and deposits with banks, as well as credit exposures to customers, including outstanding receivables.

Risk management

Credit risk is managed on a group basis. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry in which the customers operate. Significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. As at 31 December 2024, 9% (2023: 14%) and 26% (2023: 26%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also has significant concentration of credit risk on customers in the oil drilling industry and the volatility in global oil prices may affect the financial results and ability of customers to make payments.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Risk management (Continued)

The credit risk on cash at bank, pledged bank deposits and term deposit is limited as the counterparties are banks with sound credit standing. Majority of the Group's cash and cash equivalents at bank and pledged bank deposits were deposited at the state owned commercial banks in the PRC.

Impairment of financial assets

The Group has the following types of financial assets and contract assets that are subject to the ECL model:

- trade receivables (including bills receivables and amounts due from related parties) for sales of goods and from the provision of services
- contract assets for sales of goods and from the provision of services
- Bill receivables at FVTOCI
- finance lease receivables
- other financial assets (including amounts due from related parties) at amortised cost
- pledged bank deposits, and
- cash and cash equivalents

While pledged bank deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

If the balances are significant and/or credit-impaired, the credit losses of those trade receivables are assessed separately. If not, to measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2024 or 1 January 2024, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services and the international crude oil price index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for both trade receivables and contract assets:

(i) As at 31 December 2024 and 2023, receivables with amounts subject to separate assessment for impairment are as below:

31 December 2024	**More than 90 days past due**	**Total**
Expected loss rate	**56.70%**	**N/A**
Gross carrying amount		
– trade receivables (RMB'000)	**578,323**	**578,323**
– contract assets (RMB'000)	**47,873**	**47,873**
Loss allowance (RMB'000)	**(355,049)**	**(355,049)**

31 December 2023	More than 90 days past due	Total
Expected loss rate	48.57%	N/A
Gross carrying amount		
– trade receivables (RMB'000)	1,017,208	1,017,208
– contract assets (RMB'000)	76,678	76,678
Loss allowance (RMB'000)	(531,302)	(531,302)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(i) As at 31 December 2024 and 2023, receivables with amounts subject to separate assessment for impairment are as below: *(Continued)*

As the above debtors suffered in several lawsuits, operation difficulty or payment restriction due to current Russia-Ukraine War, the Group estimated it is not able to collect these amount under the original terms, provisions for impairment on those receivables were made.

As set out in Note 21, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. During the year ended 31 December 2024, the Group reversed provision of approximately RMB104,758,000 (2023: the Group made provision RMB10,623,000) for such customer. The provision is made based on the key assumption that the management expect to recover 15% (2023: 20%) of the remaining uncollectible balance upon necessary collection action being taken.

(ii) As at 31 December 2024 and 2023, trade receivables and contract assets that are not separately assessed have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

- bank acceptance bill receivables group at amortised cost

As at 31 December 2024, the total amount of bank acceptance bills was RMB10,955,000 (As at 31 December 2023: RMB147,351,000), these bills will be accepted by large state-owned banks or commercial banks. The Group believes that there is no significant credit losses due to the bank default.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

- revenue of land drilling rigs group

31 December 2024	**Current**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**0.47%**	**0.05%**	**N/A**	**0.12%**	**2.56%**	**N/A**
Gross carrying amount						
– trade receivables (RMB'000)	**92,380**	**40,677**	**–**	**827**	**580,988**	**714,872**
– contract assets (RMB'000)	**635,843**	**–**	**–**	**–**	**–**	**635,843**
Loss allowance (RMB'000)	**(3,426)**	**(20)**	**–**	**(1)**	**(14,850)**	**(18,297)**

31 December 2023	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.67%	0.49%	2.16%	N/A	12.16%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	62,672	159,594	42,323	–	44,792	309,381
– contract assets (RMB'000)	559,719	–	–	–	–	559,719
Loss allowance (RMB'000)	(4,166)	(781)	(916)	–	(5,445)	(11,308)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: *(Continued)*

- revenue of fracturing group

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.41%	0.51%	N/A	N/A	7.92%	N/A
Gross carrying amount – trade receivables (RMB'000)	180,521	11,876	–	–	3,547	195,944
Gross carrying amount – contract assets (RMB'000)	400,451	–	–	–	–	400,451
Loss allowance (RMB'000)	(2,385)	(60)	–	–	(281)	(2,726)

31 December 2023	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.07%	N/A	0.18%	N/A	0.76%	N/A
Gross carrying amount – trade receivables (RMB'000)	165,602	–	13,336	–	13,218	192,156
Gross carrying amount – contract assets (RMB'000)	248,978	–	–	–	–	248,978
Loss allowance (RMB'000)	(297)	–	(24)	–	(101)	(422)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: *(Continued)*

- revenue of parts and components and others group

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.81%	1.57%	3.05%	5.26%	16.58%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	791,671	79,869	15,416	23,135	366,385	1,276,476
– contract assets (RMB'000)	5,087	–	–	–	–	5,087
Loss allowance (RMB'000)	(6,441)	(1,250)	(470)	(1,217)	(60,763)	(70,141)

31 December 2023	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.26%	0.27%	0.56%	1.35%	4.91%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	897,158	83,879	70,489	17,729	515,978	1,585,233
Loss allowance (RMB'000)	(2,353)	(230)	(393)	(239)	(25,310)	(28,525)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: *(Continued)*

- revenue of drilling engineering services group

31 December 2024	**Current**	**1-30 days past due**	**31-60 days past due**	**61-90 Days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**0.07%**	**0.15%**	**0.15%**	**N/A**	**0.35%**	**N/A**
Gross carrying amount – trade receivables (RMB'000)	**73,463**	**11,389**	**16,036**	**-**	**4,913**	**105,801**
Gross carrying amount – contract assets (RMB'000)	**82,810**	**-**	**-**	**-**	**-**	**82,810**
Loss allowance (RMB'000)	**(110)**	**(17)**	**(24)**	**-**	**(17)**	**(168)**

31 December 2023	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.39%	N/A	N/A	N/A	1.28%	N/A
Gross carrying amount – trade receivables (RMB'000)	12,342	–	–	–	29,372	41,714
Gross carrying amount – contract assets (RMB'000)	94,640	–	–	–	–	94,640
Loss allowance (RMB'000)	(416)	–	–	–	(376)	(792)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: *(Continued)*

- revenue of offshore engineering

31 December 2024	**Current**	**1-30 days past due**	**31-60 days past due**	**61-90 Days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**0.13%**	**0.00%**	**0.00%**	**0.68%**	**5.83%**	**N/A**
Gross carrying amount – trade receivables (RMB'000)	**80,153**	**47,380**	**41,932**	**2,055**	**100,822**	**272,342**
Gross carrying amount – contract assets (RMB'000)	**339,204**	**-**	**-**	**-**	**-**	**339,204**
Loss allowance (RMB'000)	**(533)**	**-**	**-**	**(14)**	**(5,881)**	**(6,428)**

31 December 2023	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.27%	0.27%	0.00%	N/A	4.91%	N/A
Gross carrying amount – trade receivables (RMB'000)	46,090	44,078	14	–	364,043	454,225
Gross carrying amount – contract assets (RMB'000)	–	–	–	–	–	–
Loss allowance (RMB'000)	(124)	(119)	–	–	(17,874)	(18,117)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets *(Continued)*

(iii) As at 31 December 2024 and 2023, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: *(Continued)*

The closing loss allowances for trade receivables and contract assets as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	Contract assets		**Trade receivables**	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Opening loss allowance as at 1 January	**(37,809)**	(21,625)	**(552,657)**	(623,471)
Increase in loss allowance recognised in profit or loss during the year	**(10,073)**	(16,724)	**118,513**	(15,775)
Receivables written off during the year as uncollectible	**9,529**	–	**36,070**	169,086
Exchange rate changes	**–**	540	**(47,063)**	(20,186)
Other changes	**–**	–	**30,681**	(62,311)
Closing loss allowances as at 31 December	**(38,353)**	(37,809)	**(414,456)**	(552,657)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

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

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Financial assets at FVTOCI

Bill receivables at FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for the instruments as the issuers have strong capacity to meet its contractual cash flow obligations in the near term.

Finance lease receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for finance lease receivables.

To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it rents its inventory out through financing lease and the International crude oil price index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for finance lease receivables:

(i) As at 31 December 2024 and 2023, finance lease receivables with amounts subject to separate assessment for impairment are as below:

31 December 2024	**Credit-impaired**
Expected loss rate	**100%**
Gross carrying amount	
– finance lease receivables (RMB'000)	**53,555**
Loss allowance (RMB'000)	**(53,555)**

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Impairment of financial assets (Continued)

Finance lease receivables *(Continued)*

(i) As at 31 December 2024 and 2023, finance lease receivables with amounts subject to separate assessment for impairment are as below: *(Continued)*

31 December 2023	Credit-impaired
Expected loss rate	100%
Gross carrying amount	
– finance lease receivables (RMB'000)	58,665
Loss allowance (RMB'000)	(58,665)

As the above debtors suffered in several lawsuits or operation difficulty, the Group cannot be able to collect the amount under the original terms, provisions for impairment on those receivables were made.

(ii) As at 31 December 2024 and 2023, finance lease receivables, which are not credit impaired, have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

31 December 2024	**Current**	**Total**
Expected loss rate	**1.53%**	**N/A**
Gross carrying amount		
– finance lease receivables (RMB'000)	**166,096**	**166,096**
Loss allowance (RMB'000)	**(2,541)**	**(2,541)**

31 December 2023	Current	Total
Expected loss rate	1.56%	N/A
Gross carrying amount		
– finance lease receivables (RMB'000)	248,553	248,553
Loss allowance (RMB'000)	(3,889)	(3,889)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The closing loss allowances for other financial assets as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	2024 RMB'000	2023 RMB'000
Opening loss allowance as at 1 January	**(141,400)**	(198,188)
Increase in the allowance recognised in profit or loss during the year	**8,078**	(4,035)
Receivables written off during the year as uncollectible	**216**	1,296
Exchange rate changes	**1,027**	(2,784)
Other changes	**(168,915)**	62,311
Closing loss allowance as at 31 December	**(300,994)**	(141,400)

Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Reversal of/(impairment loss) on:		
– trade receivables and contract assets	**108,440**	(32,499)
– finance lease receivables	**7,829**	17,551
– other financial assets at amortised cost	**8,078**	(4,035)
	124,347	(18,983)

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.3 Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and long term.

The Group has significant concentration of credit risk on customers in the oil and gas industry. The volatility in global oil prices may affect the ability of customers to make payments and demand of the Group's goods and services and hence may affect the liquidity of the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31 December 2024	**On demand or 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**
Trade and other payables (Note)	**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**
	5,585,077	**1,606,836**	**516,181**	**26,943**	**7,735,037**
Derivatives					
Foreign currency forward contracts	**10,454**	**–**	**–**	**–**	**10,454**
Total financial liabilities	**5,595,531**	**1,606,836**	**516,181**	**26,943**	**7,745,491**

31 December 2023	On demand or 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
Trade and other payables (Note)	3,699,475	–	–	–	3,699,475
Borrowings	2,310,101	646,790	1,732,995	–	4,689,886
Lease liabilities	24,454	12,430	–	–	36,884
Total financial liabilities	6,034,030	659,220	1,732,995	–	8,426,245

Note: Trade and other payables include trade payables, bills payable, amounts due to related companies and other payables.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.4 Fair value estimation

34.4.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2024 and 2023.

31 December 2024	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
– Investment in unlisted companies	**–**	**–**	**95,329**	**95,329**
– Bill receivables at FVTOCI	**–**	**–**	**170,544**	**170,544**
	–	**–**	**265,873**	**265,873**
Derivative financial liabilities				
– Foreign currency forward contracts	**–**	**(10,454)**	**–**	**(10,454)**

31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	86,440	86,440
– Bill receivables at FVTOCI	–	–	26,539	26,539
	–	–	112,979	112,979

34. FINANCIAL INSTRUMENTS *(Continued)*

34.4 Fair value estimation *(Continued)*

34.4.1 Fair value hierarchy (Continued)

There were no transfers among levels 1, 2 and 3 during 2024 and 2023. There were no other changes in valuation techniques during 2024 and 2023.

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

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

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

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

34.4.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.4 Fair value estimation *(Continued)*

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

	Investments in unlisted companies RMB'000 (Note)	Bill receivables at FVTOCI RMB'000	Total RMB'000
Opening balance 1 January 2023	109,312	3,525	112,837
Acquisitions	–	259,954	259,954
Disposals	–	(236,940)	(236,940)
Changes in fair value	4,528	–	4,528
Reclass to assets classified as held for sale	(27,400)	–	(27,400)
Closing balance 31 December 2023	86,440	26,539	112,979
Acquisitions	–	571,920	571,920
Disposals	–	(427,915)	(427,915)
Changes in fair value	8,889	–	8,889
Closing balance 31 December 2024	95,329	170,544	265,873

Note: The above unlisted equity investments represent the Group's equity interest in one (2023: two) private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

There is no unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and other payables and borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of term deposit and non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

34. FINANCIAL INSTRUMENTS *(Continued)*

34.4 Fair value estimation *(Continued)*

34.4.4 Valuation inputs and relationships to fair value

Financial assets	Fair value as at 31 December 2024 RMB'000	2023 RMB'000	Fair value hierarchy	Valuation techniques	Significant inputs	Relationship of unobservable inputs to fair value
Unlisted companies	**95,329**	86,440	Level 3	Market approach	Adjustments (size alignments) to recent transaction price	Positive
Bill receivables at FVTOCI	**170,544**	26,539	Level 3	Discounted cash flow method	Discount rate	Negative
Foreign currency forward contracts	**(10,454)**	–	Level 2	Discounted cash flow method	Discount rate	Negative

35. DISPOSAL OF A SUBSIDIARY

On 12 December 2023, to streamline its organisation structure and improve liquidity, Honghua Holdings, a wholly subsidiary of the Company, signed an agreement with Dongfang Investment to transfer entire equity interest and obligation it held in Honghua Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Leasing"), at an aggregate consideration of RMB195,677,000. On 29 February 2024, Honghua Holdings entered into a supplemental agreement to transfer operation management right it held in Shanghai Leasing to Dongfang Investment, and the Group loss of control over Shanghai Leasing accordingly. The net assets of Shanghai Leasing at the date of disposal were as follows:

Consideration

	RMB'000
Consideration received	195,677

35. DISPOSAL OF A SUBSIDIARY *(Continued)*

Analysis of assets and liabilities over which control was lost:

	29 February 2024 RMB'000
Cash and cash equivalents	34,492
Financial assets at fair value through other comprehensive income	30,306
Trade and other receivables	5,581
Amounts due from related parties (Note)	161,605
Intangible assets	13
Property, plant and equipment	5
Deferred tax liabilities	(2,903)
Income tax payable	(1,427)
Trade and other payables	(32,580)
Dividends Payable	(11,482)
Net assets disposed of	183,610

Note: The amounts represent consideration receivable of RMB13,855,000 for the disposal of partial interest in HongHua (Shenzhen) to the other Group's subsidiaries before the disposal and loans of RMB147,750,000 to other Group's subsidiaries.

Loss on disposal of Shanghai Leasing:

	RMB'000
Net consideration	195,677
Net assets disposed of	(183,610)
Reclassification of cumulative translation reserve upon disposal of Shanghai Leasing	(28,868)
Loss on disposal	(16,801)

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	195,677
Less: cash and cash equivalents disposed of	(34,492)
	161,185
Less: receipt of deposits from Dongfang Investment	(100,000)
	61,185

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**3,426,495**	3,376,516
Amounts due from subsidiaries	**819,185**	807,139
	4,245,680	4,183,655
Current assets		
Other receivables	**224**	220
Amounts due from subsidiaries	**26,122**	11,980
Cash and cash equivalents	**749**	788
	27,095	12,988
Total assets	**4,272,775**	4,196,643
Current liability		
Other payables	**5,441**	5,600
	5,441	5,600
EQUITY		
Equity attributable to owners of the Company		
Share capital	**823,804**	823,804
Other reserves	**4,413,720**	4,327,373
Accumulated losses	**(970,190)**	(960,134)
	4,267,334	4,191,043
Total liabilities and equity	**4,272,775**	4,196,643

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2025 and was signed on its behalf:

Director Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Reserve movement of the Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	488,023	3,597,179	389,691	92,723	(147,254)	(124,618)	(944,964)	3,350,780
Loss for the year	–	–	–	–	–	–	(15,524)	(15,524)
Other comprehensive income	–	–	–	–	41,173	–	–	41,173
Total comprehensive income/(expense)	–	–	–	–	41,173	–	(15,524)	25,649
Transactions with owners								
Issue of shares	335,781	478,833	–	–	–	–	–	814,614
Options lapsed under share option schemes	–	–	–	(354)	–	–	354	–
Total transactions with owners, recognised directly in equity	335,781	478,833	–	(354)	–	–	354	814,614
Balance at 31 December 2023	823,804	4,076,012	389,691	92,369	(106,081)	(124,618)	(960,134)	4,191,043
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(14,968)**	**(14,968)**
Other comprehensive income	**-**	**-**	**-**	**-**	**91,259**	**-**	**-**	**91,259**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**91,259**	**-**	**(14,968)**	**76,291**
Transactions with owners								
Issue of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options lapsed under share option schemes	**-**	**-**	**-**	**(4,912)**	**-**	**-**	**4,912**	**-**
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**(4,912)**	**-**	**-**	**4,912**	**-**
Balance at 31 December 2024	**823,804**	**4,076,012**	**389,691**	**87,457**	**(14,822)**	**(124,618)**	**(970,190)**	**4,267,334**

37. EVENTS AFTER REPORTING PERIOD

On 20 January 2025, the Ukrainian customer repaid overdue instalments of USD11,885,000 (equivalent to RMB85,433,000).

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Consolidated Statement of profit or loss					
Revenue	**5,633,410**	5,473,234	4,476,104	2,936,604	3,931,492
Cost of sales	**(4,956,906)**	(4,931,461)	(4,016,211)	(2,573,600)	(2,751,127)
Gross profit	**676,504**	541,773	459,893	363,004	1,180,365
Distribution costs	**(210,516)**	(249,175)	(215,290)	(161,975)	(177,878)
Administrative expenses	**(383,231)**	(424,799)	(356,056)	(480,621)	(547,597)
Research and development expenses	**(150,457)**	(112,415)	(123,587)	0	0
Impairment losses on financial and tract assets	**124,347**	(18,983)	(299,193)	(363,100)	(267,752)
Other income	**67,416**	44,871	68,367	89,308	87,612
Other gains/(losses), net	**24,116**	18,866	32,663	(56,829)	(47,334)
Operating profit/(loss)	**148,179**	(199,862)	(433,203)	(610,213)	227,416
Finance expenses – net	**(130,340)**	(175,600)	(189,249)	(132,671)	(126,359)
Share of net losses of associates and joint ventures accounted for using the equity method	**21,984**	(35,544)	(2,331)	(2,460)	(14,967)
Profit/(loss) before income tax	**39,823**	(411,006)	(624,783)	(745,344)	86,090
Income tax (expense)/credit	**(35,087)**	(8,259)	(328)	11,343	(25,950)
Profit/(loss) from continuing operations	**4,736**	(419,265)	(625,111)	(734,001)	60,140
Discontinued operations					
Loss from discontinued operations	**–**	–	–	–	–
Profit/(loss) for the year	**4,736**	(419,265)	(625,111)	(734,001)	60,140
Profit/(loss) attributable to:					
Owners of the company	**7,576**	(386,597)	(634,418)	(717,191)	49,660
Non-controlling interests	**(2,840)**	(32,668)	9,307	(16,810)	10,480
Basic profit/(loss) per share	**0.08**	(5.54)	(11.98)	(13.54)	0.94
Diluted profit/(loss) per share	**0.08**	(5.54)	(11.98)	(13.54)	0.94
Dividend	**–**	–	–	–	–
Dividends declared and paid	**–**	–	–	–	–
Dividends declared and paid per share	**–**	–	–	–	–
Dividend proposed after balance sheet date	**–**	–	–	–	–
Dividend proposed after balance sheet date per share	**–**	–	–	–	–

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Consolidated Balance Sheet					
Total non-current assets	**4,294,609**	4,453,314	4,436,036	4,998,483	4,240,975
Total current assets	**7,633,592**	8,066,225	7,886,451	6,749,427	7,771,402
Total assets	**11,928,201**	12,519,539	12,322,487	11,747,910	12,012,377
Total current liabilities	**6,143,432**	6,762,104	8,377,067	7,793,243	5,170,292
Total non-current liabilities	**2,120,180**	2,175,673	751,425	208,271	2,347,458
Total liabilities	**8,263,612**	8,937,777	9,128,492	8,001,514	7,517,750
Total equity	**3,664,589**	3,581,762	3,193,995	3,746,396	4,494,627
Key financial ratios					
Profitability					
Gross margin from continuing operations	**12.0%**	9.9%	10.3%	12.4%	30.0%
EBITDA margin/(loss margin)	**8.7%**	1.3%	(2.3)%	(14.7)%	10.4%
Net margin/(loss margin)	**0.1%**	(7.1)%	(14.2)%	(24.4)%	1.3%
Return					
Return on average equity	**0.2%**	(12.2)%	(19.5)%	(18.4)%	1.2%
Return on average assets	**0.1%**	(3.1)%	(5.3)%	(6.0)%	0.4%
Liquidity					
Current ratio	**1.24**	1.19	0.94	0.87	1.50
Quick ratio	**1.00**	0.90	0.74	0.63	1.24
Turnover					
Turnover of average trade and bills receivable	**204**	210	267	386	297
Turnover of average trade and bills payable	**204**	187	189	292	292
Turnover of average inventory	**127**	134	158	225	174
Gearing					
Total debts/Total assets	**34.8%**	35.7%	40.2%	43.8%	37.3%
Gearing ratio	**69.3%**	71.4%	74.1%	68.1%	62.6%
EBIT/Interest expenses	**1.11**	(1.09)	(2.08)	(2.73)	0.98

FIVE-YEAR FINANCIAL HIGHLIGHTS

Note:

Profitability

Gross margin	=	Gross profit/Revenue
EBITDA	=	(Loss)/profit from operations + Share of net losses of associates and joint ventures accounted for using the equity method + Depreciation + Amortisation
EBITDA (loss margin)/margin	=	EBITDA/Revenue
Net (loss margin)/margin	=	(Loss)/profit attributable to equity shareholders of the Company/Revenue

Return

Return on average assets	=	(Loss)/profit attributable to equity shareholders of the Company/Average assets
Return on average equity	=	(Loss)/profit attributable to equity shareholders of the Company/Average equity attributable to equity shareholders of the Company

Liquidity

Current ratio	=	Current assets/Current liabilities
Quick ratio	=	(Current assets – Inventory)/Current liabilities

Turnover

Turnover of average trade and bills receivable	=	365.25 * Average trade and bills receivable/Revenue
Turnover of average trade and bills payable	=	365.25 * Average trade and bills payable/Cost of sales
Turnover of average inventory	=	365.25 * Average inventory/Cost of sales

Gearing

Total debts/Total assets	=	(Long term interest-bearing borrowings + Short term interest-bearing borrowings)/Total assets
Gearing ratio	=	Total liabilities/Total assets
EBIT/Interest expenses	=	((Loss)/profit from operations + Share of net losses of associates and joint ventures accounted for using the equity method)/Interest expenses (including capitalised interest)

宏华集团有限公司
HONGHUA GROUP LIMITED