



SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
勝利油氣管道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1080

勝利管道
SHENGLI PIPE



2025

Annual Report

CORPORATE PROFILE

SHENGLI OIL & GAS PIPE HOLDINGS LIMITED

(the “Company”) is one of the largest oil and gas pipe manufacturers in China. We focus on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of submerged arc helical welded pipes (“SAWH pipes”) that are used to transport crude oil, refined petroleum, natural gas and other related products.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wei Jun (*Chairman*)

(*redesignated from a non-executive Director to an executive Director on 1 January 2025*)

Mr. Zhang Bizhuang (*Chief Executive Officer*)

Mr. Wang Kunxian (*Vice President*)

Ms. Han Aizhi (*Vice President*)

Non-executive Director

Mr. Huang Xingwang

Independent non-executive Directors

Mr. Chen Junzhu, *ACCA, CICPA*

Mr. Qi Defu

Mr. Qiao Jianmin

AUDIT COMMITTEE

Mr. Chen Junzhu (*Chairman*), *ACCA, CICPA*

Mr. Qi Defu

Mr. Qiao Jianmin

REMUNERATION COMMITTEE

Mr. Qi Defu (*Chairman*)

Mr. Chen Junzhu, *ACCA, CICPA*

Mr. Wei Jun

NOMINATION COMMITTEE

Mr. Qiao Jianmin (*Chairman*)

Ms. Han Aizhi (*appointed on 1 July 2025*)

Mr. Zhang Bizhuang (*retired on 1 July 2025*)

Mr. Qi Defu

COMPANY SECRETARY

Mr. Zhang Feng

AUTHORISED REPRESENTATIVES

Ms. Han Aizhi

Mr. Zhang Feng

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

HEADQUARTERS IN THE PRC

Zhongbu Town

Zhangdian District, Zibo City

Shandong Province

the PRC

Postal Code: 255082

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2111, 21st Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL BANKS

China Construction Bank

Agricultural Bank of China

Industrial & Commercial

Bank of China

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia)

LEGAL ADVISER AS TO HONG KONG LAW

DeHeng Law Offices (Hong Kong) LLP

AUDITOR

Forvis Mazars CPA Limited

Certified Public Accountants

42nd Floor, Central Plaza

18 Harbour Road

Wanchai, Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services

Limited

LISTING EXCHANGE INFORMATION

Main Board

The Stock Exchange of Hong Kong Limited

STOCK CODE

1080

COMPANY WEBSITE

www.slogp.com

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2025 (“Year under Review”), revenue was approximately RMB903,164,000, representing an increase of approximately RMB333,095,000 as compared to that in 2024.
- For the Year under Review, gross profit margin was approximately 12.0%, representing an increase of approximately 1.6 percentage points as compared to that in 2024.
- For the Year under Review, the loss for the year attributable to owners of the Company amounted to approximately RMB18,910,000, representing a decrease of approximately RMB23,654,000 as compared to that in 2024.
- Total comprehensive loss for the year attributable to owners of the Company for the Year under Review amounted to approximately RMB47,965,000, representing a decrease of approximately RMB29,244,000 as compared to that in 2024.
- For the Year under Review, basic and diluted loss per share attributable to owners of the Company was approximately RMB0.49 cents, representing a decrease of approximately RMB0.61w cents as compared to that in 2024.
- The Board did not recommend the declaration of any final dividend and interim dividend for the Year under Review.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders:

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I hereby present to you the audited results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 (the “Year under Review”).

In 2025, amid an external environment that remains complex and volatile, the Chinese economy pressed forward under pressure in pursuing progress and quality improvements. High-quality development achieved new results, the main economic and social development targets and tasks were successfully met, and the 14th Five-Year Plan concluded successfully. Concurrently, the supporting role of domestic demand continued to strengthen, the foundation of the real economy was continuously consolidated, industrial structure was persistently optimised, and new quality productive forces injected momentum into the industry. Under the synergy of macro policies, the quality of economic development steadily improved, providing a stable environment for growth of the industry and real economy. From the perspective of the oil and gas industry, China persistently advanced the energy security strategy, and steadily promoted the oil and gas exploration and development and energy infrastructure construction. Globally, the energy landscape continued to evolve, and the oil and gas industry operated against a backdrop of growing demand, energy transition and supply structure adjustments, presenting an industry environment characterized by both challenges and opportunities.

During the Year under Review, China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) (“PipeChina”) deeply implemented the general strategy of “Five Insistences (五個堅持)” and the overall deployment of “Five Vigorous Efforts (五個狠下功夫)”, actively constructed the new oil and gas market pattern of “X+1+X”, and made every effort to promote the interconnection of national natural gas, crude oil, and refined oil pipeline resources as appropriate. These efforts contributed to perfecting the “one pipeline network nationwide (全國一張網)”, completed the 14th Five-Year Plan targets with high quality, and continued to play a vital role in safeguarding national energy security. As a core supplier to PipeChina, the Group actively participated in the pipeline construction under PipeChina’s 14th Five-Year Plan, leveraging its high-quality products and comprehensive services. Among the Top Ten Projects selected by PipeChina during its 14th Five-Year Plan construction period, the Group was directly involved in four key projects: West-East Gas Pipeline No. 4 Project (Turpan – Zhongwei Section), Sichuan-to-East Natural Gas Pipeline No. 2 Project (“Sichuan No. 2 Project”), the Hulin – Changchun Natural Gas Pipeline Project, and the Dongjiakou-Dongying Crude Oil Pipeline Project. Notably, for the Dongjiakou-Dongying Crude Oil Pipeline Project, the steel pipes supplied by the Group accounted for 47% of the project’s total usage. In addition, the Group provided a substantial volume of high-quality products for upstream and downstream supporting pipeline projects associated with the Phase II Wen 23 Gas Storage Facility* (文23儲氣庫二期工程) and the Phase II Tianjin LNG Terminal* (天津LNG接收站二期工程), such as the Tianjin LNG Outer Transmission Pipeline Project* (天津液化天然氣外輸管道複線項目) and the Ordos – Anping – Cangzhou Natural Gas Pipeline Project* (鄂安滄天然氣管道項目).

The Group maintained its strategic focus on core pipeline construction business, continuously strengthened technical capabilities and project execution levels, advanced relevant business steadily, maintained a stable and healthy development trajectory overall, and unswervingly practiced long-term sustainable development.

CHIEF EXECUTIVE OFFICER'S STATEMENT

DEEPEN CORE CLIENT PARTNERSHIPS AND EXPAND PRESENCE IN THE OPEN MARKET

During the Year under Review, the Group maintained stable cooperation and good progress in business with core customers such as PipeChina, China Petroleum & Chemical Corporation (“SINOPEC”), China National Petroleum Corporation (“CNPC”) and China National Offshore Oil Corporation (“CNOOC”) (collectively, the “Three Barrels”), and China Petroleum Technology & Development Corporation* (中國石油技術開發有限公司) (“CPTDC”). During the Year under Review, the Group performed well in the PipeChina 2025–2026 Annual Line Pipe Centralised Procurement Project bidding, achieving third and fifth place in two bid packages, respectively. In December 2025, the Group successfully passed the SINOPEC 2026 Annual Long-distance Pipeline Spiral Submerged Arc Welded Pipe Procurement Project prequalification, and in the same month, was shortlisted in the CNPC Annual Welded Pipe Centralised Procurement Bidding Project. During the Year under Review, sales volume from the Group to PipeChina accounted for over 68% of the Group’s total sales volume.

Simultaneously, the Group actively expanded its presence in the open market, optimised its business layout, and steadily enhanced its market influence and comprehensive competitiveness. During the Year under Review, the Group actively pursued new cooperation opportunities and successfully developed five new customers in the open market, providing continuous momentum for its sustainable growth.

COMMITMENT TO NATIONAL PROJECTS: ENSURING HIGH-QUALITY AND EFFICIENT SUPPLY WITH CORPORATE RESPONSIBILITY

During the Year under Review, as a core supplier of spiral submerged arc welded pipe to PipeChina, the Group’s subsidiary, Shandong Shengli Steel Pipe Co., Ltd.*(山東勝利鋼管有限公司) (“Shandong Shengli Steel Pipe”), implemented coordinated production scheduling to execute a strategy of “cost reduction, efficiency enhancement, and high-quality supply assurance” in order to guarantee timely delivery of superior products.

Through technological innovation, the Company focused on weld reinforcement control, welding quality optimization, equipment selection upgrades, and localization transformations to enhance production capabilities, thereby driving cost reduction at the source and ensuring high-quality supply. Electrical technologies were applied to refine multiple control methods and optimise automatic control structures, reducing equipment failure rates. Mechanical technologies were utilized to complete numerous equipment modifications, improving operational stability. The localization of pre-finishing welding equipment and the application of domestically produced high-power inverter submerged arc welders contributed to energy savings, cost reduction, and improved welding quality. To enhance production efficiency, efforts were concentrated on reducing model changeover time and strengthening routine equipment maintenance to minimize downtime, comprehensively boosting productivity. The production plants set multiple records, including single-shift output, stable operating speeds, and warehouse outbound volumes, laying a solid foundation for achieving the goals of high-quality and efficient energy supply. During the Year under Review, the Group successfully completed the delivery of steel pipes for several key national pipeline projects under PipeChina, including the Sichuan No. 2 Project and the Changchun — Shijiazhuang Natural Gas Pipeline Project for PipeChina, making significant contributions to the nation’s 14th Five-Year Plan for energy pipeline construction.

CHIEF EXECUTIVE OFFICER'S STATEMENT

IMPROVING SYSTEM MANAGEMENT, STRICTLY CONTROLLING PRODUCT QUALITY, BUILDING A STRONG BRAND DEVELOPMENT FOUNDATION

The Group consistently regarded product quality as the lifeline of the enterprise. For major projects such as those for PipeChina, the Group thoroughly implemented quality control standards and established a rigorous quality inspection and review system. During the Year under Review, the Group successfully obtained the Energy Management System certification and established an energy system. It also completed annual surveillance audits for API 5L, API Q1, CNAS Laboratory, and its quality environmental, occupational health and safety management systems. The maintenance and expansion of relevant professional qualifications not only underscore the Group's commitment to management system excellence but also, through its outstanding engineering achievements and quality advantages, have built a solid competitive moat for the Group in tenders with core customers and expansion into the broader social market.

DRIVING TECHNOLOGICAL INNOVATION AND STRENGTHENING TALENT DEVELOPMENT TO BUILD A COMPETITIVE EDGE

The Group adheres to technological innovation as its core driving force, continuously building a technological moat through independent process R&D and the localization and substitution of key equipment. During the Year under Review, the Group optimised its personnel structure by rationally integrating staff based on their experience, age, and technical capabilities. We strengthened technical training for key positions and advocated incentive measures for multi-skilling, thereby enhancing overall quality and maintaining team stability. The effective implementation of a one-on-one mentorship model for technical personnel accelerated the transformation of new employees' theoretical knowledge into productive capacity, helping them grow into a core strength in a timely manner. During the Year under Review, our technical personnel published five scientific papers in various journals, annual meetings and conferences. The Group was granted three utility model patents and one invention patent. The talent echelon was augmented with one senior professional title holder (positive senior level) and several mid-level backbones. Meanwhile, the Group organised a series of specialised training programs focusing on key areas such as strengthening the core competitiveness of the sales team, safety production management, equipment cost reduction and efficiency enhancement strategies, professional capacity building for financial personnel, productivity improvement, and comprehensive quality management. Through targeted training involving 130 person-times throughout the year, the Group has injected sustained impetus for its transformation towards intelligent manufacturing, leveraging high-quality talent reserves and patented technological outcomes.

CHIEF EXECUTIVE OFFICER'S STATEMENT

ENHANCING SAFETY GRID MANAGEMENT TO ENSURE STABLE AND SAFE OPERATIONS

During the Year under Review, each production branch strictly implemented safety management systems, strengthened various forms of publicity and education, and organised a series of emergency response drills, effectively enhancing the safety awareness and emergency response capabilities of all employees. Adhering to the principle of “full participation and grid management”, the Group clarified responsibilities, rigorously enforced standardised management systems, and standardised operating procedures. In accordance with the work methodology of Work Projectization — Project Listing — Listing Responsibility — Responsibility Effectiveness (《工作項目化 — 項目清單化 — 清單責任化 — 責任實效化》), we established responsibility checklists for various types of violations and recurring hazards, ensuring rectification within a defined timeframe and closed-loop management. The Group implemented the requirements of the dual prevention mechanism, diligently organised safety hazard inspections, and rectified identified issues. We conducted safety training sessions covering radiation protection, new employee onboarding, and case studies of accidents, continuously strengthening employees’ safety awareness and ensuring stable and safe operations throughout the year.

FUTURE PROSPECTS

The year 2026 marks a pivotal transition period leading into the 15th Five-Year Plan, serving as a crucial bridge toward the fundamental realization of socialist modernization. Under the national macro background which emphasizes the coordination of development and security, energy infrastructure construction will enter a high-quality development phase focused on “addressing weaknesses and enhancing resilience”. As the nation accelerates the construction of a clean, low-carbon, safe, and efficient new energy system, the interconnection of oil and gas pipeline networks and the localization of substitutes have become strategic priorities for safeguarding national energy security. The Group will base itself on industrial foundation re-engineering closely following the national strategies of “Manufacturing Powerhouse (製造強國)” and “Quality Powerhouse (質量強國)”. Through technological iteration and management innovation, the Group aims to seize the initiative in development amidst a changing landscape.

As a core supplier to PipeChina, and leveraging its excellent positions achieved in the centralised procurement tenders of 2025, the Group will fulfill its supply assurance responsibilities to a higher standard. For major national strategic corridors such as the West-East Gas Pipeline and the Sichuan-to-East Natural Gas Pipeline No. 2 Project, the Group will focus on tackling key technologies for major equipment. By strengthening process precision and equipment stability, the Group strives to achieve a breakthrough in market share during the 2026 framework tenders, forging a robust steel backbone for the construction of the “one pipeline network nationwide (全國一張網)”.

Looking ahead to 2026, the Group will deepen its marketing landscape of “domestic demand pull (內需拉動)” and “dual-track parallel (雙軌並行)” operation. The Group will summarize practical experiences from 2025 and deeply participate in the construction of a unified national market. While consolidating its position in the national energy pipeline market, the Group will further penetrate the broader social market, strike roots into provincial and municipal gas branch lines and regional district heating pipeline projects. By optimizing the order portfolio and increasing the market share of high-value-added products, the Group aims to simultaneously enhance operational efficiency and risk resistance capabilities.

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group will fully leverage the leading role of the CNAS Laboratory in fundamental technological areas to drive the autonomous upgrading of key equipment, focusing on tackling challenges related to the self-reliance and controllability of core spare parts. Concurrently, the Group will deepen the construction of its energy management system and reduce its industrial carbon footprint by promoting energy-efficient equipment and green manufacturing processes. Furthermore, the Group will continuously optimise its talent cultivation mechanism, build a team of technical backbone with international competitiveness, and ensure it consistently remains at the innovation forefront of the industry.

Last but not least, I would like to express my sincere gratitude to all shareholders, clients and colleagues. Moving forward, the Group will uphold the spirit of striving, strengthening its core business of oil and gas transmission pipes through professionalism and dedication, repaying shareholders with tangible actions, and serving the overarching national energy strategy.

Zhang Bizhuang

Executive Director & Chief Executive Officer

* *The English names are for identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2025, the international environment remained complex and volatile, with relatively weak momentum for global economic recovery. Uncertainties persisted in the international economic and trade landscape as well as in the energy market. Supported by multiple positive factors, including the sustained implementation of macroeconomic policies, the continuous optimization of the economic structure, and the accelerated cultivation of new-quality productive forces, the Chinese economy withstood external pressures and maintained overall stable and progressive performance throughout the year, providing a stable macroeconomic environment for energy infrastructure investment and the operation of the oil and gas industry. Against the backdrop of the continuous advancement of the national energy security strategy, the construction of oil and gas production, supply and storage systems progressed steadily. The ongoing development of energy infrastructure provided sustained demand support for the oil and gas pipeline sector and related industries. Closely aligned with national energy strategic deployments, the Group actively responded to the demands of major pipeline network construction projects, consistently promoted the steady development of its core business, optimised its operational strategies in light of market conditions, and continued to serve the development of the national oil and gas transportation system.

In 2025, amid economic cycles, geopolitical factors and the energy transition, the global oil and gas market exhibited a concurrent trend of volatility and adjustment. The industry displayed characteristics of both recovery and structural transformation overall. Domestically, efforts to stabilize and increase oil and gas production continued, and energy supply security capabilities further enhanced. Both oil and gas production reached record highs, with crude oil output reaching approximately 215 million tonnes and natural gas production exceeding 260 billion cubic meters, marking the ninth consecutive year of increases exceeding 10 billion cubic meters. On the demand side, the energy consumption structure continued to evolve toward cleaner and lower-carbon sources. In 2025, the share of non-fossil energy in total energy consumption increased by approximately 2 percentage points compared to the previous year, surpassing oil to become the second-largest source of energy. Regarding infrastructure, provincial oil and gas pipeline networks were steadily integrated into the national pipeline grid, with the total length of long-distance oil and gas pipelines reaching 200,000 kilometers. This further improved the energy transportation network, providing stable support for industry demand. Overall, driven by the dual imperatives of energy security and green transition, China's energy system continued to evolve towards greater security, efficiency and lower carbon intensity. Oil and gas transportation and energy infrastructure maintained their crucial strategic importance, and the industry's operations remained generally stable.

The Group closely followed national development strategies, providing significant support for the construction of national oil and gas pipelines through optimizing resource allocation, enhancing technical capabilities, and strengthening market expansion. During the Year under Review, the Group continued to serve important clients such as PipeChina and the "Three Barrels". It successfully participated in multiple national key projects including West-East Gas Pipeline No. 4 Project* (西氣東輸四線), Sichuan-to-East Natural Gas Pipeline No. 2 Project* (川氣東送二線天然氣管道工程), and Dongjiakou-Dongying Crude Oil Pipeline Project* (董東原油管道). The Group also steadily improved its production organisation and technical efficiency and ensured the smooth implementation of projects. Simultaneously, the Group actively expanded into the broader market, and successfully developed five new clients, further enhancing its market resilience and the sustainability of its business.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead to 2026, which marks the beginning of the “15th Five-Year Plan” period, the state will continue to advance its energy security strategy and the construction of oil and gas production, supply and storage systems, while promoting the high-quality development of oil and gas pipeline networks and related infrastructure. As the energy structure is optimised, industry reforms deepen, and the green and low-carbon transition accelerates, the oil and gas sector will play a vital role in ensuring energy supply and facilitating the transition. The Group will continue to leverage its professional expertise in the oil and gas pipeline and engineering construction sectors. It will actively participate in the construction of major energy infrastructure projects, continuously strengthen its technological innovation and management capabilities, and steadily enhance its operational quality and developmental momentum, creating long-term value for investors and making a sustained contribution to the safe and stable operation of the national energy system.

BUSINESS REVIEW

As one of China’s largest oil and gas pipeline manufacturers offering superior quality products with top rated facilities, cutting-edge technologies, advanced techniques and a comprehensive quality inspection and assurance system, the Group is one of the few domestic qualified suppliers which are capable of providing large-diameter pipes designed to sustain the high pressure in long-distance transportation of crude oil, refined petroleum and natural gas for large-scale oil and gas pipeline projects in China.

Major customers of the Group comprise PipeChina and large-scale state-owned oil and gas enterprises and their subsidiaries, such as the Three Barrels (being China Petroleum & Chemical Corporation (“**SINOPEC**”), China National Petroleum Corporation (“**CNPC**”), and China National Offshore Oil Corporation (“**CNOOC**”). The Group focuses on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of submerged-arc helical welded pipes (the “**SAWH pipes**”) that are used to transport crude oil, refined petroleum, natural gas and other related products.

During the Year under Review, the Group participated in several major tenders and maintained a stable performance in the annual and framework tenders of national energy pipeline construction entities, including PipeChina, CNPC and SINOPEC. Within the year, the Group was awarded contracts in the PipeChina 2025–2026 Annual Line Pipe Centralised Procurement Project, securing the third position for Lot B1 (L555M/X80 Submerged Arc Helical Welded Steel Pipe) and the fifth position for Lot B2 (L485M/X70 and lower-grade Submerged Arc Helical Welded Steel Pipe). Additionally, the Group successfully passed the prequalification for SINOPEC’s 2026 Procurement Project for Submerged Arc Helical Welded Pipes for Long-Distance Pipelines and was shortlisted for CNPC’s Annual Centralized Procurement Tender for Welded Steel Pipes.

As of 31 December 2025, the annual production capacity of the SAWH pipes, ancillary anti-corrosion production line and insulation pipe production line of the Group reached approximately 800,000 tonnes, 4.80 million square metres and 110 kilometres, respectively.

As of 31 December 2025, pipes manufactured by the Group’s subsidiaries were used in the world’s major oil and gas pipelines with a cumulative total length of approximately 36,084 kilometres, of which 94.9% were installed in China while the remaining 5.1% were installed outside China.

During the Year under Review, projects using large-scale SAWH pipes manufactured by subsidiaries of the Group included PipeChina Sichuan-to-East Natural Gas Pipeline No. 2 Project Sichuan-Chongqing-Hubei Section (Tongliang-Qianjiang) project* (國家管網集團川氣東送二線天然氣管道

MANAGEMENT DISCUSSION AND ANALYSIS

工程川渝鄂段 (銅梁 — 潛江) 項目), Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Trunk Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段幹線), Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Zaoyang-Xuancheng Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段棗陽 — 宣城聯絡線), Changchun-Shijiazhuang Natural Gas Pipeline Project* (長春 — 石家莊天然氣管道工程) · Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Wuhu Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段蕪湖聯絡線), Sichuan-to-East Natural Gas Pipeline No. 2 Project Sichuan-Chongqing-Hubei Section (Weiyuan-Tongliang) Project* (川氣東送二線天然氣管道工程川渝鄂段 (威遠 — 銅梁) 項目), Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀徵原油管道工程連雲港至淮安段), China-Russia Eastern Route Xiangshui Branch Pipeline Project* (中俄東線響水支線項目), Hengnan-Changning Gas Pipeline Project* (衡南 — 常寧輸氣管道項目), Guiyang Eastern Branch Pipeline Project* (貴陽東支線管道工程), Guangdong Natural Gas Pipeline Zhuhai-Zhongshan-Jiangmen Trunk Line* (廣東省天然氣管網珠中江幹線). Local pipelines included Henan Xuchang-Xiangcheng Long-distance Comprehensive Heat Transmission Project* (河南許襄長輸綜合供熱工程), Sanmenxia-Xin'an-Yichuan Natural Gas Pipeline Project* (三門峽 — 新安 — 伊川天然氣輸氣管道工程), Liaocheng-Jinan Long-distance Heat Transmission Project* (聊熱入濟長距離供熱工程) · Weihai Thermal Power 2025 Main Urban District Heating Main Network Renewal and Reconstruction Project* (威海熱電2025年主城區熱力主管網更新改造工程), Weihai High-Pressure Natural Gas Pipeline Project* (威海市高壓天然氣管線工程) and the Urban Clean Heat Supply Project in Fugu County, Shanxi Province* (陝西省府谷縣城區清潔供暖工程).

Projects using large-scale anti-corrosion pipes manufactured by subsidiaries of the Group included: PipeChina Sichuan-to-East Natural Gas Pipeline No. 2 Project Sichuan-Chongqing-Hubei Section (Tongliang-Qianjiang) Project* (國家管網集團川氣東送二線天然氣管道工程川渝鄂段 (銅梁 — 潛江) 項目), Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Trunk Line*(川氣東送二線天然氣管道工程鄂豫贛皖浙閩段幹線), Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Zaoyang-Xuancheng Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段棗陽 — 宣城聯絡線), Changchun-Shijiazhuang Natural Gas Pipeline Project* (長春 — 石家莊天然氣管道工程), Sichuan-to-East Natural Gas Pipeline No. 2 Project Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian Section Wuhu Connection Line* (川氣東送二線天然氣管道工程鄂豫贛皖浙閩段蕪湖聯絡線), Sichuan-to-East Natural Gas Pipeline No. 2 Project Sichuan-Chongqing-Hubei Section (Weiyuan-Tongliang) Project* (川氣東送二線天然氣管道工程川渝鄂段 (威遠 — 銅梁) 項目), Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀徵原油管道工程連雲港至淮安段), China-Russia Eastern Route Xiangshui Branch Pipeline Project* (中俄東線響水支線項目), Hengnan-Changning Gas Pipeline Project* (衡南 — 常寧輸氣管道項目), Guangdong Natural Gas Pipeline Zhuhai-Zhongshan-Jiangmen Trunk Line* (廣東省天然氣管網珠中江幹線) and Henan Province Natural Gas Pipeline Sanmenxia-Xin'an-Yichuan Natural Gas Pipeline Project* (三門峽 — 新安 — 伊川天然氣輸氣管道工程).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2025, the Group's revenue amounted to approximately RMB903,164,000, which was generated from the Group's core business segment, the Pipe Business, and represented an increase of approximately 58.4% when compared to that of approximately RMB570,069,000 in 2024. In particular, revenue from sales of SAWH pipes reached approximately RMB824,128,000 (2024: approximately RMB514,921,000), representing an increase of approximately 60.0%; revenue from anti-corrosion processing reached approximately RMB79,036,000 (2024: approximately RMB44,454,000), representing an increase of approximately 77.8%. Revenue from the Group's trading business significantly decreased to Nil (2024: approximately RMB10,694,000). During the Year under Review, since the Group was still in the process of seeking trading opportunities with potential customers with higher gross margins, the revenue from Trading Business decreased significantly as compared to the corresponding period of the previous year. However, as the sales volume of the Group's Pipe Business significantly increased as compared to the corresponding period of the previous year, both the revenue from the sales of SAWH pipes and anti-corrosion processing significantly increased as compared to the corresponding period of the previous year. As a result, the Group's overall revenue during the Year under Review significantly increased as compared to 2024.

Cost of sales and services

The Group's cost of sales and services increased by approximately 55.5% from approximately RMB510,933,000 for the year ended 31 December 2024 to approximately RMB794,469,000 for the year ended 31 December 2025. The increase was due to a significant increase in sales volume of the Group's Pipe Business during the Year under Review as compared to the corresponding period of the previous year, resulting in a substantial increase in cost of sales and services compared with the same period last year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 83.8% from approximately RMB59,136,000 for the year ended 31 December 2024 to approximately RMB108,695,000 for the year ended 31 December 2025. The Group's gross profit margin increased by approximately 1.6 percentage points from approximately 10.4% for the year ended 31 December 2024 to approximately 12.0% for the Year under Review. The increase in gross profit and gross profit margin was primarily attributable to an increase in both the national pipeline projects and anti-corrosion processing business with higher gross profit margin within the Group's Pipe Business during the Year under Review as compared to the corresponding period of the previous year.

Other income and gains

The Group's other income and gains increased from approximately RMB7,657,000 for the year ended 31 December 2024 to approximately RMB19,423,000 for the year ended 31 December 2025. The increase was primarily attributable to during the Year under Review, the sales of materials of the Group, and recognising as a write-off of payables for acquisition of property, plant and equipment. As a result, other income and gains increased compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

The Group's selling and distribution expenses increased from approximately RMB32,487,000 for the year ended 31 December 2024 to approximately RMB44,309,000 for the year ended 31 December 2025. The increase was primarily attributable to a significant increase in the sales volume of the Group's Pipe Business during the Year under Review compared to the corresponding period of the previous year, coupled with an increase in transportation fees incurred by the Group's subsidiaries.

Administrative expenses

The Group's administrative expenses increased from approximately RMB78,334,000 for the year ended 31 December 2024 to approximately RMB87,638,000 for the year ended 31 December 2025. The increase in administrative expenses was primarily attributable to the increased research and development expenses incurred by the Group during the Year under Review, leading to higher administrative expenses compared to the previous year.

Share of results of associates

For the year ended 31 December 2025, the Group's share of results of associates was approximately RMB18,386,000, as compared to share of results of associates of approximately RMB14,588,000 for the year ended 31 December 2024. The increase in the Group's share of results of associates during the Year under Review was mainly due to the higher profits from Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司), the Group's associate, compared to the previous year.

Compensation expenses for a litigation

During the Year under Review, the Group recognised a compensation expenses for a litigation of approximately RMB18,956,000 as of 31 December 2025 due to Zhejiang Shengguan Industrial Co., Ltd.* (浙江勝管實業有限公司) ("Zhejiang Shengguan"), a subsidiary being involved in a lawsuit, following a final judgment that held Zhejiang Shengguan liable for supplementary compensation for the Relevant Amount (as defined in the Company's announcement dated 1 August 2025). For details of the litigation in relation to such subsidiary, please refer to the Company's announcement dated 1 August 2025 and note 39 to this annual financial statements.

Disposal of equity interests

For the year ended 31 December 2024, the Group recognised approximately RMB192,000 in the consolidated statement of changes in equity under the item of capital reserve, representing the difference between cash consideration of RMB1,890,000 and fair value of NCI recognised, on the disposal of 2% equity interest in a subsidiary, Zhejiang Shengguan. During the Year under Review, there is no disposal of equity interests by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group incurred finance costs of approximately RMB12,647,000 for the year ended 31 December 2025 (2024: approximately RMB13,872,000). The decrease in finance costs during the Year under Review was primarily attributable to the reduction in both the principal amount and the interest rates of the Group's borrowings compared to the same period last year.

Loss for the year

The Group's total annual profit or loss for the Year under Review decreased from a loss of approximately RMB43,348,000 for the year ended 31 December 2024 to a loss of approximately RMB18,694,000 for the Year under Review. During the Year under Review, the performance of the Group's Pipe Business segment improved significantly compared with the previous year, partially offset by a one-off compensation expenses for a litigation recognised in profit or loss.

Other comprehensive loss

As at 31 December 2025, the Group recognised a loss on fair value changes of unlisted equity investment which is designated at fair value through other comprehensive income (Equity Investment – FVOCI) of approximately RMB29,648,000 with reference to the valuation report prepared by an independent professional valuer, and as at 31 December 2024, the Group recognised a loss on fair value changes of Equity Investment – FVOCI of approximately RMB34,645,000.

Income tax expenses

Hong Kong profits tax is calculated at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year ended 31 December 2025. The profits tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, was 17% (2024: 17%) for the year ended 31 December 2025. Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of the Company's subsidiaries in the PRC for the Year under Review was 25% (2024: 25%). Income tax expense for the year ended 31 December 2025 was approximately RMB57,000 (2024: income tax expenses of approximately RMB57,000).

Total comprehensive loss for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2025 was RMB48,342,000, as compared to the audited total comprehensive loss of the Group of approximately RMB77,993,000 for the year ended 31 December 2024. The performance of the Group's Pipe Business segment improved significantly compared with previous year, partially offset by a one-off compensation expenses for a litigation recognised in profit or loss and the drop in change in fair value changes of the FVOCI.

MANAGEMENT DISCUSSION AND ANALYSIS

Net current liabilities

As of 31 December 2025, the Group's net current liabilities amounted to approximately RMB20,683,000, as compared to net current liabilities of approximately RMB15,358,000 as of 31 December 2024. Shandong Shengli Steel Pipe, a subsidiary of the Group, was once again selected as a core supplier for SAWH pipes in the bidding for the PipeChina 2025–2026 Annual Line Pipe Centralised Procurement Project during the Year under Review, leading to improved performance in its pipe business. The Group will seize this opportunity to capitalize on the favorable development prospects of the pipeline industry and is confident that, through reasonable financial arrangements and meticulous production planning, it can ensure the sustained and stable operation of the Group's production and business activities.

Capital expenditure

The Group incurred capital expenditure for the purchase of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products and other administrative uses. Capital expenditure during the years ended 31 December 2025 and 2024 were primarily related to the purchase of property, plant and equipment.

The following table sets forth the capital expenditure of the Group:

	2025 RMB'000	2024 RMB'000
Purchase of property, plant and equipment	3,119	15,435

Borrowings

As at 31 December 2025, the borrowings of the Group amounted to approximately RMB303,359,000 (2024: approximately RMB309,836,000).

The following table sets forth information of the loans of the Group:

	2025 RMB'000	2024 RMB'000
Loans:		
Bank loans — Secured	272,620	276,040
Other loans — Unsecured	30,739	33,796
	303,359	309,836

MANAGEMENT DISCUSSION AND ANALYSIS

The amount of loans of approximately RMB217,359,000 shall be repayable within one year. The following table sets forth the annual interest rates of the Group's bank loans:

	2025 %	2024 %
Effective interest rate per annum	3.04 to 3.97	3.40 to 4.38

The other loans carried a fixed annual interest rate of 5% during the year ended 31 December 2025.

The following discussion should be read in conjunction with the Group's financial information and its notes, which are included in this report.

Financial management and fiscal policy

During the Year under Review, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor foreign exchange fluctuations and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

* *The English names are for identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wei Jun, aged 57, has been our executive Director and chairman of the Board since January 2025, primarily responsible for sales of major projects and international trade business of the Group. He served as our non-executive Director and the chairman of the Board from January 2019 to December 2024. Mr. Wei served as the general manager of Beijing Zhenhong Xingye Trading Co., Ltd.* (北京臻鴻興業商貿有限公司) from November 2003 to March 2025, responsible for its overall management and international trading. He was the assistant to the director of operating department and the head of external economics department in Central Iron & Steel Research Institute (as defined below) from 1995 to 1999, and the standing deputy general manager of Beijing Jinggang International Trading Limited Company* (北京京鋼國際貿易有限公司), i.e. the department of international trading business of Advanced Technology & Materials Co., Ltd.* (安泰科技股份有限公司) (“Advanced Technology* (安泰科技)”), the shares of which are listed on the Shenzhen Stock Exchange, from 1999 to 2003.

Mr. Wei graduated from Chongqing University with a master’s degree in Bachelor of Engineering in 1990, majoring in iron and steel metallurgy, and obtained a master’s degree in Master of Engineering from China Iron & Steel Research Institute Group* (中國鋼研科技集團公司) (formerly known as the Ministry of Metallurgical Industry of Central Iron & Steel Research Institute* (冶金工業部鋼鐵研究總院) (“Central Iron & Steel Research Institute* (鋼鐵研究總院)”) in 1993. He is a senior engineer in the PRC.

Mr. Zhang Bizhuang, aged 58, has been our executive Director since July 2009, the chief executive officer from July 2009 to June 2021, the co-chief executive officer from June 2021 to March 2024 and the chief executive officer since 24 March 2024. Mr. Zhang is responsible for the overall management of our Group’s business operations, and had been the chairman of the Board from August 2012 to April 2016. Mr. Zhang currently serves as a director of nine subsidiaries of the Group and a director of an associate. Mr. Zhang worked in Shengli Steel Pipe Co., Ltd.* (勝利鋼管有限公司) (“Shengli Steel Pipe”, known as Shengli Administration of Petroleum Steel Pipe Factory* (勝利石油管理局鋼管廠) and Shengli Oilfield Zibo Pipe Co., Ltd.* (勝利油田濰博制管有限公司) before reconstruction of state-owned enterprises) from July 1990 to December 2008, serving in various positions including department head of the technical supervision department and the quality control inspection department, deputy general manager and general manager, with his last position as chairman. He also served in various positions in Shandong Shengli Steel Pipe including as the executive director and the general manager between December 2007 and June 2013, and served as chairman from December 2008 to December 2024. He served as the general manager of Shengguan Group* (勝管集團) from July 2013 to December 2024.

Mr. Zhang graduated from Chongqing University with a bachelor’s degree in Bachelor of Engineering in 1990, majoring in Metal Materials and Heat Treatment and obtained his master’s degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. He is a senior engineer in the PRC, and holds the Chinese Career Manager qualification.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Kunxian, aged 57, has been our vice president since October 2010, and our executive Director since August 2014, responsible for the technology development, quality control and production management of the Group. Mr. Wang currently serves as a director of three subsidiaries of the Group. Mr. Wang served various positions in Shengli Steel Pipe from July 1990 to December 2008, including as a factory officer and the deputy chief engineer, with his last position as the deputy general manager. He was the deputy general manager of Shandong Shengli Steel Pipe between December 2007 and June 2013 and has been its director since December 2008. Since July 2013, Mr. Wang served in various positions in Shengguan Group* (勝管集團), including deputy general manager and technical director of quality production, and currently holds the position of deputy general manager, responsible for technology development, quality control and production management.

Mr. Wang graduated from Chongqing University with a bachelor's degree in Bachelor of Engineering in 1990, majoring in metal pressure processing and obtained his master's degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. He is a senior engineer in the PRC.

Ms. Han Aizhi, aged 58, has been our executive Director since July 2009, and has been serving as a vice president of the Company since March 2011, responsible for the Group's external investment business and operational supervision, listing compliance, investor and public relation matters and finance management. Ms. Han currently serves as a director of seven subsidiaries and a director of an associate of the Group. Ms. Han served various positions in Shengli Steel Pipe from July 1988 to December 2008, including as the head of the technology supervision division, an officer of corporate management department, an officer of the general manager's office, an assistant to the general manager, the deputy general manager and a management representative. She served as the deputy general manager of Shandong Shengli Steel Pipe from December 2007 to June 2013, and has been its director since December 2008. Since July 2013, Ms. Han served various positions in Shengguan Group* (勝管集團), including as the deputy general manager and a director of securities investment, and currently holds the position of deputy general manager, successively responsible for overseeing quality management, environment, occupational health and safety system management, investor relations, listing compliance, public relations, external investment business, operational supervision and finance management.

Ms. Han graduated from Chengde Petroleum College in 1988 with a major in welding technology and graduated from the Party School of the Shandong Province Committee of CPC in 2002 with a major in economic management. Ms. Han obtained a master's degree in business administration from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2004. She is an engineer in the PRC, and holds the PRC Registered Quality Professional Technician Qualification (middle tier).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Huang Xingwang, aged 56, has been our non-executive Director since July 2024. Mr. Huang worked at The People's Procuratorate of Zhejiang Province (浙江省人民檢察院) from July 1992 to August 1996, where he was assigned to The People's Procuratorate of Wenling City, Zhejiang Province* (浙江省溫嶺縣人民檢察院) from September 1992 to August 1994. He served as a research trainee of the Institute of Law of the Sichuan Academy of Social Sciences* (四川省社會科學院法學研究所) from July 1999 to December 2000. Mr. Huang successively served as a lawyer, partner, executive director, and director of Zhonghao Law Firm (Sichuan) Office* (中豪律師集團(四川)事務所) from February 2001 to January 2011. He served as a partner and principal lawyer of Beijing Kaiwen Law Firm, Chengdu Office* (北京凱文(成都)律師事務所) from February 2011 to April 2012. He also served as a partner and principal lawyer of Beijing Grandway Law Offices, Chengdu Office* (北京國楓凱文(成都)律師事務所) from May 2012 to April 2014. Since May 2014, Mr. Huang has served as the partner, person-in-charge and principal lawyer of Beijing Grandway Law Offices, Chengdu Office* (北京國楓(成都)律師事務所). Currently, Mr. Huang serves as a permanent legal counsel for The List Company Association of Sichuan (四川省上市公司協會), a member of the Professional Committee of Independent Directors* (獨立董事專業委員會) for the Sichuan Association of Listed Companies, and a Deputy Director of the Professional Committee of Intermediaries* (中介機構專業委員會) for the Sichuan Association of Listed Companies.

Mr. Huang, graduated from Southwest University of Political Science & Law (西南政法大學) (previously known as 西南政法學院) and obtained a bachelor's degree in law in 1992. In July 1999, he obtained a master's degree specializing in economic law from the Sichuan Academy of Social Sciences (四川省社會科學院). In 1998, Mr. Huang was qualified as a lawyer in the People's Republic of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Junzhu, aged 50, has been our independent non-executive Director since May 2013. He currently serves as the executive director and general manager of Guangzhou Peixing Technology Co., Ltd* (廣州市沛興科技有限責任公司). Mr. Chen served as a certified public accountant and senior auditor for Deloitte Touche Tohmatsu CPA Ltd from August 2001 to August 2004. He was an audit manager of the internal audit department in Wal-Mart (China) Investment Co., Ltd. from September 2004 to June 2006. From July 2006 to June 2007, Mr. Chen was a certified public accountant and a manager of the M&A transaction department in Ernst & Young Certified Public Accountants. He was a partner of Guangdong Zheng Yuan Public Accountants* (廣東正源會計師事務所) from July 2007 to January 2022. He served as a director and the chief financial officer of Huakang Insurance Agency Co., Ltd.* (華康保險代理有限公司) from September 2011 to September 2014, the general manager of Shenzhen Junyuan Capital Management Co., Ltd* (深圳市浚源資本管理有限公司) from January 2022 to December 2025, an independent director and the chairman of the audit committee of Guangdong Tapai Group Co. Ltd.* (廣東塔牌集團股份有限公司), a company listed on the Shenzhen Stock Exchange, from May 2013 to June 2019, an independent director of Shenzhen Genvict Technologies Co., Ltd.* (深圳市金溢科技股份有限公司), a company listed on the Shenzhen Stock Exchange since March 2020, an independent director of Guangdong PAK Corporation Co., Ltd.* (廣東三雄極光照明股份有限公司) since May 2021, and an independent director of Telepower Communication Co., Ltd.* (廣東天波信息技術股份有限公司), a company listed on the National Equities Exchange and Quotations since September 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen graduated from China Foreign Affairs University with a bachelor's degree in arts in 1998, and graduated from Southwest University of Political Science & Law with a master's degree in law in 2003. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

Mr. Qi Defu, aged 47, has been our independent non-executive Director since April 2024. Since May 2020, Mr. Qi has served as the vice president of Orient Securities International Financial Group Limited* (東證國際金融集團有限公司) and Orient Capital (Hong Kong) Limited* (東方融資(香港)有限公司). Mr. Qi served as the managing director and investment director of Shanghai Fuyun Investment Management Co., Ltd.* (上海複雲投資管理有限公司) and Shanghai Yingfei Chuangfu Investment Management Co., Ltd.* (上海英飛創複投資管理有限公司) from October 2014 to May 2020. Mr. Qi served as the senior vice president from December 2012 to October 2014 of Shenyin & Wanguo Investment Co., Ltd. (申銀萬國投資有限公司). Mr. Qi was the senior investment manager of Ping An Asset Management Co., Ltd.* (平安資產管理有限責任公司) from December 2009 to July 2012. From July 2006 to December 2009, Mr. Qi served as the investment manager of Daojie Capital Co., Ltd.* (道杰資本有限公司).

Mr. Qi graduated from Chongqing University majoring in industrial automation, and obtained a bachelor's degree in engineering in 2000. In 2007, he obtained a master's degree in business administration from Shanghai University of Finance and Economics. He also obtained a Master of Arts degree in cultural and heritage tourism from Hong Kong Metropolitan University in 2019. He is also a responsible officer licensed to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and holds qualifications for type 6 (advising on corporate finance).

Mr. Qiao Jianmin, aged 65, has been our independent non-executive Director since April 2016. He is currently serving as the general manager of Hangzhou Hanyu Technology Company Limited* (杭州漢宇科技有限公司). Mr. Qiao has profound experience in advanced technology and new energy. Mr. Qiao served as a tutor in the materials faculty of Zhejiang University from 1989 to 1991, became a postdoctoral researcher in Santa Clara University in the United States from 1991 to 1994, a senior engineer and the engineering manager in Applied Materials, Inc. in the United States from 1994 to 1997, the research and development engineer in chief in Cypress Semiconductor Corp. in the United States from 1998 to 2000, the international affair director in the International Technological University in the United States from 1992 to 2002, worked on technological research and development, and production management in Advanced Optical Solutions, LLC in the United States from 2000 to 2001, became a general manager in HQ Technologies, Inc. in the United States from 2002 to 2003, a senior technical officer in Piconetics, Inc. in the United States from 2004 to 2005, the vice president in Hanli International Microelectronics (Hangzhou) Company Limited* (漢力國際微電子(杭州)有限公司) from 2005 to 2008, the general manager and a legal representative in Hangzhou Hanyu Technology Company Limited* (杭州漢宇科技有限公司) from 2008 to 2014 and a technical director in China Seven Star New Energy Holdings Limited from 2014 to 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Qiao graduated from Zhejiang University, majoring in silicate engineering with a bachelor's degree of engineering in 1982 and obtained a doctorate degree in materials engineering from Zhejiang University and the Sapienza University of Rome in 1989. Mr. Qiao has been committed to conducting researches on advanced technology and possesses over 20 invention patents. Mr. Qiao was authorised as a senior engineer at professor level and expert consultant by the Ministry of Human Resources and Social Security of Zhejiang in 2013. He was elected as one of the outstanding overseas entrepreneurs by the People's Government of Xiaoshan, Hangzhou in 2011. In 2010, he was granted the Outstanding Overseas Chinese Professional Entrepreneur Award* (海外華僑華人專業人士傑出創業獎) by the Overseas Chinese Office of the People's Government of Zhejiang. He was recognised as a preeminent scientist by the government of the United States and founded International Technology University (國際科技大學) which was engaged in hi-tech education for postgraduates in the United States in 1994.

SENIOR MANAGEMENT

Mr. Zhang Feng, aged 36, has served as the company secretary and authorised representative of the Company since June 2021 and has been the vice president of the Company since April 2024, primarily responsible for the listing compliance and corporate governance of the Company as well as the routine work at the Company's Hong Kong office. He concurrently serves as a director of two subsidiaries of the Group. He has extensive accounting experience and company secretarial practices in respect of listed companies in Hong Kong.

Mr. Zhang Feng obtained a bachelor's degree of business from James Cook University in 2012 and a master's degree of science in marketing and international business from Lingnan University in 2016. Mr. Zhang Feng is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Zhang Feng is the nephew of Mr. Zhang Bizhuang, an executive Director.

* *The English names are for identification purposes only*

REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding during the year ended 31 December 2025. The principal activities and other particulars of the subsidiaries and associates of the Company are set out in notes 17 and 18 to the consolidated financial statements, respectively.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 of the Companies Ordinance, including a review of the Group's business and an indication of likely development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 9 to 16 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Business Risk and Uncertainties

The Group's principal business activity is Pipe Business, whose principal risks include the quality of the pipes and the safety during production. The Group has taken comprehensive measures to ensure that both quality and safety will meet the industry standards. Fluctuations in the construction schedule of cross-border and domestic large-scale oil and gas pipeline projects had a significant impact on the performance of the Group's Pipe Business during the Year under Review. For further details on the discussion of business risks and our measures to manage such risks, please refer to the Chief Executive Officer's Statement set out on pages 4 to 8 of this annual report.

Financial Risk

The Group's main risks arising from its financial instruments are credit risk, liquidity risk, interest rate risk and price risk. Details of the financial risk management objectives and policies are set out in note 6 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and the development of the society. Shandong Shengli Steel Pipe, a major subsidiary of the Group has received certification of the ISO 14001 environmental management system, which indicates the Group's remarkable environmental management performance. The Group will keep reviewing and improving the internal environmental protection system from time to time.

Details of the Group's development, performance and operation in the environmental aspect are set out in the Environmental, Social and Governance Report on pages 52 to 100 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted internal control and risk management policies to monitor the on-going compliance with the relevant laws and regulations. As far as the Board is concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries in all material aspects.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2025.

EVENTS AFTER THE YEAR UNDER REVIEW

- (1) As disclosed in the Company's announcements dated 11 August 2025, 27 August 2025 and 9 September 2025, Shandong Shengli Steel Pipe, a wholly-owned subsidiary of the Company, proposed to potentially dispose the 98% equity interest it held in Zhejiang Shengguan Industrial Co., Ltd. ("Zhejiang Shengguan Industrial") through public tender (the "Intended Disposal"). The management of the Group assessed that the Intended Disposal met the criteria under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", concluding that the Intended Disposal was highly probable and expected to be completed within one year from the date of classification. The Intended Disposal did not meet the criteria for classification as discontinued operations under IFRS 5, as Zhejiang Shengguan did not represent a major line of business or geographical area of operations of the Group. Accordingly, the assets and liabilities of Zhejiang Shengguan were reclassified to "Assets classified held for sale" and "Liabilities associated with assets classified as held for sale" in the Group's consolidated statement of financial position at 31 December 2025.

On 17 March 2026, Shandong Shengli Steel Pipe entered into an equity transfer agreement with an independent third party, pursuant to which Shandong Shengli Steel Pipe agreed to transfer its 98% equity interest in Zhejiang Shengguan Industrial for a consideration of RMB14,700,000. Upon completion of the equity transfer, the Company will cease to hold any equity interest in Zhejiang Shengguan Industrial, and its financial results will no longer be consolidated into the Group's financial statements. As the conditions precedent to the equity transfer agreement have not yet been fully satisfied and completed, as at the date of this report, Shandong Shengli Steel Pipe had not yet completed the equity transfer transaction. However, the management is of the opinion that the Intended Disposal will be completed within 1 year since the date of reclassification of assets held for sales and liabilities associated with assets held for sales.

REPORT OF THE DIRECTORS

- (2) On 17 March 2026, Xinjiang Shengli Steel Pipe Co., Ltd. (“Xinjiang Shengli Steel Pipe”), a subsidiary of the Company, entered into an equipment sale and purchase agreement with an independent third party (the “Buyer”). Pursuant to the agreement, Xinjiang Shengli Steel Pipe agreed to sell its spiral submerged-arc welded pipe production line equipment, comprising the complete production line and ancillary inspection and testing equipment, for a consideration of RMB13,580,000. As the Buyer still requires time to dismantle the aforementioned equipment and Xinjiang Shengli Steel Pipe has not formally issued a confirmation of title transfer to the Buyer, as at the date of this report, Xinjiang Shengli Steel Pipe had not yet completed the transactions under the equipment sale and purchase agreement.

Save as disclosed in this report, there were no other important events affecting the Group that occurred since 31 December 2025 up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following period:

The register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 22 June 2026. During the period mentioned above, no transfer of shares will be registered.

MAJOR CUSTOMERS AND SUPPLIERS

The Group’s top five customers accounted for approximately 88.2% (2024: 80.8%) of the total sales and the top five suppliers accounted for approximately 70.5% (2024: 76.0%) of the total purchases for the Year under Review. In addition, the Group’s largest customer accounted for approximately 77.7% (2024: 65.9%) of the total sales and the Group’s largest supplier accounted for approximately 30.7% (2024: 33.7%) of the total purchases for the Year under Review.

To the best knowledge of the Directors, at no time during the Year under Review, the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in these major customers and suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationships with its employees and has policies in place to ensure competitive remuneration, well-developed welfare package and continuous professional training for our employees.

The Group also maintains good relationships with its customers and suppliers to ensure production and operations.

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2025 and the financial positions of the Company and the Group for the year ended 31 December 2025 are set out in the consolidated financial statements on pages 108 to 195.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution under the laws of the Cayman Islands and the Company's Articles of Association represent the share premium, contributed surplus and profit which in aggregate amounted to RMB35 million for the year ended 31 December 2025 (2024: RMB84 million). Details of the reserves of the Company for the year ended 31 December 2025 are set out in note 33 to the consolidated financial statements.

FIXED ASSETS

Details of movements in fixed assets during the current financial year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors in financial year 2025 and up to the date of this report were:

Executive Directors

Mr. Wei Jun (*Chairman*) (*redesignated from a non-executive Director to an executive Director on 1 January 2025*)

Mr. Zhang Bizhuang (*Chief Executive Officer*)

Mr. Wang Kunxian (*Vice President*)

Ms. Han Aizhi (*Vice President*)

Non-executive Director

Mr. Huang Xingwang

Independent non-executive Directors

Mr. Chen Junzhu, *ACCA, CICPA*

Mr. Qi Defu

Mr. Qiao Jianmin

REPORT OF THE DIRECTORS

Pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. Pursuant to the articles of association of the Company, Mr. Wei Jun, Mr. Qi Defu and Mr. Chen Junzhu shall retire and Mr. Wei Jun, Mr. Qi Defu and Mr. Chen Junzhu are eligible and will stand for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company considers all of the independent non-executive Directors to be independent. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Name of Director	Capacity	Long position/ Short position	Number of issued ordinary shares held	Number of shares subject to options granted under the Share Option Scheme	Percentage of shareholding in the issued share capital of the Company
					as at 31 December 2025
Wei Jun	Interest in controlled corporation ⁽¹⁾	Long position	620,000,000	N/A	16.003%
Zhang Bizhuang	Interest in controlled corporation ⁽²⁾	Long position	153,130,224	N/A	3.952%
	Beneficial owner	Long position	79,800,000 ⁽³⁾	N/A	2.06%
Wang Kunxian	Interest in controlled corporation ⁽⁴⁾	Long position	26,708,760	N/A	0.689%
Han Aizhi	Interest in controlled corporation ⁽⁵⁾	Long position	26,708,760	N/A	0.689%

REPORT OF THE DIRECTORS

Notes:

- (1) Mefun Group Limited holds 620,000,000 shares of the Company (representing 16.003% of the issued shares of the Company) and is the single largest shareholder of the Company. Mefun Group Limited is held as to 65.97% and 34.03% by Mr. Wei Jun and HZJ Holding Limited, respectively. Mr. Wei Jun is the chairman and an executive Director of the Company. Therefore, Mr. Wei Jun is deemed to be interested in the shares of the Company held by Mefun Group Limited by virtue of the SFO.
- (2) Goldmics Investments Limited (“Goldmics Investments”) holds 153,130,224 shares of the Company, representing 3.952% of the issued shares of the Company. Mr. Zhang Bizhuang holds 40% interest of the issued share capital of Goldmics Investments, and Ms. Du Jichun, his spouse, holds the remaining 60% interest. Therefore, Mr. Zhang Bizhuang is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO.
- (3) Mr. Zhang Bizhuang holds 79,800,000 shares of the Company, representing 2.06% of the issued shares of the Company.
- (4) Glad Sharp Limited (“Glad Sharp”) holds 26,708,760 shares of the Company, representing 0.689% of the issued shares of the Company. Mr. Wang Kunxian owns the entire issued share capital of Glad Sharp and is therefore deemed to be interested in the shares of the Company held by Glad Sharp by virtue of the SFO.
- (5) Crownova Limited (“Crownova”) holds 26,708,760 shares of the Company, representing 0.689% of the issued shares of the Company. Ms. Han Aizhi owns the entire issued share capital of Crownova and is therefore deemed to be interested in the shares of the Company held by Crownova by virtue of the SFO.

Save as disclosed above, as at 31 December 2025, none of the Directors, the chief executive, the chairman of the Company or their respective associates had registered an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Year under Review was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 May 2016, the shareholders of the Company approved and adopted a new share option scheme (the “New Scheme”) and terminated the then share option scheme (the “Old Scheme”) (the Old Scheme and New Scheme are collectively referred to as the “Share Option Scheme”). The Old Scheme was adopted on 21 November 2009, which was valid for a period of 10 years from the date of adoption. The Company has granted all share options under the Old Scheme, and all outstanding share options granted prior to the termination of the Old Scheme have expired and become invalid.

REPORT OF THE DIRECTORS

The purpose of the New Scheme is to give the Eligible Persons (as defined in the New Scheme) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Participants referred to below are the “Eligible Persons” under the New Scheme, which include:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (“Executive”), any full-time or part-time employee, or any person for the time being seconded to work full-time or part-time for any member of the Group (“Employee”);
- (b) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (c) a direct or indirect shareholder of any member of the Group;
- (d) a supplier of goods or services to any member of the Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (g) an associate (as defined under the Listing Rules) of any of the persons referred to in paragraphs (a) to (c) above.

The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 20 May 2016 and will remain in force until 19 May 2026. The Company may at any time terminate the operation of the New Scheme by resolution in general meeting. Upon termination of the New Scheme as aforesaid, no further options shall be granted but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with and subject to the New Scheme. An offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1.0 in total by the grantee. The exercise period of the share options granted is determined by the Directors, and commences after a three-year vesting period and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price in respect of any particular share option shall be such price as the Board may in its discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but shall not be less than whichever is the highest of:

- (a) the nominal value of a share;

REPORT OF THE DIRECTORS

- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of offer; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Group shall not in aggregate exceed 327,436,560 shares, being 10% of the shares in issue as of the date of adoption (the "Scheme Mandate Limit"), provided that:

- (a) The Company may at any time as the Board may think fit seek approval from the shareholders of the Company to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Company shall not exceed 10% of the shares in issue as of the date of approval by shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our shareholders a circular containing the details and information required under the Listing Rules.
- (b) The Company may seek separate approval from its shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Person(s) specified by the Company before such approval is obtained. The Company shall send to our shareholders a circular containing the details and information required under the Listing Rules.
- (c) The maximum number of shares which may be issued upon full exercise of outstanding options granted under the New Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the New Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of options to such Eligible Person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his/her/its associate(s) abstaining from voting. The Company shall send a circular to our shareholders disclosing the identity of the Eligible Person, the number and terms of the options to be granted (and options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such Eligible Person must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those options.

REPORT OF THE DIRECTORS

On 22 June 2020, the Board granted 77,100,000 share options to 40 management members and key staff of the Company and its subsidiaries at an exercise price of HK\$0.10 per share under the New Scheme. 1,800,000 share options held by four employees were lapsed following their departure in 2020. 900,000 share options held by two employees were lapsed following their departure in 2021. 450,000 share options held by an employee were lapsed following his departure in 2023. 60,450,000 share options held by three employees were lapsed following their departure in 2024. 450,000 share options held by one employee were lapsed following his departure in 2025. The remaining 13,050,000 share options have lapsed on 21 June 2025 without being exercised.

After taking into account of the shares available for issue after deducting those which have been exercised or lapsed under the Share Option Scheme, as at 1 January 2025 and 31 December 2025, the total number of shares available for grant under the scheme limit of the Share Option Scheme were 78,993,060 and 65,493,060, representing approximately 2.0389% and 1.6904% of the weighted average number of ordinary shares of the Company for the Year under Review, respectively, and approximately 2.0389% and 1.6904% of the issued shares of the Company of 3,874,365,600 shares as at the date of this report, respectively.

As at 31 December 2025, movements of options granted under the Share Option Scheme are set out below:

Name	Capacity	Exercise price	Outstanding as at 1 January 2025	Granted during the Year under Review	Exercised during the Year under Review	Cancelled during the Year under Review	Lapsed during the Year under Review	Outstanding as at 31 December 2025	Approximate percentage of the issued share capital of the Company as at	Note
									31 December 2025	
Employees										
Employees	Beneficial owner	HK\$0.10	13,500,000	0	0	0	13,500,000	0	0	(1)
Total			13,500,000	0	0	0	13,500,000	0	0	

Note:

- (1) The share options granted by the Company are exercisable for 5 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e., 22 June 2020), respectively. These share options are exercisable at HK\$0.10 each according to the rules of the New Scheme during the period from 22 June 2020 to 21 June 2025.

Further details in respect of the Share Option Scheme are disclosed in note 34 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at 31 December 2025, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Name of shareholder	Capacity	Long position/ Short position	Number of issued ordinary shares/ underlying shares held	Percentage of shareholdings in the issued share capital of the Company
Mefun Group Limited	Beneficial owner ⁽¹⁾	Long position	620,000,000	16.003%
HZJ Holding Limited	Interest in controlled corporation ⁽²⁾	Long position	620,000,000	16.003%
Chen Haili	Interest in controlled corporation ⁽²⁾	Long position	620,000,000	16.003%
Yang Zhihui	Interest of spouse ⁽²⁾	Long position	620,000,000	16.003%
LM Global Asset LP	Beneficial owner ⁽³⁾	Long position	600,000,000	15.486%
LMT International Corporation Limited (魯民投國際有限公司)	Interest in controlled corporation ⁽³⁾	Long position	600,000,000	15.486%
Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司)	Interest in controlled corporation ⁽³⁾	Long position	600,000,000	15.486%
LM Asset Management Corp	Interest in controlled corporation ⁽³⁾	Long position	600,000,000	15.486%
Huang Guang	Interest in controlled corporation ⁽³⁾	Long position	600,000,000	15.486%
Du Jichun	Interest of spouse ⁽⁴⁾	Long position	79,800,000	2.06%
	Interest in controlled corporation ⁽⁵⁾	Long position	153,130,224	3.952%

REPORT OF THE DIRECTORS

Notes:

- (1) Mefun Group Limited holds 620,000,000 shares of the Company (representing 16.003% of the issued shares of the Company), which is in turn owned as to 65.97% by Mr. Wei Jun. Mr. Wei Jun also acts as the director of Mefun Group Limited. Please refer to the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” for details.
- (2) HZJ Holding Limited holds 34.03% of the issued share capital of Mefun Group Limited and HZJ Holding Limited is held as to 100% by Ms. Chen Haili. Mr. Yang Zhihui is the spouse of Ms. Chen Haili. Therefore, HZJ Holding Limited, Ms. Chen Haili and Mr. Yang Zhihui are deemed to be interested in the shares of the Company held by Mefun Group Limited by virtue of the SFO.
- (3) LM Global Asset LP is a limited partnership registered under the laws of the British Virgin Islands and holds 600,000,000 shares of the Company, representing 15.486% of the issued shares of the Company. LMT International Corporation Limited is a limited partner of LM Global Asset LP and holds approximately 49.18% of the partnership interest in LM Global Asset LP. LMT International Corporation Limited is wholly owned by Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司). The general partner of LM Global Asset LP is LM Asset Management Corp, which is in turn owned as to approximately 70% by Mr. Huang Guang. Therefore, each of Mr. Huang Guang, LM Asset Management Corp, LMT International Corporation Limited and Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司) is deemed to be interested in the shares of the Company held by LM Global Asset LP by virtue of the SFO.
- (4) Ms. Du Jichun is the spouse of Mr. Zhang Bizhuang. Therefore, by virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Du Jichun is deemed to be interested in all the shares held by Mr. Zhang Bizhuang. Please refer to the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” for details.
- (5) Goldmics Investments holds 153,130,224 shares of the Company, representing 3.952% of the issued shares of the Company. Ms. Du Jichun holds 60% interest of the issued share capital of Goldmics Investments, and Mr. Zhang Bizhuang, her spouse, holds the remaining 40% interest. Therefore, Ms. Du Jichun is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO. Mr. Zhang Bizhuang is the director of Goldmics Investments.

Save as disclosed above, as at 31 December 2025, as far as the Company is aware, no other persons had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders (or their subsidiaries, if any) for the year ended 31 December 2025.

COMPETING BUSINESS

During the Year under Review and up to the date of this report, none of the Directors and controlling shareholders of the Company has any interest in business which competes, either directly or indirectly, with the business of the Group under the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained a public float of not less than 25% as required under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the service contracts of the Directors as disclosed above, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at the end of the year or at any time during the year ended 31 December 2025.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2025, cash and cash equivalents of the Group amounted to approximately RMB90,311,000 (2024: approximately RMB127,720,000). As at 31 December 2025, the Group had borrowings of approximately RMB303,359,000 (2024: approximately RMB309,836,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables, contract liabilities and other payables and accruals, net of cash and cash equivalents and restricted deposits) divided by total equity plus net debt. As at 31 December 2025, the gearing ratio of the Group was 57.0% (2024: 54.3%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2025, the Group secured bank loans of RMB272,620,000 (31 December 2024: approximately RMB276,040,000) by pledge of certain of the property and plant amounting to approximately RMB112,258,000 (31 December 2024: approximately RMB117,868,000) and certain of the land use rights amounting to approximately RMB66,176,000 (31 December 2024: approximately RMB68,111,000).

CONTINGENT LIABILITIES

For the year ended 31 December 2025, the Group had no material contingent liabilities (2024: Nil).

CAPITAL COMMITMENTS

The Group has a capital commitment of approximately RMB22,000 (2024: approximately RMB175,000) in respect of acquisition of property, plant and equipment as at 31 December 2025.

REPORT OF THE DIRECTORS

FOREIGN EXCHANGE RISK

During the Year under Review, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, hence the Group is exposed to minimal foreign exchange risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As of 31 December 2025, the Group's workforce comprised of 463 employees (including the Directors) (31 December 2024: 461 employees). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB65,596,000 (2024: approximately RMB56,765,000). Such increase in the total salaries and related costs was mainly due to a substantial increase in the production volume of the pipe under its Pipe Business during the Year under Review as compared to the previous year, which led to the increase in overtime pay and floating wages payable by the Group to its employees.

The long-term incentive scheme includes share options scheme and other incentive scheme as adopted by the Company from time to time to incentivise employees of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years is set out on page 196. This summary does not form part of the audited consolidated financial statements.

RETIREMENT SCHEMES

During the Year under Review, the Group did not have any payments or benefits in relation to termination of service of Directors. Particulars of employee retirement schemes of the Group are set out in note 2 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2025, the Group had obtained financial assistance from connected persons, part of which was derived from an unguaranteed and unsecured and interest-bearing loan of RMB465,000.00 with a term of one year and an annual interest rate of 5%, provided by the current Directors of the Company, thus constituting connected transactions under Chapter 14A of the Listing Rules. The aforementioned connected transactions were conducted on normal commercial terms without the pledge of assets of the Group. Pursuant to Rule 14A.90 of the Listing Rules, such transactions were granted full exemption from compliance with reporting, annual review, announcement, circular and independent shareholders' approval requirements. Save as the aforementioned financial assistance, other related party transactions as disclosed in note 37 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of their respective securities during the year ended 31 December 2025.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year under Review.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Year under Review.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As disclosed in the Company's announcements dated 11 August 2025, 27 August 2025 and 9 September 2025, Shandong Shengli Steel Pipe, a wholly-owned subsidiary of the Company proposed to potentially dispose, of the 98% equity interest it held in Zhejiang Shengguan Industrial Co., Ltd. ("Zhejiang Shengguan Industrial") through public tender. As at 31 December 2025, the Group had reclassified the 98% equity interest in Zhejiang Shengguan Industrial, a subsidiary of the Group, as assets held for sale. On 17 March 2026, the 98% equity interest in Zhejiang Shengguan Industrial was disposed of to an independent third party for a cash consideration of RMB14,700,000. Upon completion of the disposal of the 98% equity interest in Zhejiang Shengguan Industrial, the Group will cease to hold any equity interest in Zhejiang Shengguan Industrial. Details are set out in note 31 to the consolidated financial statements.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Year under Review, and the Company does not have any future plan for material investments or capital assets as at the date of this report.

REPORT OF THE DIRECTORS

AUDITORS

On 15 November 2022, Forvis Mazars CPA Limited, Certified Public Accountants, was appointed as the auditor of the Company to fill the casual vacancy occasioned by the resignation of ZHONGHUI ANDA CPA Limited. For further details, please refer to the announcement of the Company dated 15 November 2022.

At the annual general meeting held on 16 June 2023, the Company re-appointed Forvis Mazars CPA Limited as auditor of the Company for the year ended 31 December 2023.

At the annual general meeting held on 21 June 2024, the Company re-appointed Forvis Mazars CPA Limited as auditor of the Company for the year ended 31 December 2024.

At the annual general meeting held on 20 June 2025, the Company re-appointed Forvis Mazars CPA Limited as auditor of the Company for the year ended 31 December 2025.

By order of the Board

Zhang Bizhuang

Executive Director & Chief Executive Officer

27 March 2026

* *The English names are for identification purposes only*

CORPORATE GOVERNANCE REPORT

OVERVIEW

Guided by its corporate mission of “Serving Oil and Gas Pipelines, Contributing to Steel Structure Construction, and Delivering Value to Shareholders and Society”, its business philosophy of “Iron Will, Unwavering Perseverance, Humble Integrity, and Striving for Perpetual Excellence,” and its core values of “Growth and Strengthening, Industrial Service to the Nation, Pursuit of Excellence, and Commitment to Societal Well-being,” the Group actively participates in national energy construction projects and infrastructure construction. Leveraging its professional expertise in the oil and gas pipeline and engineering construction sectors, the Group addresses the growing energy demand, supports national development, and creates long-term value for its investors.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole and enable shareholders’ evaluation of such application. The Board continues to strive to uphold good corporate governance and adopts sound corporate governance practices. During the period from 1 January 2025 to 31 December 2025, the Company has applied the principles and code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 to the Listing Rules and has complied with all the code provisions and the recommended best practices, as appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirmed that during the year ended 31 December 2025, they have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions.

BOARD OF DIRECTORS

Composition of the Board

The Board comprises of four executive Directors, one non-executive Director and three independent non-executive Directors. The current Board members of the Company are:

Executive Directors

Mr. Wei Jun (*Chairman*) (*redesignated from a non-executive Director to an executive Director on 1 January 2025*)

Mr. Zhang Bizhuang (*Chief Executive Officer*)

Mr. Wang Kunxian (*Vice President*)

Ms. Han Aizhi (*Vice President*)

Non-executive Director

Mr. Huang Xingwang

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Independent non-executive Directors

Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Qi Defu
Mr. Qiao Jianmin

The biographical details of all Directors and senior management are set out on pages 17 to 21 of this report. Save as those disclosed in this report, there are not any other financial, business, family or other material or relevant relationships among the members of the Board and the senior management.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experience and expertise to the Company.

Functions of the Board

The principal functions of the Board are to consider and approve the overall strategies, financial objectives, annual budget and investment proposals of the Group, and assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and senior management, and certain specific responsibilities to the Board committees.

Board Meetings and Board Practices

Except for the Board meetings held in March and August 2025, respectively for the purpose of considering the Company's financial results, the Board held a total of seven meetings in 2025.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, notice would be given for a regular meeting of the Company at least 14 days in advance. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. All Directors are able to include matters in the agenda upon request to the Company Secretary. The Company Secretary is responsible for distributing detailed documents (including those provided by the management) to each of the Directors prior to the meetings of the Board to ensure that the Directors may receive accurate, timely and clear information to make informed decisions regarding the matters to be discussed in the meetings. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of Board meetings. All minutes of Board meetings (including board committee meetings) will be recorded in sufficient details, including the matters considered by the Board and the decisions reached, and are kept by the Company Secretary. The minutes are sent to all Directors for comment and records, and are open for inspection at any reasonable time on reasonable notice by any Director.

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To ensure that the Board receives sufficient, objective, and independent views and recommendations in its decision-making process, the proportion of independent non-executive Directors on the Board meets the requirements under the Listing Rules. Independent non-executive Directors are entitled to exercise their powers independently and provide independent opinions on matters such as major operational decisions, connected transactions, financial reporting, and senior management remuneration. In addition, the Board has established special committees including the Audit Committee, Remuneration Committee, and Nomination Committee, in which independent Directors constitute the majority and serve as the convenors. Each committee operates independently, conducts research and assessment on professional matters, and provides professional and independent recommendations to the Board. Furthermore, the views of external advisors are promptly communicated to the Board or the special committees. During the Year under Review, the special committees held meetings to deliberate on various specific proposals, formed independent opinions, and submitted them to the Board for decision-making. All such opinions and recommendations have been documented in the corporate governance records of the Board. Accordingly, the Board acknowledges the effectiveness of this mechanism and will continue to optimise the governance structure to safeguard the independence and soundness of the Board's decision-making.

For the year ended 31 December 2025, nine Board meetings were held by the Company. Details of the attendance of each Director are as follows:

Name of Director	Attendance
Executive Directors	
Mr. Wei Jun (<i>Chairman</i>) (<i>redesignated from a non-executive Director to an executive Director on 1 January 2025</i>)	9/9
Mr. Zhang Bizhuang (<i>Chief Executive Officer</i>)	9/9
Mr. Wang Kunxian (<i>Vice President</i>)	9/9
Ms. Han Aizhi (<i>Vice President</i>)	9/9
Non-executive Director	
Mr. Huang Xingwang	9/9
Independent non-executive Directors	
Mr. Chen Junzhu, <i>ACCA, CICPA</i>	9/9
Mr. Qi Defu	9/9
Mr. Qiao Jianmin	9/9

In addition, the Chairman of the Board of the Company maintains good communication with each of the independent non-executive Directors and holds meetings with them without the presence of other Directors at least once a year.

Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. The service contracts or appointment letters are subject to termination in accordance with the provisions contained therein by either party giving the other not less than 3-month prior written notice for executive Directors or 1-month prior written notice for non-executive Directors.

CORPORATE GOVERNANCE REPORT

In accordance with the articles of association of the Company, one-third of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall retire from office by rotation. Pursuant to the code provision B.2.2, all Directors are subject to retirement by rotation at least once every three years.

Independent non-executive Directors

In compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules, the Company has three independent non-executive Directors, representing one-third of the members of the Board. Out of the three independent non-executive Directors, one of them is required to possess appropriate professional qualification in accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the relevant confirmation, the Company considers Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin to be independent from the Company.

Notwithstanding that Mr. Chen Junzhu and Mr. Qiao Jianmin have served as independent non-executive Directors for more than nine years, they have not been involved in the daily management of the Company nor in any relationships or circumstances which would impair their independent judgment. They have consistently demonstrated their abilities to provide independent, balanced and objective advice and insight on the Company's affairs and have made positive contributions to the Company to achieve high standards of corporate governance and diversity on the Board. In particular, Mr. Chen Junzhu possesses ample experience in the accounting field, and was a partner of a PRC accounting firm and a qualified accountant with extensive knowledge and experiences. Similarly, Mr. Qiao Jianmin holds a PhD in engineering and possesses extensive and diversified professional experience, particularly demonstrating unique insights into advanced technology and new energy. Accordingly, the Board is of the view that Mr. Chen Junzhu and Mr. Qiao Jianmin are capable of continuing to perform the required duties and also meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Company Secretary

Mr. Zhang Feng is a full-time employee of the Company and is familiar with the day-to-day affairs of the Company. He reports to the Chairman. For the year ended 31 December 2025, Mr. Zhang Feng has received professional trainings as required under Rule 3.29 of the Listing Rules. All Directors have access to the advice and services of Mr. Zhang Feng to ensure that Board procedures, and all applicable law, rules and regulations, are followed. Biographical details of Mr. Zhang Feng are set out in the section headed "Biographical Details of Directors and Senior Management — Senior Management" on page 21 of this report.

Continuous Professional Development

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong. All Directors are requested to provide the Company with their respective training records pursuant to the code provision.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, all Directors have participated in appropriate continuous professional development in compliance with code C.1.4 and refreshed their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. Such professional development was completed by way of attending briefings, conferences, courses, forums, seminars and lectures which are relevant to the business or Directors' duties, as well as reading relevant information and participating in business-related research. The Board is informed of all amendments to the Listing Rules and other applicable legal requirements on a monthly basis. The Company also circulates news, regulatory enquiries and case studies from regulators to all Directors on a monthly basis.

During the year ended 31 December 2025, the Directors have participated in the following professional development activities:

Name of Director	Professional development activities involved (Note)
Executive Directors	
Mr. Wei Jun (<i>Chairman</i>) (<i>redesignated from a non-executive Director to an executive Director on 1 January 2025</i>)	(a) and (b)
Mr. Zhang Bizhuang (<i>Chief Executive Officer</i>)	(a) and (b)
Mr. Wang Kunxian (<i>Vice President</i>)	(a) and (b)
Ms. Han Aizhi (<i>Vice President</i>)	(a) and (b)
Non-executive Director	
Mr. Huang Xingwang	(a) and (b)
Independent non-executive Directors	
Mr. Chen Junzhu, <i>ACCA, CICPA</i>	(a) and (b)
Mr. Qi Defu	(a) and (b)
Mr. Qiao Jianmin	(a) and (b)

Notes:

- (a) reading up-to-date regulatory information, Listing Rules, cases, corporate governance content and other business and financial related materials;
- (b) attending training related to directors' duties provided by the compliance advisor.

Delegation of Powers

The Company has clearly defined the respective roles and responsibilities of the Chairman of the Board and the Chief Executive Officer, ensuring a clear separation of their duties. Each position exercises its authority independently and performs its respective functions, thereby upholding the independence and robustness of the corporate governance structure. There is no overlap in responsibilities, and the arrangement fully complies with regulatory requirements.

CORPORATE GOVERNANCE REPORT

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/duties, while reserving strategic decisions on certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it gives clear directions as to the powers of the management, in particular the circumstances where the management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The management also provides the Board with monthly updates on the Company's performance.

Meanwhile, the Company has clearly and precisely defined the authorities delegated by the Board to the management. A regular review mechanism has been established to conduct ongoing assessments of these delegated authorities, ensuring they remain aligned with the Company's business development, governance framework, and operational management needs. The Board also regularly reviews the relevant functions, authorisation matters and day-to-day business operations of the management of the Company at the annual and/or half-yearly Board meetings.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee, and (iii) a nomination committee, with defined terms of reference which are in line with the code provisions of the Code. For the purpose of complying with the principles and code provisions as set out in the Code, the Board has adopted (i) revised terms of reference for the audit committee on 1 January 2019, (ii) revised terms of reference for the remuneration committee on 10 March 2012 (revised on 28 December 2022); and (iii) revised terms of reference for the nomination committee on 11 November 2013 and amended on 8 May 2025. The terms of reference of the committees which explain their respective functions and the authority delegated to them by the Board have been made available on the websites of the Company and the Stock Exchange. The committees are required to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 21 November 2009 in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, to approve the remuneration and terms of engagement of the external auditor, any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process to develop and implement policy on engaging an external auditor to supply non-audit services; and to review and supervise the financial reporting process (particularly the integrity) and internal control system of the Group. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of three independent non-executive Directors of the Company, namely, Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin. Mr. Chen Junzhu serves as the chairman. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the Audit Committee held four meetings. Details of the attendance of each member are as follows:

Name of Audit Committee Member	Attendance
Mr. Chen Junzhu (<i>Chairman</i>)	4/4
Mr. Qi Defu	4/4
Mr. Qiao Jianmin	4/4

During the year ended 31 December 2025, the Audit Committee had performed, among others, the following functions: approving the audit proposal for the 2024 annual results of the auditor, reviewing the 2024 annual results, approving the 2025 Interim AUP (“agreed-upon-procedures”) proposal of the auditor, reviewing the 2025 Interim AUP report of the auditor, reviewing the internal audit report summary for 2024 and reviewing the internal audit report for the first half of 2025.

The Audit Committee did not have any disagreement with the Board regarding the selection, appointment, resignation or removal of the external auditor.

Remuneration Committee

Composition

The remuneration committee of the Company (the “Remuneration Committee”) was established on 21 November 2009 in compliance with the requirements of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration, review and approve proposals for the management’s remuneration, and make recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Qi Defu and Mr. Chen Junzhu, and one executive Director, namely Mr. Wei Jun and Mr. Qi Defu serves as the chairman.

During the year ended 31 December 2025, the Remuneration Committee held one meeting. Details of the attendance of each member are as follows:

Name of Remuneration Committee Member	Attendance
Mr. Qi Defu (<i>Chairman</i>)	1/1
Mr. Chen Junzhu	1/1
Mr. Wei Jun	1/1

During the year ended 31 December 2025, the Remuneration Committee had formulated the remuneration policy of Directors, approved the terms in service contracts of Directors, reviewed and/or approved matters relating to share option schemes under Chapter 17 of the Listing Rules and reviewed the distribution of bonus for the year based on assessment on performances of the executive Directors and senior management. The term of non-executive Directors is generally three years from the date of appointment.

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Remuneration Policies for Directors and Senior Management

The remuneration policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors and senior management are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics information. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, subject to the approval by the Remuneration Committee. As at 31 December 2025, no Directors has waived or agreed to waive any emoluments.

The Company has adopted the new share option scheme on 20 May 2016. The purpose of the New Scheme is to give the Eligible Persons (as mentioned on pages 27 to 29 of this report) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing cooperation and relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Pursuant to E.1.5 of the Code, the remuneration paid by the Group to members of senior management by bands for the year ended 31 December 2025 is set out below:

Remuneration band	Number of individuals
Nil – HK\$700,000	5
HK\$700,001 – HK\$900,000	4
HK\$900,001 or above	2

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 21 November 2009 in compliance with the requirements of the Listing Rules, to ensure continuous satisfaction of the needs of the Company and compliance with the Code. The principal duties of the Nomination Committee of the Company include: (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of independent non-executive Directors of the Company; (d) making recommendations to the Board on the appointment or reappointment of Directors of the Company and reviewing the succession planning for the chairman, the chief executive officer of the Group as well as the senior

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management, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate; (e) reviewing the board diversity policy as appropriate but at least once per year, and reviewing the measurable objectives that the Board has set for implementing the board diversity policy and the progress on achieving the objectives; (f) attending annual general meetings of the Company and answering questions raised in the annual general meetings. In accordance with its terms of reference, the Nomination Committee conducts a prudent evaluation of director candidates through established procedures and criteria based on core dimensions such as professional background, industry experience, competency, independence, and diversity. Qualified candidates are then recommended to the Board for approval, ensuring that the nomination process is objective and impartial, and complies with regulatory requirements while reflecting the actual circumstances of the Company.

The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. Qiao Jianmin and Mr. Qi Defu, and one executive Director, namely, Ms. Han Aizhi, and Mr. Qiao Jianmin serves as the chairman. During the year ended 31 December 2025, the Nomination Committee held one meeting. Details of the attendance of each member are as follows:

Name of Nomination Committee Member	Attendance
Mr. Qiao Jianmin (<i>Chairman</i>)	1/1
Ms. Han Aizhi (<i>appointed on 1 July 2025</i>)	0/1
Mr. Qi Defu	1/1
Mr. Zhang Bizhuang (<i>retired on 1 July 2025</i>)	1/1

During the year ended 31 December 2025, the Nomination Committee had reviewed the structure, size and composition of the Board, and conducted full review on the professional qualifications and career background of all candidates to directorships and members of each Board committee as well as the independence of the independent Directors.

Board Diversity Policy

The Nomination Committee has adopted the board diversity policy in compliance with the Code during the Year under Review. The Company recognises and embraces the benefits of diversity in the Board to the performance enhancement of the Company.

To achieve a sustainable and balanced development, the Company sees increasing diversity in the composition of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Therefore, the Board has set measurable objectives for the implementation of the board diversity policy. Selection of candidates to directorships will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of

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service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board. For the purpose of implementing the board diversity policy, the Company has adopted measurable objectives as follows:

1. at least one-third of the Board members shall be independent non-executive Directors;
2. at least one of the Board members shall have obtained accounting or other professional qualifications;
3. at least one of the Board members shall be female;
4. at least 75% of the Board members shall have more than ten years of experience in the industry he/she specialises in; and
5. at least one-third (or above) of the Board members shall have more than five years of working experience in the industry the Company is engaged in.

During the Year under Review, the Company's board diversity policy has been fully achieved. The Board members are balanced in terms of gender, professional experience, industry background and skills, meeting the requirements of the diversity policy. The Company will continue to review the effectiveness of board diversity and optimise the relevant policies as appropriate to enhance its corporate governance standards.

To achieve a strong talent pipeline and promote diversity within the Board, the Company has established the board diversity policy as a key criterion for the selection of director candidates, with a focus on attracting candidates from diverse backgrounds. The Nomination Committee evaluates and screens director candidates in accordance with the established standards, continuously optimizing the Board's composition and ensuring both the professionalism and diversity of its members. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. The Board would ensure that an appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender diversity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic backgrounds and reflecting the Group's values and purposes.

As of 31 December 2025, 23% of our colleagues (including senior management) are female. The Company remains committed to the principles of equal employment and equal pay for equal work, actively promoting gender diversity within its workforce and striving to create a fair, inclusive, and non-discriminatory environment for all employees. In the pursuit of gender diversity goals across the workforce, the Company faces certain practical constraints that limit the near-term achievability of relevant quantitative targets — including industry-specific job characteristics, regional talent supply structures, historical workforce composition, and operational models. As such, the Company will move away from rigid proportional targets and instead focus on strengthening mechanisms for equal opportunity. Efforts will be directed toward continuously improving anti-discrimination management systems, enhancing career development support for female employees, implementing flexible work arrangements, and reinforcing care and protection measures. Through these initiatives, the Company aims to advance gender inclusivity and diversity, ensuring that all employees enjoy equal opportunities in recruitment, training, promotion, and career development.

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As of the date of this report, the Board has one female Director out of eight Directors. The Board targets to maintain at least the current level of female representation on the Board, and in any event not less than the requirements under the Listing Rules. The Board is committed to further improving gender diversity as and when suitable candidates are identified. One of the responsibilities of the Nomination Committee is to review the diversity of the Board at least annually, including but not limited to gender, age, cultural and educational background, and make recommendations to the Board to meet the diversity strategy of the Company. For further details, please refer to our ESG Report.

With reference to the above measurable objectives, the Nomination Committee is satisfied with the successful implementation of the board diversity policy. For the year ended 31 December 2025, the Company had achieved all of the five measurable objectives of the board diversity policy listed above. The Nomination Committee will continue to monitor the implementation of the board diversity policy and review the policy on an annual basis as appropriate to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision A.2.1 of the Code, which includes (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Code and make disclosure in the corporate governance report.

Dividend Policy

The memorandum of association and articles of association of the Company expressly set out the relevant dividend policy. Major dividend policy includes (a) the Company in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board; (b) dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the law; (c) the Board may from time to time pay to the members such interim dividends as it considers to be justified by the profits of the Company and in particular if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the financial position, results and cash flows of the Group for the period. In preparing the financial statements for the year ended 31 December 2025, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement of Forvis Mazars CPA Limited, the external auditor of the Company, about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2025, the remuneration paid or payable to Forvis Mazars CPA Limited ("Forvis Mazars"), the current auditor of the Company, in respect of its audit and non-audit services were as follows:

Type of Services	Total HK\$'000
Audit Services	1,790
Non-audit Services	
— Agreed-upon procedures on interim report	250
— Others	110
Total	2,150

NATURE OF NON-AUDIT SERVICES

The non-audit services provided by the auditor of the Company for the year ended 31 December 2025 included agreed-upon procedures on interim report, attending the annual general meeting of the Company and the agreed-upon procedures on preliminary announcement of annual results for the year ended 31 December 2025.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established the Administrative Measure of Information Disclosure* (《信息披露管理辦法》), the Administrative Measure for Internal Audit* (《內部審計管理辦法》), the Administrative Measure for Connected Transactions* (《關連交易管理辦法》), the Planning Procedure for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制策劃程序》), the Energy and Resource Control Procedure* (《能源、資源控制程序》), the Production Process Control and Environmental and Occupational Health and Safety Operation Control Procedure* (《生產過程控制及環境職業健康安全運行控制程序》), the Internal Reporting System for Contingency Matters* (《應急事件內部通報預案》) and other systems to identify, assess and manage material risks of the Group. The risk management and internal control systems of the Group are characterised by distinct division between power and authority, clear procedures, high transparency and efficiency.

The Board is responsible for maintaining reliable and effective risk management and internal control systems to safeguard the interests of shareholders and the assets of the Group. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has set up strict internal audit functions, including organising internal audit every half year, conducting supervision and examination on financial management, contract management, human resources management, significant investment projects, environmental, social and governance issues etc., identifying problems and overseeing the rectification and correction of these problems, and reporting to the Audit Committee and the Board any material issues identified in the internal audit and the rectification and correction thereof for their review. The Board holds meetings to review the effectiveness of the risk management and internal control systems of the Group in terms of financial, operation and compliance controls through the Audit Committee twice a year and ensures the adequacy of resources, staff qualifications and experience, training programmes for employees and budget of the accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. In addition, the Company's external independent auditor communicates with the Board about the risk management and internal control issues identified in the audit every year.

In order to ensure the truthfulness, accuracy, completeness and timeliness of information disclosure and safeguard the legal interests of shareholders, the Company has formulated the Administrative Measure of Information Disclosure* (《信息披露管理辦法》) in strict compliance with the related requirements of the Listing Rules, the SFO and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The Company discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the inside information is fully disclosed to the public, the Company ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached at any time, the Company would immediately disclose the information to the public. The Company has notified related personnel of the implementation of the Administrative Measure of Information Disclosure and provided related trainings, so as to ensure such personnel understand the procedures of handling and disclosing inside information.

The Board is of the view that the Company's risk management and internal control systems during the Year under Review were efficient and adequate. No significant risks which would affect the operation of the Group have been identified.

CORPORATE GOVERNANCE REPORT

INVESTORS AND SHAREHOLDERS RELATIONS

The Board is well aware of the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognises that an effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency, in order to ensure that the investors and the shareholders of the Company can receive accurate, clear, comprehensive and timely information of the Group via the issue of annual reports, interim reports, announcements and circulars. The Company also publishes all such documents on the Company's website at www.slogp.com. In accordance with the Listing Rules, the Company adopted a Shareholders Communication Policy, which sets out, among other things, how shareholders can communicate their views on various matters affecting the Company and how the Company solicits and understands the views of shareholders and stakeholders.

We promptly respond to investors' enquiries. We also organise and plan exchange activities on a regular basis, such as investor conferences, seminars and presentations. These initiatives can help us extend an in-depth reach of our business strengths and competitive advantages into the market, which is ultimately reflected in the market value of the Company.

The investor relations team regularly informs the Board of the latest market perceptions of the Company and developments, for the Board to keep abreast of the concerns of investors in a timely manner, to get deeper understanding of the prevailing policies, and to make better efforts in the Company's own investor relations with reference to the best international standards. The Directors and members of the Board committees will attend annual general meetings and extraordinary general meetings to answer questions. Separate resolutions on each distinct issue would be proposed at the general meetings. During the year ended 31 December 2025, taking into account the above factors, the Company considers that the Shareholders Communication Policy was effectively implemented with the above measures in place.

During the year ended 31 December 2025, one general meeting was held by the Company. Details of the attendance of each Director are as follows:

Name of Director	Attendance
Executive Directors	
Mr. Wei Jun (<i>Chairman</i>) (<i>redesignated from a non-executive Director to an executive Director on 1 January 2025</i>)	1/1
Mr. Zhang Bizhuang (<i>Chief Executive Officer</i>)	1/1
Mr. Wang Kunxian (<i>Vice President</i>)	1/1
Ms. Han Aizhi (<i>Vice President</i>)	1/1
Non-executive Director	
Mr. Huang Xingwang	1/1
Independent non-executive Directors	
Mr. Chen Junzhu, <i>ACCA, CICPA</i>	1/1
Mr. Qi Defu	1/1
Mr. Qiao Jianmin	1/1

Shareholders' Rights

Procedures by which shareholders may convene extraordinary general meetings and putting forward proposals at general meetings

Pursuant to the articles of association of the Company, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board (by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com), to require an extraordinary general meeting to be called by the Board for the handling of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days after 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.

If shareholders wish to put forward proposal(s) at a general meeting and request the Company to give notice to its shareholders on the resolution(s) intended to be moved at the general meeting, they shall send a signed written notice with their contact information by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com.

Procedures by which Enquiries May be Put to the Board

Shareholders may send their enquiries and concerns to the Board by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com. The Company will forward communications relating to matters within the Board's direct responsibilities to the Directors and communications relating to ordinary business matters, such as suggestions, enquiries and customer complaints, to the Chief Executive Officer of the Company.

Significant Change in Constitutional Documents

For the year ended 31 December 2025, there was no other significant change in the constitutional documents of the Company.

* *The English names are for identification purposes only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) Report of the Group (the “Report”) aims to elaborate on the Group’s environmental, social and governance (hereinafter referred to as “ESG”) practices during the period from 1 January to 31 December 2025 (hereinafter referred to as the “Reporting Period”). This Report is prepared in accordance with the ESG Reporting Code of Appendix C2 to the Listing Rules, responding to all mandatory disclosure requirements and “comply or explain” provisions. It reports the Group’s key ESG performance to various stakeholders, including shareholders, employees, government departments, customers, suppliers and the community.

Reporting Scope

The Report sets out the information and data of the principal businesses of the Group during the Reporting Period, consistent with the scope of disclosure in the 2025 Annual Report, including the information regarding manufacturing, sales and supporting anti-corrosion processing and insulation processing of SAWH pipes, with manufacturing facilities and ancillary office premises defined as the main scope of the Report. The Report covers manufacturing bases in Zibo of Shandong Province and Urumqi of Xinjiang Uygur Autonomous Region in China, and offices located in Shanghai, Jinhua of Zhejiang Province and Hong Kong S.A.R. The scope of the Report is basically the same as last year.

Reporting Principles

The Report has been prepared based on the following principles:

- **Materiality:** Through a materiality assessment process, we identify material issues relevant to the Group. The material issues as reviewed and confirmed by the Board form the focus of this Report. For details on the materiality assessment process, please refer to section “2.5 Materiality Assessment” of this Report.
- **Quantification:** To comprehensively evaluate the Group’s ESG performance during the Reporting Period, the Group has specified the standards, methodologies, assumptions and calculation references used for quantifying the key performance indicators.
- **Balance:** This report provides an unbiased presentation of the Group’s performance during the Reporting Period, avoiding any inappropriate presentation that might influence the decision-making or judgment of the readers.
- **Consistency:** Where feasible, this Report adopts statistical and data collection methods consistent with those used in the previous reporting period to facilitate meaningful comparisons of the Group’s performance by stakeholders. If there are any changes to statistical methods or key performance indicators, we will explain the reasons and their impact within the Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Adoption of Standards

The Report was prepared pursuant to the relevant code of Appendix C2 to the Listing Rules. In preparing the Report, the Group also made reference to and adopted various international and domestic standards or regulations, including but not limited to the People's Republic of China (the "PRC") National Standard for Environmental Management Systems – Requirements with Guidance for Use* (《中華人民共和國國家標準環境管理體系要求及使用指南》) (GB/T24001 idt ISO14001), the PRC National Standard for Occupational Health and Safety Management Systems – Requirements with Guidance for Use* (《中華人民共和國國家標準職業健康安全管理體系要求及使用指南》) (GB/T45001 idt ISO45001) and the PRC National Standard for Quality Management Systems – Requirements* (《中華人民共和國國家標準質量管理體系要求》) (GB/T19001 idt ISO9001), Energy Management Systems – Requirements with Guidance for Use of the PRC* (《中華人民共和國國家標準能源管理體系要求及使用指南》) (GB/T23331 idt ISO50001), the License Rules for Special Equipment Production and Filling Units* (《特種設備生產和充裝單位許可規則》) (TSG07) issued by the State Administration for Market Regulation of the PRC and the Quality Management System Specification for Manufacturing Organisations to the Petroleum and Natural Gas Industry* (《石油天然氣行業製造企業質量管制體系規範》) (API Spec Q1) issued by the American Petroleum Institute, and has established related manuals, procedures, management systems and operating guidelines.

Forward-looking Statements

Forward-looking statements contained herein are based on the current and future business layout of the Group, the market environment where the Group operates, and relevant projections and assumptions. Such statements do not constitute a guarantee of future performance. The actual operating performance of the Group may be subject to market changes, uncertainties and uncontrollable third-party factors. As a result, the final actual performance may differ from the expectations and statements contained in the Report.

Review and Approval

The Report was reviewed and approved by the Board of the Company on 27 March 2026.

Contact and Response

We believe that maintaining ongoing communication with stakeholders will facilitate the Group to make continuous progress in environmental, social and governance aspects. We sincerely welcome valuable advice and suggestions from stakeholders on the Report. If you have any feedback, please contact us by mail or email.

Address: Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Email: ir@slogp.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT GOVERNANCE

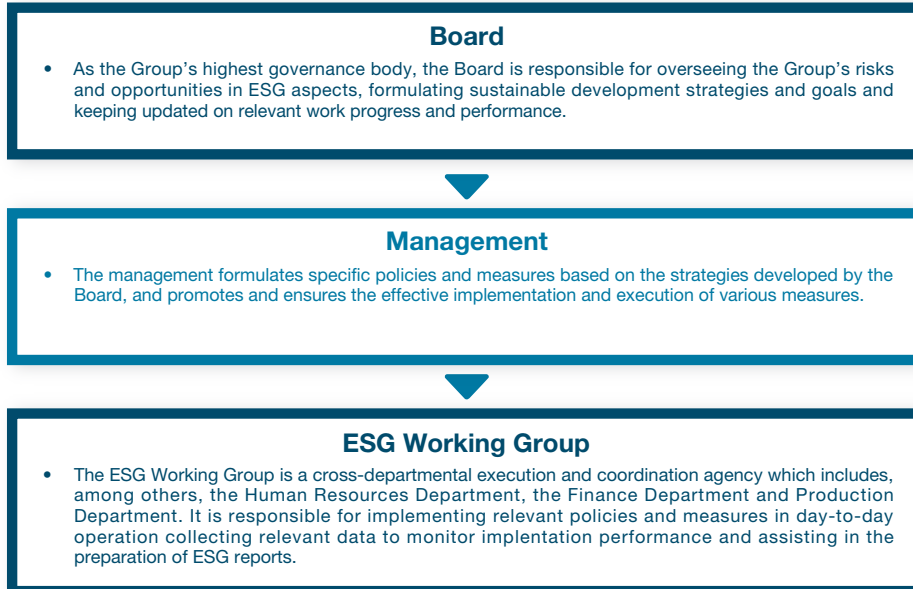
To fulfil its commitment to sustainable development, the Group deeply integrates its sustainable development concept into its corporate governance framework. The Board also highly values sustainable development matters and is responsible for reviewing relevant issues.

2.1 Statement of the Board

In strict accordance with the Code, the Group established an effective ESG governance structure, enhanced its involvement in ESG matters and incorporated ESG concepts into corporate operations. The Board is responsible for leading and overseeing ESG matters and proactively identifying and responding to ESG relevant risks (climate-related), which include in particular regular resolutions on and supervising ESG strategies, reviewing targets and progress achieved as well as assessing, prioritising and managing ESG issues. In future, the Group will continuously supervise and optimise sustainable development practices based on existing environmental objectives and earnestly fulfilling ESG governance responsibilities.

2.2 Sustainable Development Governance Structure

In order to effectively promote sustainable development efforts, the Group has established the following sustainable development governance structure:



For detailed description on the structure of the Board, please refer to the section headed "Corporate Governance Functions" in the corporate governance report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 Directors' Trainings and Development

To achieve corporate sustainable development, the Group regards board member diversity as an important basis for sustainable development. The Board members are offered updated briefings on the Listing Rules and other relevant laws and regulations to ensure compliance and maintain sound corporate governance practices.

All directors participated in appropriate continuous professional trainings in such forms as briefings, meetings, courses, forums, seminars and lectures on business development or directorship, reading relevant materials and joining studies on business development to keep their knowledge and skills up to date and ensure that they are fully informed and effectively performing duties as directors.

2.4 Sustainable Risk Management

The Group has established a comprehensive corporate risk management and internal control system to address various risks that may arise in the course of business operations. In addition, the ESG Working Group keeps on monitoring ESG risks in day-to-day operations and formulates corresponding mitigation measures and reports to the management or the Board significant risk incidents in a timely manner.

For further information on the Group's risk management and internal control, please refer to the section headed "Risk Management and Internal Control" of the corporate governance report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.5 Stakeholder Communication

The Group deeply recognizes the importance of communication with stakeholders in achieving sustainable development. Hence, we communicate with different stakeholders through diverse communication channels and have established comprehensive communication mechanism to ensure we understand their suggestions and expectations. Stakeholders of the Group primarily fall into seven categories, who either affect or are affected by the business operations of the Group. We give full consideration of opinions of our stakeholders in formulating and implementing sustainable development strategies to continuously improve our sustainable development performance.

Stakeholders	Channels for engagement
Employees	<ul style="list-style-type: none">• Internal e-mails and publications• Meetings and briefings• Trainings• Employee activities• Performance appraisal
Customers	<ul style="list-style-type: none">• Corporate website• Customer conference
Investors and shareholders	<ul style="list-style-type: none">• Annual general meetings• Annual and interim reports• Newsletters and announcements
Suppliers and business partners	<ul style="list-style-type: none">• Business conference• Performance appraisal
Government and regulators	<ul style="list-style-type: none">• E-mails and telephone calls and conferences
Social organisations and the public	<ul style="list-style-type: none">• E-mails and telephone calls
Media	<ul style="list-style-type: none">• Press releases

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

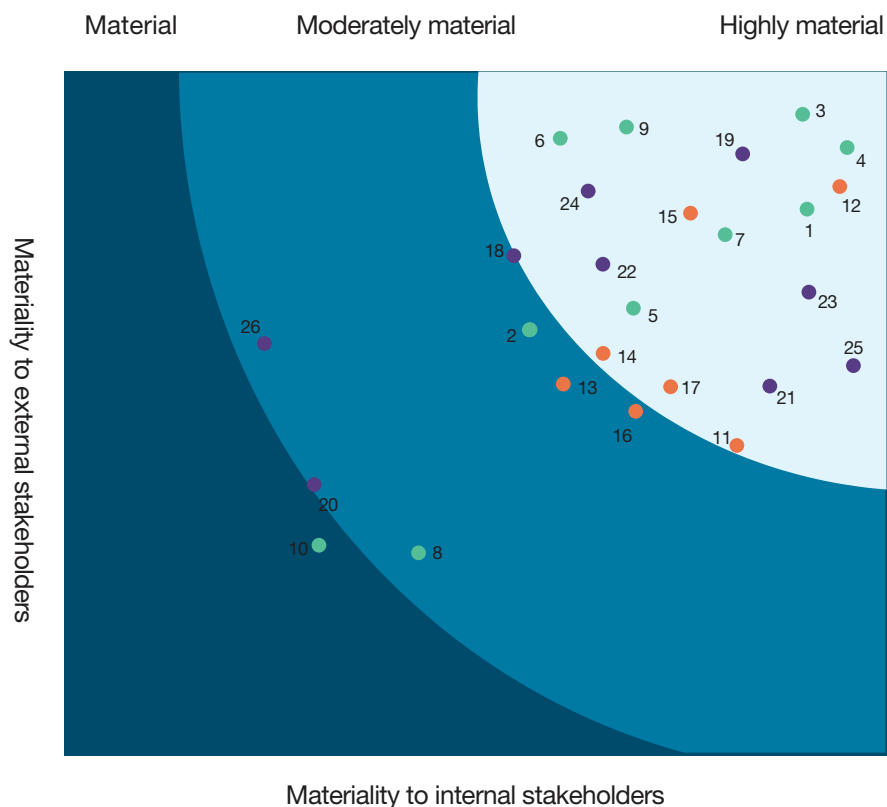
2.6 Materiality Assessment

To fully identify and prioritise sustainability matters, the Group conducted a rigorous materiality assessment to ensure that this Report addresses stakeholders' key concerns regarding the Group. The detailed process of the materiality assessment is illustrated below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix



Environmental protection

1. Exhaust emissions
2. Greenhouse gas emissions
3. Sewage discharge
4. Hazardous waste management
5. Non-hazardous waste management
6. Energy consumption and efficiency
7. Water consumption and efficiency
8. Use of packaging materials
9. Other impact on the environment and natural resources
10. Climate change

Care for employees

11. Recruitment, promotion and dismissal
12. Salary and benefits
13. Working hours and holidays
14. Equal opportunity, diversity and anti-discrimination
15. Occupational health and safety
16. Development and training
17. Prevention of child or forced labour

Social welfare

18. Environmental and social risks of supply chain
19. Health and safety of products and services
20. Responsible advertising and labelling
21. Private data protection
22. Customer service and complaint handling
23. Intellectual property rights protection
24. Product quality verification and recall procedures
25. Prevention of bribery, corruption and money laundering
26. Community involvement and public welfare

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. INCORPORATING GREEN CONCEPTS INTO OPERATION

Our Group is committed to fulfilling our corporate social responsibility by adhering to the principles of sustainable development and strictly complying with the laws, regulations and industry standards of the PRC and other locations where we operate. Guided by the principle of "preventing pollution to create a clean environment," we have implemented various energy-saving and emission-reduction initiatives to identify and control environmental factors in course of our production and office. Our Group has obtained the Environmental Management System Certification and the Energy Management System Certification, and we continuously strive to mitigate the impact of our operations on the natural environment. We have also established the following compliance targets:

Compliance Targets

- The discharge of contaminated wastes entirely conforms with the required standards;
- Ensuring that the consumption of raw materials is controlled within contractual standards;
- No significant complaints, if applicable, are received in respect of environmental management matters; and
- There were no material environmental accidents during the Reporting Period.

3.1 Formulating Environmental Targets

Taking 2021 as the base year, the Group has established environmental targets covering areas such as air pollutant and greenhouse gas emissions, energy use efficiency, and waste generation, and has formulated corresponding action plans. We have delegated these environmental targets to individual production units and functional departments. Departmental targets are set up and monitored on a monthly basis, and are included in the performance appraisal system. Designated departments conduct regular and ad-hoc inspections, compliance evaluations, internal and external audits, and management reviews to carry out environmental factor identification, routine inspections, and joint supervision, enabling us to identify, rectify and take precautions, thereby reducing the impact of our corporate operations on the ecological environment and natural resources. During the Reporting Period, the major environmental targets we have continuously promoted in our daily office and production processes, along with their expected achievement time, are as follows:

Category	Total targets from 2021 to 2030	Expected achievement time
Greenhouse gases ¹	Reducing gross emissions by 10% per unit of finished products with 2021 baseline	2030
Waste	Reducing waste by 5% per unit of finished products with 2021 baseline	2030
Use of resources	Reducing consumption by 5% per unit of finished products with 2021 baseline	2030
Water consumption	Reducing consumption by 5% per unit of finished products with 2021 baseline	2030

¹ As defined in the section headed "Addressing Climate Change" in this Report. The Group's emission reduction targets cover three types of greenhouse gases, namely carbon dioxide, methane and nitrous oxide, and are calculated based on Scope 1 and Scope 2 greenhouse gas emissions. In setting the targets, reference has been made to international climate agreements, peer cases and the Group's actual operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We reviewed the achievement of our environmental targets for the year. Compared to 2021, the intensity of greenhouse gas emissions, non-hazardous waste, energy consumption, and water usage have all decreased. However, the intensity of hazardous waste generation has increased compared to 2021.

3.2 Emissions Management

The Group acts in strict compliance with the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on Promoting Clean Production* (《中華人民共和國清潔生產促進法》), the National Catalogue of Hazardous Wastes* (《國家危險廢物名錄》), the Regulations on the Safety Administration of Dangerous Chemicals* (《危險化學品安全管理條例》), the Technological Policies on Prevention and Control of Pollution by Waste Batteries* (《廢電池污染防治技術政策》) and other laws and regulations. The Group did not identify any case of non-compliance during the Reporting Period.

The Group has introduced corresponding procedures and systems, for example, the Planning Procedures for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制策劃程序》), the Control Procedures for Production Process and Environmental, Occupational Health and Safety Operations* (《生產過程控制及環境職業健康安全運行控制程序》), the Procedures for Administration of Pollutants* (《污染物管理程序》), the Procedures for Administration of Dangerous Chemicals* (《危險化學品管理程序》), and the Rules on Handling Chemical Wastes* (《化學藥品廢棄物處理規定》), which stipulate the control requirements for emissions from offices and production plants of the Company. The aim of such procedures and systems is to impose effective control on emissions, thus improving the environmental conditions at the office premises and production plants.

3.3 Waste Management

The Group generates waste primarily from production and office processes. Hazardous waste is mainly generated from production, including waste mineral oil, waste acid, waste fixing/developer solutions, waste ink cartridges, waste toner cartridges, waste oil drums, waste paint buckets, waste paint, waste activated carbon, waste acetone, waste xylene, waste UV lamp tubes, waste filter cotton, waste isocyanate packaging drums, industrial wastes, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous waste is also generated from office work, but to a lesser extent, including waste ink cartridges, waste toner cartridges, waste rechargeable/disposable batteries and waste fluorescent lamps. Total hazardous waste generated during the Reporting Period is set out below:

Hazardous waste	2025	2024
Total hazardous waste generated (tonne)	323	206
Intensity of hazardous waste generated (kg/per tonne of products)	2.05	2.15

The increase in the total amount of hazardous waste during the Reporting Period was due to a rise in both steel pipe and anti-corrosion production output in 2025 compared to 2024, leading to an increase in hazardous waste generated from production processes. The proportion of steel pipe output increased significantly, with a growth rate of 63.87%, which in turn resulted in a decrease in its intensity.

The Group diligently manages and disposes of hazardous waste, so as to prevent environment pollution and minimize hazardous waste generation. Set out below are the approaches adopted by the Group in disposal of hazardous waste:

- In the collection, storage, transportation and disposal of polluting wastes, measures must be taken to prevent scattering, draining, leakage or other types of environmental pollution; and dumping, stacking, illegal discarding or scattering without authorisation is strictly prohibited;
- Setting up different types of sorting and recycling containers for separate storage of scrap iron, industrial wastes, domestic wastes, oil-bearing wastes and recyclable metal in production areas. These materials are stored separately and are uniformly handed over to qualified units for disposal or recycling;
- We store hazardous waste in separate categories. For example, waste mineral oil and oily waste must be stored in dedicated, sealed containers, kept away from ignition sources, with no-smoking signs posted and fire-fighting equipment provided. Any oil leakage from equipment must be promptly cleaned up, and protective measures such as drip trays should be used to prevent soil contamination;
- Acidic reagents must be neutralized, and only after their pH value reaches between 6 and 9 can they be diluted with an appropriate amount of clean water before discharge; and
- Strengthening management over certain polluting waste through “trade-in” system or entrusting qualified unit for disposal, so as to reduce waste generation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group disposed of hazardous waste according to regulations during the Reporting Period, and did not cause environment pollution or receive relevant complaints.

Non-hazardous waste is primarily generated from office and production process, including domestic waste, canteen waste, green garbage and waste materials. Total non-hazardous waste generated during the Reporting Period is set out below:

Non-hazardous waste	2025	2024
Total non-hazardous waste generated (tonne)	101	100
Intensity of non-hazardous waste generated (kg/per tonne of products)	0.64	1.04

During the Reporting Period, the total amount of non-hazardous waste remained stable, while its intensity decreased by 62% compared to 2024. This was because the production output increased significantly in 2025, with a growth rate of 63.87%, thereby leading to a decrease in intensity.

We are committed to the proper handling and disposal of non-hazardous waste and have also taken measures to reduce its generation. For example, we have placed multiple types of waste bins in production areas to facilitate the separation and storage of waste, which is then handed over to qualified units for disposal or recycling. We have strengthened skills training for employees in specific positions to enhance their technical expertise and work capabilities. Furthermore, while ensuring product quality, we have intensified the assessment of material and energy consumption indicators to promote waste reduction efforts. Additionally, the Group makes good use of the online office system to reduce paper usage and promote a paperless office.

3.4 Efficient Management of Resources

The Group formulated the Procedures for Control of Energy and Resources* (《能源、資源控制程序》), which stipulates the administrative measures for the general use of energy and resources to enhance energy and resources management. Corporate management department is responsible for setting up annual targets based on production needs, monitoring and performing assessments. In addition, under the coordinated arrangements of the Group's leadership and with the active cooperation of units, the Group conducted, for the first time during the Reporting Period, certification audits for the energy management activities involved in the production of spiral seam double-submerged arc welded pipes, as well as the anti-corrosion and insulation processes for steel pipes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management System Certification



The Group consumes primarily electricity, gasoline, diesel oil and natural gas in production and office work. Energy consumption of the Group during the Reporting Period² include electricity, diesel, gasoline, and natural gas, amounting to 16,454,200 kWh, 1,154,360 kWh, 204,676 kWh, and 66,551 kWh, respectively. The total energy consumption was 17,879,787 kWh. The energy consumption intensity was 0.11 MWh per tonne of product.

During the Reporting Period, the intensity of total energy consumption remained stable compared to 2024, primarily due to our efforts to boost energy use efficiency by way of upgrading the assessment mechanism, adopting new approaches and conducting staff trainings:

- Optimisation of the assessment mechanism for material consumption and enhancement of incentives on cost reduction and efficiency enhancement of production units to raise energy efficiency in production;
- Reasonable layout for lighting in production area, use of energy efficient lighting products; and raise employees' awareness on energy saving through trainings and signage and labels;

² Calculation standards are with reference to the "Appendix 2: Reporting Guidance on Environmental Key Performance Indicators" from the Hong Kong Stock Exchange and the "Instructions for Units and Calculators" from the U.S. Energy Information Administration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Coordinate electricity consumption with the power company based on production plans, adjust based on demand, and apply for capacity reduction in a timely manner. Optimise the basic electricity fee payment method for the production base in line with the Group's actual production and electricity policies to ensure cost-effectiveness;
- Implement off-peak electricity usage according to time-of-use electricity pricing policies, avoiding production during peak pricing periods. We adopt non-continuous operations, prioritizing scheduling during off-peak or standard rate periods, and strictly control electricity usage during production shutdowns. If any abnormalities are detected, the relevant user units are promptly notified and corrective actions are taken;
- We strengthen energy monitoring and collaborate with the technical department to inspect the power consumption of equipment in each branch, identifying major electricity-consuming equipment. This enables us to guide branches from the source in understanding information on high-consumption equipment, thereby enhancing the specificity and effectiveness of daily electricity management.

Regarding the environment and natural resources, the Group has established policies to reduce its impact on the environment and natural resources through the Procedures for Identification, Evaluation and Control of Environmental Factors* (《環境因素識別、評價與控制程序》), and the Energy and Resource Control Procedure* (《能源、資源控制程序》). These procedures clearly define the mechanisms for identifying, assessing and updating environmental factors, as well as methods for the integrated utilization of energy and resources, in order to promote cleaner production.

The Group also expresses strong concern about any impacts on the global and local communities arising from its production processes. Based on the environmental factors disclosed in the National Hazardous Waste List, we have identified four aspects as significant environmental factors: energy and resource consumption, hazardous waste emissions, fire smoke and dust, and noise. The following measures have been adopted to control these impacts:

- Strengthen equipment maintenance to ensure normal operation, and install sewage treatment, smoke recovery, and silencing devices to reduce the environmental impact of corporate operations;
- Hazardous waste is handed over to companies with disposal qualifications for treatment or recycling;
- Strengthen training and regular supervision and inspections to avoid environmental impacts caused by improper operation;

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- Enhance skill levels and work capabilities, establish assessment indicators, and promote energy conservation and consumption reduction;
- Carry out greening around production bases and along roadsides by planting lawns and trees, and assign dedicated personnel for maintenance and management to mitigate the production impact on the environment and create a green production environment; and
- Develop emergency plans for environmental incidents and conduct regular drills.

3.5 Efficient Water Use

The Group primarily consumes water in office and canteen, as well as during production such as the hydrotest, the ultrasonic test and anti-corrosive rinsing booth. Total water consumption of the Group during the Reporting Period is set out below:

Water consumption	2025	2024
Total water consumption (cubic meter)	60,297	70,918
Water consumption intensity (cubic meter/per tonne of products)	0.38	0.73

During the Reporting Period, total water consumption decreased, and water use intensity dropped by 91% compared to 2024. This was mainly due to the fact that the Company's water consumption began to be calculated independently since this year, and the relatively large increase in steel pipe production of 63.87%, leading to a decrease in intensity.

The Group has adopted a series of measures to enhance water use efficiency, including recycling production water, promoting the use of sensor-activated water-saving faucets and sanitary fixtures, and raising employee awareness of water conservation through training and promotional slogans. At the same time, we promote corporate activities focused on water conservation awareness. The Group's water source is running water supplied by the government. During the Reporting Period, the water quality remained stable, water supply was adequate, and there were no instances of unplanned water outages.

The Group discharges pollutants into water and land, including production wastewater, domestic sewage, and canteen wastewater in its production and office processes. Production water is generally recycled, and the resulting wastewater is treated in sedimentation tanks before discharge to comply with local regulations and prevent water source pollution. Additionally, each year, we commission qualified third-party testing institutions to inspect the quality of the treated water to ensure required standards are met.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.6 Efficient Use of Packaging Materials

Pipe-end protectors, pipe-end seals and nylon separation ropes are used in simple packaging of our pipes according to clients' needs. The amount of packaging materials used is closely related to sales volume, and we also provide them according to customer requirements. The Group strictly controls consumption indicators to minimize the waste of packaging materials. Relevant consumption data during the Reporting Period is set out below:

Consumption of packaging materials	2025	2024
Pipe-end protectors (article)	77,216	40,875
Pipe-end seals (piece)	20,691	26,563
Nylon separation rope (strip)	51,000	40,680

3.7 Addressing Climate Change

Climate change is increasing the severity and frequency of extreme weather events globally. The Group is committed to reducing climate-related risks by actively minimizing greenhouse gas emissions and decreasing the consumption of various wastes and energy resources, thereby mitigating the financial impacts of climate change. Addressing climate change is integrated into our corporate operations. In accordance with the climate-related disclosure requirements in Part D of Appendix C2, the Group adopts a “comply or explain” approach for disclosure. For information that is not reasonably accessible or cannot be reliably measured during the Reporting Period, the Group applies “reasonable information relief” to ensure that disclosures can be progressively enhanced year by year.

Governance

We systematically integrate climate factors into our decision-making and supervision processes through a three-tier structure comprising the “Board — Management — ESG Working Group”. The Board is responsible for overall leadership and supervision of ESG work, including regularly following up on the progress and performance of ESG-related initiatives, such as climate-related efforts. Management is responsible for specifically advancing and supervising the implementation of ESG and climate-related work, setting environmental compliance and performance targets, as well as identifying and managing climate-related risks and opportunities. Through existing operational management and internal control procedures, including relevant emergency management systems, management coordinates with relevant functional departments to implement response measures. The ESG Working Group assists in overall planning and cross-departmental coordination, collects environment-related data to monitor implementation performance, and ensures that climate actions are implemented at the operational level across all business units.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a series internal systems comprising “Measures for the Assessment and Incentive Realization of Middle Management Personnel” and “Measures for Supervising and Assessing the Performances of Duties”, including greenhouse gas emissions, waste management and energy consumption. It has also incorporated climate change risks into the remuneration policy, including climate-related indicators such as greenhouse gas emissions, waste management and energy consumption into performance assessments, promoting the alignment of performance evaluations with sustainable development goals. During the Reporting Period, we have provided climate-related training to our directors.

Strategies

To strengthen climate-related risk management, the Group identifies business-related physical risks (i.e., risks associated with the physical impacts of climate change) and transition risks (i.e., risks associated with transitioning to a low-carbon economy) with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These risks are primarily concentrated in Mainland China. The Group has established a Safety Director and a Safety Production Department to closely monitor various government directives and policy changes, responsible for formulating and supervising the implementation of various risk response measures.

This year, we have conducted preliminary scenario analysis covering the scope of this Report, referencing the Hong Kong Exchanges and Clearing Limited's Guidance on Climate Disclosures, and based on the scenario overviews published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), as well as relevant content from China's Fourth National Communication on Climate Change. We have adopted two pathways, the Turquoise scenario and the Brown scenario (SSP1-2.6 and SSP5-8.5), along with the Sustainable Development Scenario (NZE) and the Stated Policies Scenario (STEPS). The scenario analysis took into account a number of uncertainties, including the extent of changes in national policies and regulations, the pace of market and technological changes, and the frequency of climate-related risk events.

Risk type	Timeframe
Short-term	Instant and no more than 5 years
Medium-term	5 to 10 years
Long-term	Above 10 years

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Relevant climate scenarios are as follows:

Risk type	Description of climate scenario	Expected temperature rise
Physical risk	<p>SSP1-2.6 Humanity strives to achieve sustainable development and effectively control greenhouse gas emissions, ultimately limiting global warming to a relatively low level. This scenario assumes that carbon dioxide emissions begin to decline by 2020 and reach net-zero by 2100.</p>	Below 2°C
	<p>SSP5-8.5 It is an “extreme high greenhouse gas emissions” scenario in international climate change research, representing a future pathway characterized by fossil fuel-based rapid economic growth, high population, and high energy consumption, leading to a significant increase in atmospheric carbon dioxide concentrations by 2100 and simulating the most severe impacts of global warming.</p>	Above 4°C
Transition risk	<p>Sustainable Development Scenario (NZE) This is an ambitious vision that requires balancing economic development, social equity, and environmental protection, focuses on vigorously developing renewable energy, improving energy efficiency, and gradually phasing out fossil fuels, ultimately aiming to achieve a balance between greenhouse gas emissions and absorption by 2050 to addresses climate change while safeguarding the needs of future generations.</p>	Below 1.5°C
	<p>Stated Policies Scenario (STEPS) This is a high-emission scenario representing the global energy and climate change development pathway under the assumption that existing policies remain unchanged. It typically projects a global temperature rise exceeding 2°C above pre-industrial levels by 2050.</p>	Above 2°C

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Details of such risks and opportunities, their potential impact and counter measures of the Group are set out below:

Risk identification	Timeframe	Potential impact on operation	Current and Potential financial impact	Countermeasures
Physical risks Acute risk – extreme weather such as typhoon, sandstorm, flood, extreme temperature difference, heavy air pollution, etc.	Short to long term	Our principal business activities are located in Zibo, Shandong Province. During the summer, Shandong region may be affected by typhoons or floods, which could lead to facility damage, temporary closure of offices or plants, or sudden power outages. These events may also trigger health and safety incidents.	Causing short term damage to plants, products and other physical assets, interrupting supply chain and threatening lives. Additionally, maintenance of plant equipment may be required, resulting in increased operational and management costs.	We establish climate risk prewarning system, improve employees' capability to prevent, alert against and respond to heavy air pollution, activate corresponding levels of emergency response.. by implementing measures such as limiting or suspending production to timely and effectively implement emergency response to heavy air pollution, minimise air pollution and create a good environment.
Chronic risk – prolonged high temperature	Short to long term	Rising temperatures may lead to increased energy consumption for plant cooling; high-temperature environments can affect employee health and work efficiency.	To maintain suitable temperatures in the plant and protect equipment and workers, there is a need to increase cooling and ventilation energy, leading to a continuous increase in energy expenses, higher maintenance costs, and potential harm to employee health, increasing the rate of workplace safety incidents.	Offices are equipped with air conditioning, and production sites are fitted with fans for cooling. From June to September each year, heatstroke prevention supplies and allowances are distributed to employees, outdoor work is reduced during high-temperature periods, or shifts are moved to nighttime. Heatstroke emergency plans are established and regularly drilled.

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Risk identification		Timeframe	Potential impact on operation	Current and Potential financial impact	Countermeasures
Transitional risk	Policy and legal risks — changes in climate-related policies and laws (such as implementation of the carbon pricing regime)	Short to long term	As the goals of carbon peak and carbon neutrality advance further, relevant national and international policies and requirements are evolving, and climate-related information disclosure requirements are continuously increasing.	This raises operational costs, and production costs may also rise permanently due to compliance requirements.	The Group keeps a close eye on changes in laws and regulations and actively responds to local government actions.
	Technology risk — development of new low carbon technologies (such as renewable energy and energy efficiency)	Mid to long term	Technological innovation for a low-carbon economy — R&D costs and investment expenditures increase.	Delaying the application and development of new technologies may weaken competitiveness, while the application and development of new technologies will drive up investment and equipment replacement costs. Companies may also be compelled to adopt high-efficiency energy-saving production equipment, leading to a significant increase in capital expenditure.	The Group will make various evaluations on new technologies and new products to ensure that the principal business of the Group will not be affected and the competitiveness of the Group will not be weakened.
	Market risk — the market increasingly heightens awareness on issues concerning climate change and any change in market preference may impact the supply and demand of products and services	Mid to long term	Shifts in customer demand indicate a growing preference for companies with low-carbon footprints.	As market demand for environmentally friendly materials increases, their prices also rise, thereby increasing production costs. If a company is perceived as having high carbon emissions and high pollution levels, it may face higher financing costs and increased borrowing interest rates.	The Group will keep close track of market trends and make timely adjustments to production and sales strategies.

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Risk identification	Timeframe	Potential impact on operation	Current and Potential financial impact	Countermeasures
Reputation risk – opinions of customers or society on contributions made to transit to the low-carbon economy	Long term	If a company is perceived as having an inadequate response to climate issues, it may face increased public scrutiny and media pressure. As a result, the company needs to enhance transparency and ESG disclosure.	Increasing compliance cost	The Group will maintain communication with stakeholders from all circles of society to understand their view and suggestions to the Group and respond to them whenever appropriate.

Opportunities	Description	Timeframe	Current and expected financial impact
Resources efficiency	Strengthening energy management enables the company to enhance energy efficiency, reduce emissions and consumption, and improve production processes. It also enhances equipment stability, promotes green transformation, boosts brand competitiveness, and lowers corporate operational risks.	Short to long term	<ul style="list-style-type: none"> Reduce energy consumption cost During the Reporting Period, the Group established and obtained certification for its Energy Management System. Coupled with specialized training and the operation of the Quality, Environmental, and Occupational Health and Safety Management Systems, CNAS laboratory system, this provides a management foundation for subsequent data-based monitoring and energy efficiency improvement.
	Reinforcing infrastructure construction and promoting energy conservation and emission reduction ultimately enhance market competitiveness.	Long term	<ul style="list-style-type: none"> The Group invests funds annually to carry out equipment inspection and renovation, enhance equipment performance, promote automation and safety protection upgrades, improve efficiency through technology, enhance operational safety, and promote environmental protection. Production schedules are reasonably arranged to implement peak load shifting in electricity usage, achieving energy conservation and emission reduction goals. In addition, where conditions permit, we will advance work related to product carbon footprint and Type III environmental declarations (as applicable) to gradually enhance life cycle management capabilities.

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Opportunities	Description	Timeframe	Current and expected financial impact
Energy source	Developing clean energy can reduce dependence on fossil fuels, decrease pollution and carbon emissions, and improve the company's image in terms of environmental responsibility.	Long term	<ul style="list-style-type: none"> Effectively save operating costs The Group develops renewable energy and utilizes plant and rooftop spaces for photovoltaic power generation to reduce greenhouse gas emissions. Furthermore, we have also undertaken the external transmission pipeline project, benefiting from the development of clean energy.

The Group has identified the potential financial impacts arising from climate-related risks at the operational level, primarily including operational disruptions, maintenance and resilience investment costs, and compliance expenditures. Based on the assessment of the magnitude of impact and likelihood of occurrence of climate-related risks, all currently identified climate-related risks are considered low, with a relatively minor impact on operations. The Group will continue to allocate resources to equipment inspection, renewal, and technological upgrades, enhancing its production capabilities. Concurrently, it will promote automation upgrades and safety protection enhancements to drive efficiency improvements through technology and strengthen the safety of the operating environment, thereby more effectively addressing the impacts identified in climate-related scenario analyses. The Group will also adjust its resource utilisation in response to climate change, such as by developing renewable energy, to address the impacts identified in climate-related scenario analyses. Currently, due to the lack of a unified financial mapping and quantification methodology, specific financial impact ranges are not disclosed in this Report. In the future, the Group will focus on establishing a quantitative ledger and internal control processes for climate-related financial impacts (such as downtime caused by extreme weather, emergency expenditures, changes in energy consumption, etc.). Once the data is complete, we will gradually achieve quantitative disclosure to enhance the comparability and usefulness of the information.

Risk Management

We attach great importance to the potential impacts of climate-related risks and opportunities and have integrated climate-related risks into the Group's existing risk management system.

- Identification and Assessment:** Referring to the framework for the disclosure of climate-related financial information and recommendations from external advisors, we regularly identify climate risks (including physical risks and transitional risks) that may affect the Group's operational status, and determine risk levels based on the degree of impact and likelihood of occurrence.
- Monitoring and Response:** The Board is fully responsible for overseeing environmental risk management. The ESG Working Group is responsible for implementing specific response measures (such as emergency plans for extreme weather, compliance checks for policy risks) and continuously monitors policy changes and market trends.

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- **Integration:** Climate risk is no longer a standalone issue but is incorporated into the existing risk management system for continuous monitoring and response alongside compliance and operational risks. In the future, we will further integrate climate assessment into the overall risk framework and continuously improve corresponding measures through regular reviews and dynamic adjustments.

We promote coordinated responses across all functional departments. Key initiatives include: establishing emergency response mechanisms for heavily polluted weather; conducting climate risk training to enhance employee safety awareness; and regularly publishing climate-related identification, assessment, and management measures according to established disclosure mechanisms to enhance transparency and maintain stakeholder trust.

Indicators and Targets

We have consistently disclosed our Scope 1 and Scope 2 greenhouse gas emissions in previous ESG reports. Currently, we have initiated preliminary data collection efforts with relevant departments to identify Scope 3 categories that are material to the Group's business, facilitating future disclosure.

During production, carbon dioxide, methane, nitrous oxide and other greenhouse gases will be directly emitted during the operation of production vehicles such as forklifts, cranes and pipe grabbers, as well as from the plasma and oxyacetylene cutting process. Moreover, greenhouse gases will also be generated indirectly from water and electricity consumption.

During office work, carbon dioxide, methane, nitrous oxide and other greenhouse gases will be directly generated from running vehicles and natural gas used in the canteen, and indirectly from water and electricity consumption. The Group encourages employees to use public transportation and provides commuting shuttle services to reduce greenhouse gas emissions. The Group has also replaced some fuel-powered vehicles with electric vehicles. For business travel, employees are required to use public transportation such as high-speed trains.

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Total greenhouse gas emissions of the Group during the Reporting Period are set out below:

Greenhouse gas emissions³	2025	2024
Scope 1 greenhouse gas emission ⁴ (tonnes of carbon dioxide equivalent)	361	280
Intensity of scope 1 greenhouse gas emission (kg of carbon dioxide equivalent/per tonne of products)	2.29	2.9
Scope 2 greenhouse gas emission ⁵ (tonnes of carbon dioxide equivalent)	8,731	5,578
Intensity of scope 2 greenhouse gas emission (kg of carbon dioxide equivalent/per tonne of products)	55	58

Scope 1 greenhouse gas emissions during the Reporting Period were primarily from the consumption of natural gas, acetylene, diesel and gasoline; Scope 2 greenhouse gas emissions were primarily from electricity consumption. Overall, both Scope 1 and Scope 2 greenhouse gas emissions increased due to higher production in 2025, while emission intensities decreased by 21% and 4% respectively compared to 2024, as the production growth rate of 63.87% led to the intensity decline.

In addition, the Group did not apply carbon pricing in its decision-making this year.

Climate relevant targets

To ensure the effective implementation of climate management efforts, we have referred to the global temperature control direction established under the Paris Agreement, as well as the policy direction and timeline aligned with China's "dual carbon" goals. Focusing on our directly controllable operational activities, we have set clear greenhouse gas emission reduction targets. Using 2021 as the base year, we are committed to reducing total emissions per unit of finished product by 10% by 2030, so as to minimise the Group's operational impact on the environment. We regularly track and monitor our greenhouse gas emission performance, and review and manage the greenhouse gas emissions generated from our own operations. For progress on this target, please refer to "3.1 Setting Environmental Targets". For more information on the initiatives we have undertaken to achieve our environmental goals, please refer to sections "3.2 Emissions Management", "3.3 Waste Management", "3.4 Effective Resource Management", "3.5 Efficient Water Use", "3.6 Efficient Use of Packaging Materials", and "3.7 Addressing Climate Change" in this section.

³ Taking into account our business circumstances, we apply the operational control approach to define our organisational boundary for greenhouse gas emissions accounting, and adopt the location-based method for calculating emissions.

⁴ Scope 1 greenhouse gas emissions are primarily carbon dioxide, methane and nitrous oxide. Direct discharge (scope 1) and relevant emission factors are calculated with reference to the "Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange and the "Greenhouse gas reporting: conversion factors 2021" issued by the Department for Business, Energy & Industrial Strategy of the UK Government.

⁵ Scope 2 greenhouse gas emissions and relevant emission factors are calculated with reference to the "Announcement on Publishing 2023 Electricity Carbon Dioxide Emission Factors" issued by the Ministry of Ecology and Environment of the People's Republic of China on 31 December 2025. Due to the update of the relevant reference documents during the year, the calculation method for Scope 2 greenhouse gas emissions and the corresponding emission factors were adjusted compared with those of the previous year.

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As of the end of the Reporting Period, the Group has not officially adopted an internal carbon pricing mechanism. In accordance with Part D of Appendix C2, this Report applies “reasonable information relief” under the “comply or explain” principle where appropriate. For certain disclosure items that are still in the methodology and data system development phase (such as the quantification of expected financial impacts, adopting cross-industry metrics, and the integration of climate factors into decision-making and incentive mechanisms), the Group has provided explanations and formulated enhancement plans. These include gradually defining the Scope 3 emissions boundary in the future and establishing a framework for quantifying financial impacts, to continuously improve the completeness and comparability of disclosures.

4. GROWING TOGETHER WITH EMPLOYEES

The Group firmly believes that employees are the cornerstone of the Company’s sustainable development and fully recognizes their contributions to the Group’s business growth. Therefore, the Group is committed to providing an ideal working environment for employees, enabling them to utilize their strengths as the Group develops steadily. We actively promote employee growth to achieve mutual progress for both employees and the Company.

4.1 Protecting Rights of Employees

The Group has set up the Provisions on Administration of Staff Recruitment* (《員工招聘管理規定》), the Provisions on Administration of Labour Contracts* (《勞動合同管理規定》), the Provisions on Administration of Staff Leave* (《員工請假管理規定》), the Provisions on Administration of Labour Discipline* (《勞動紀律管理規定》), the Administrative System for Staff Rewards and Punishments* (《員工獎懲管理制度》), the Ranking Measure for Operating Positions* (《操作崗位分級辦法》), the Ranking Measure for Professional Technical Positions* (《專業技術崗位分級辦法》), the Ranking Measure for General Management Positions* (《一般管理崗位分級辦法》), the Administrative and Assessment Measures for Intermediate and Senior Management* (《中高層管理人員管理考核辦法》) and other systems in accordance with the Constitution of the PRC* (《中華人民共和國憲法》), the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Rights and Interests of Women* (《中華人民共和國婦女權益保障法》), the Administrative Rules for Training and Assessment of Special Equipment Operators* (《特種設備作業人員培訓考核管理規則》) and other laws and regulations. These systems set out express requirements in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare of employees. Comprehensive promotion mechanism, reasonable remuneration structure and good benefits and welfare are also offered to attract, motivate and retain talents.

The Group has established systems such as the Procedures for Administration of Human Resources* (《人力資源管理程序》) and the Provisions on Administration of Labour Contracts* (《勞動合同管理規定》), to define recruitment processes and requirements. Such systems are amended and finalized by the human resources department to ensure compliance with relevant regulations. The annual recruitment plan is formulated based on demand forecasts and organised and implemented according to the Provisions on Administration of Staff Recruitment* (《員工招聘管理規定》) by setting up selection, interview and overall evaluation process to ensure that recruited employees meet the Group’s requirements.

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Employees of the Group are categorized on the basis of their position types, including operating, technical and management positions, with each position divided into different grades. Smooth career progression is offered to employees who are capable to compete for senior positions when they fulfil the criteria of seniority and performance.

Case: Completion of Annual Job Grading Assessment

During the Reporting Period, the Group's subsidiary, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司), completed its annual job grading assessment, which involved 53 employees, including general management, financial staff, and technical personnel. We assessed the performance of relevant personnel in fulfilling their duties based on the Detailed Rules for Duty Performance Assessment for each position, focusing on the achievement of work objectives and identifying areas for improvement for each employee. This provided a core basis for subsequent grading assessments. This assessment not only deepened mutual understanding and trust among colleagues but also enabled employees to recognize their own strengths and areas for improvement. It effectively guides and encourages all employees to pursue excellence in their respective positions and establishes a solid foundation for the Group's future development.

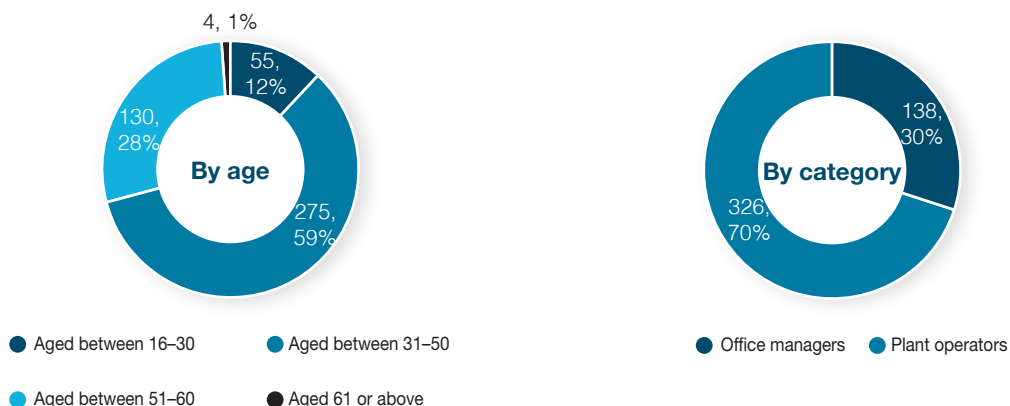


For the year ended 31 December 2025, the Group had a total of 464 employees (senior management inclusive) (2024: 461 employees), the majority of whom were in mainland China. All employees are full-time employees. Set out below is a breakdown:



* The English names are for identification purposes only

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A total of 26 employees (2024: 64 employees) left the Group during the Reporting Period, all of whom were in mainland China. Set out below is a breakdown of employee turnover rate by gender and age group:

Employee classification	Employee turnover rate ⁶	
	2025	2024
By gender		
Female	1.51%	2.39%
Male	4.09%	11.50%
By region		
China	5.60%	13.88%
By age group		
16-30	1.29%	3.25%
31-50	1.94%	7.16%
51-60	2.37%	3.47%
61 or above	0.00%	0.00%

The Group strictly complies with relevant laws and regulations such as the Labour Contract Law of the People's Republic of China, the Law on the Protection of Minors, and the Provisions on the Prohibition of Using Child Labour. No violations were found during the Reporting Period. In accordance with the Employee Recruitment Management Regulations and the Labour Contract Management Regulations, valid identification documents, such as ID cards and graduation certificates, must be checked during recruitment to prevent the employment of child labour. Upon joining, employees are required to sign a written labour contract, and the contract is terminated in accordance with the agreed terms. We explicitly prohibit employing child and forced labour through means such as violence, threats, or unlawful restriction of personal freedom. When the Group identifies any case of child labour or forced labour, it will immediately terminate the employment relationship and report the matter to the relevant authorities.

⁶ Calculation of employee turnover rate: Number of employees of this category left/Total employees x 100% °

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4.2 Offering Equal Opportunities

The Group pays respect to the individual and cultural backgrounds of each employee and believes that diversity can promote learning from each other and improve overall creativity. Therefore, the Group strictly opposes any forms of discrimination because of, among others, gender, disability, pregnancy, family status, race and religion. Employees are provided with equal and diversified development opportunities to foster a harmonious and inclusive working environment.

During the Reporting Period, the Group did not violate any laws or regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, or other benefits and welfare. To the best of the Group's knowledge during the Reporting Period, there were no violations of relevant laws and regulations that had a significant impact on the Group, nor were there any instances of child labour or forced labour.

4.3 Optimising Remuneration Benefits

The Group provides competitive remuneration based on factors such as post nature, responsibilities and requirements, technical complexity and working environment, which includes incentives such as share options. Additionally, we have established management systems comprising: "Management Regulations on Remuneration and Benefits", "Management System on Employee Rewards and Punishments", "Management Regulations on Sales Commission", "Management Regulations on External Revenue Generation", "Measures for Rewarding Rationalization Suggestions and Small Improvements" and other management systems. The Group strictly complies with laws, regulations, and industry standards regarding working hours and leave. Employees required to work outside regular hours or on statutory holidays are compensated with overtime pay or compensatory time off in accordance with regulations. We also provide sales commissions and a monthly reward and punishment system, continuously improving employee benefits alongside the Company's development.

The Group has established canteens and dormitories at its production bases, offering employees meals and accommodation at reasonable prices, as well as providing shuttle buses. Each summer, we distribute heatstroke prevention supplies and allowances, conduct regular occupational health checks for employees in specific positions, and provide holiday benefits to employees during traditional festivals such as the Spring Festival and Mid-Autumn Festival.

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4.4 Safe Working Environment

The Group regards safety as a non-negotiable red line, upholds the principle of “safety first, life foremost”, and consistently prioritizes the protection of personnel safety. We fully implement the concept of safe development, placing high importance on the health and safety of our employees, and have established the following annual safety objectives:

- Zero incident of general accidents, major accidents and serious accidents throughout the year;
- Zero incident of occupational diseases throughout the year;
- Minor accident rate of less than 5‰ throughout the year;
- No material fires, major equipment accidents, explosions or poisoning accidents throughout the year;
- 100% intact rate for safety facilities, occupational health facilities and fire-fighting facilities;
- 100% rectification rate for potential dangers;
- 100% coverage rate for employee safety trainings and 100% training coverage for principals and safety management personnel;
- 100% registration rate for special equipment, 100% inspection rate for special equipment and 100% inspection rate for safety accessories;
- 100% qualification rate for occupational safety trainings and 100% certified rate for special operation personnel; and
- Over 98% inspection acceptance rate for occupational hazard factors in worksites and workplaces.

We have established 56 safety management rules and regulations and 123 post safety production responsibility systems, such as the Safety Production Target Management System and the Fire Protection Management System, for the purpose of preventing major risks at the source. Key measures include: establishing a Safety Production Committee, improving the dual prevention system, strengthening fire protection and emergency management, and enhancing environmental protection and hazardous waste management control.

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Each subsidiary conscientiously implements the safety management principle of “Complying with Laws and Regulations to Ensure Health and Safety” of the Group, identifies and controls the sources of dangers in production and operations, and determines responsible units to continuously reduce safety risk and improve safety performance. We strictly comply with laws and regulations by cascading environmental and safety objectives down to front-line and management departments. Department-level targets are established and monitored on a monthly basis.

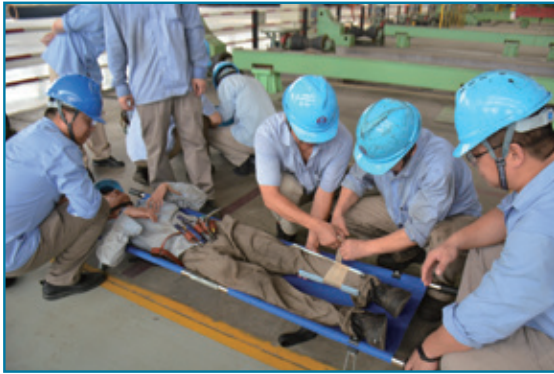
In supervisory and management activities including daily inspection, joint patrol inspection, environmental factor/hazard source identification and evaluation, compliance assessment, internal audit, external audit and management review, we focus on key environmental and safety areas, identify and rectify issues, drive prevention and continuous improvement to reduce the burden on the environment and natural resources. Simultaneously, we strengthen the management of on-site violations, implement employee safety production responsibilities, and handle violations seriously. Management personnel at all levels must fulfill their post responsibilities, enhance their management and service awareness, and implement supervisory responsibilities within their respective scopes. For major risks, we have established a management mechanism led by company leadership, guided by functional departments, and implemented by on-site personnel to ensure risks are controlled.

We regularly carry out special rectifications for safety production, organise targeted inspections based on the actual situation of each subsidiary. These inspections take various forms, including spot checks and mutual inspections, and are conducted on both a regular and irregular basis. We also strengthen the periodic inspection of special equipment and fire-fighting facilities to prevent operation with hidden dangers, and standardize the safety management of hand-held power tools and slings to comprehensively eliminate safety hazards. The Group has formulated the Emergency Incident Internal Reporting Plan to strengthen our emergency response mechanism, ensuring that sudden events can be reported, assessed, and properly handled at the first opportunity. All units must report quickly, follow up in a timely manner, and coordinate responses under unified command to ensure accurate information and smooth processes, effectively reducing the impact of incidents on the Company's operations.

During the Reporting Period, we also carried out Safety Production Month activity, clearly designating the head of each department as the primary person responsible for safety, and established a management system characterized by "full-chain responsibility implementation and full-process hazard control". By deepening safety inspections, strictly managing hazard rectification, and conducting safety publicity and education based on the Safety Production Month theme of "everyone talks about safety, everyone knows emergency response, find hidden dangers around you" — including comprehensive mechanical injury emergency drills, theoretical training, and traffic safety training — we fostered a safety management mindset of "hidden dangers are accidents" and progressed towards the annual goal of "zero accidents".

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Comprehensive Emergency Drills for Mechanical Injuries



Theoretical Training



Employee Safety-related Data

Year	2025	2024	2023
Work-related injuries (individual)	1	3	4
Work-related casualties (individual)	0	0	0
Proportion of work-related injuries (%) ⁷	0.20	0.70	0.77
Working days lost (day)	225	135	395

In the Report, working days lost are calculated with reference to the national standards of the People's Republic of China on Classification of Work-related Injuries and Casualties of Employees (GB6441-86).

⁷ The percentage of work-related injuries is calculated by dividing the number of work-related injuries by the total number of employees, then multiplying by 100%.

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Save as measures disclosed above, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) also purchased the “Shandong Inclusive and Preferential Insurance* (齊惠保)” issued in Zibo City for its employees for five consecutive years, which extended the medical coverage provided to employees beyond the basic medical insurance. The Group has formulated provisions on the administration of occupational health and safety including the Planning Procedures for Identification of Origin of Hazards and Evaluation and Control of Risks* (《危險源辨識與風險評價和控制策劃程序》), the Control on Production Process and Control Procedures for Environmental, Occupational Health and Safety Operation* (《生產過程控制及環境職業健康安全運行控制程序》), the Procedures for Administration of On-site Safety Protection* (《現場安全防護管理程序》), the Procedures for Administration of Labour Protection* (《員工勞動保護管理程序》), and the Provisions on Administration of Fire Protection* (《消防安全管理規定》) in compliance with the Law of the PRC on Safe Production* (《中華人民共和國安全生產法》), the Fire Protection Law of the PRC* (《中華人民共和國消防法》), the Law of the PRC on Prevention and Control of Radioactive Pollution* (《中華人民共和國放射性污染防治法》), the Measures for Regular Supervision and Administration of Hazardous Factors of Occupational Diseases of Employers* (《用人單位職業病危害因素定期監測管理規範》), the Provisions on Administration of Labour Protection Articles* (《勞動防護用品管理規定》), the Administrative Measures for Occupational Health of Radiological Personnel* (《放射工作人員職業健康管理辦法》), the Administrative Measures for Occupational Health Surveillance* (《職業健康監護管理辦法》), the Regulation on Work Related Injury Insurances* (《工傷保險條例》) and other laws and regulations. The purpose of these provisions is to prevent the occurrence of safety issues/accidents by strengthening the control over origin of hazards, fostering the enhancement of occupational health and safety conditions and raising the occupational health and safety awareness of employees. During the Reporting Period, the Group adopted multiple methods to provide heat relief for employees working in high-temperature environments. These measures included providing heatstroke prevention beverages, medication, and protective equipment, as well as scheduling work to avoid peak high-temperature periods, ensuring that employees can work in a safe environment. No case of violation was identified during the Reporting Period.

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Case: “First Lesson of the Work Start” Safety Education and Training in 2025

On 6 February 2025, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) arranged safety education and training for employees, organised the “First Lesson of the Work Start” special safety education and training. The training required employees to strictly manage safety and implement safety production work effectively. It also reminded employees to resolutely implement the primary responsibility for safety production from top to bottom, fulfil individual safety responsibilities, and strengthen awareness of the primary responsibility for safety production, safety production management, and preventive measures. This ensured that employees prioritize safety production, and safeguarded the Company’s high-quality development.



Case: Special Training on “Commuting Safety by Bike” for Employees

To enhance the traffic safety awareness of our employees, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) invited the traffic police brigade from the High-tech Zone to conduct a special training session on traffic safety education at the Company. The training analysed typical traffic accident cases that occurred around that time, delving into the causes behind the accidents. It focused on explaining the importance of wearing helmets, outlining the dangers of drunk driving and distracted driving, emphasizing the need to stay away from large trucks, and complying with traffic rules.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Special Lecture on First Aid Knowledge for Employees

On 11 November 2025, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) invited an expert team to arrange a first aid knowledge lecture for employees. The lecture included explanations of the early warning signs and prevention methods for coronary heart disease, emphasizing the importance of responding to sudden cardiovascular and cerebrovascular diseases. It also introduced first aid techniques such as bleeding control, bandaging, and limb splinting. The training also demonstrated the Heimlich manoeuvre and cardiopulmonary resuscitation (CPR) procedures. The Company will continue to carry out safety education activities to enhance the first aid capabilities of our employees.



Case: Conducting Comprehensive Emergency Drill for Mechanical Injury

On 20 June 2025, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) conducted a comprehensive emergency drill for mechanical injuries at the Pre-finishing and Welding Plant. This drill aimed to enhance the emergency response and handling capabilities of our employees regarding production safety accidents, further strengthen the primary responsibility for safety production, and test the effectiveness of the existing emergency response system for safety accidents.



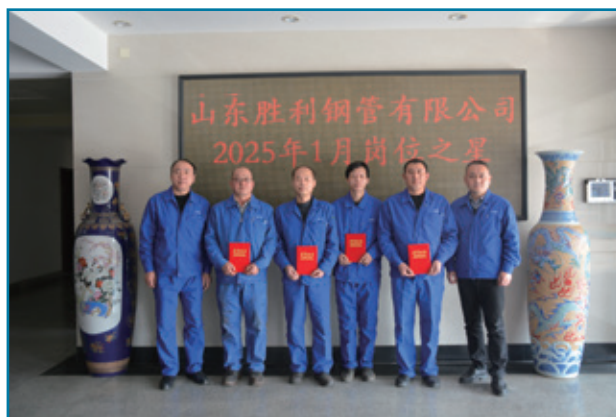
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.5 Supporting Employee Development

Pursuant to relevant requirements, the Group compares the knowledge and competence necessary for its staff at positions of different levels and functions with those possessed by its existing employees, and determines the training needs for its employees according to the difference between the former and the latter. The Group enhances the competence of its employees by a combination of internal trainings and external trainings. The implementation rate of training programmes during the Reporting Period was 100% (2024: 100%). Internal trainings carried out during the Reporting Period include regular safety education and training for all employees, occupational health training, training on the standardized management of solid waste, and post operation skills training, etc., to enhance the work capabilities of the Group's employees and support the Company's development. Additionally, during the Reporting Period, the Group also provided job-specific training for middle and senior management, sales and finance personnel, effectively improving the core skill levels of the Group's employees.

Case: Monthly "Star Performer" Selection Activity

During the Reporting Period, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) continued to hold the monthly "Star Performer" selection activity. This activity effectively stimulated employees' work enthusiasm and initiative, enhanced team cohesion and corporate centripetal force. While fostering a culture of dedication to work and improving overall work efficiency, it also provided timely recognition and motivation for employees with outstanding performance and achievements, thereby advancing the Company's various work initiatives.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Senior Management Participated in Special Training on Full Value Chain Cost Reduction and Efficiency Enhancement

From 23 May to 24 May 2025, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) arranged for senior management to participate in the special training titled “Full Value Chain Cost Reduction and Efficiency Enhancement: Collaborative Cost Reduction Across R&D, Production, Procurement, Sales, HR, and Finance”. This training provided key strategic support for the Company to address industry changes and break through development bottlenecks, and injected new momentum for development.



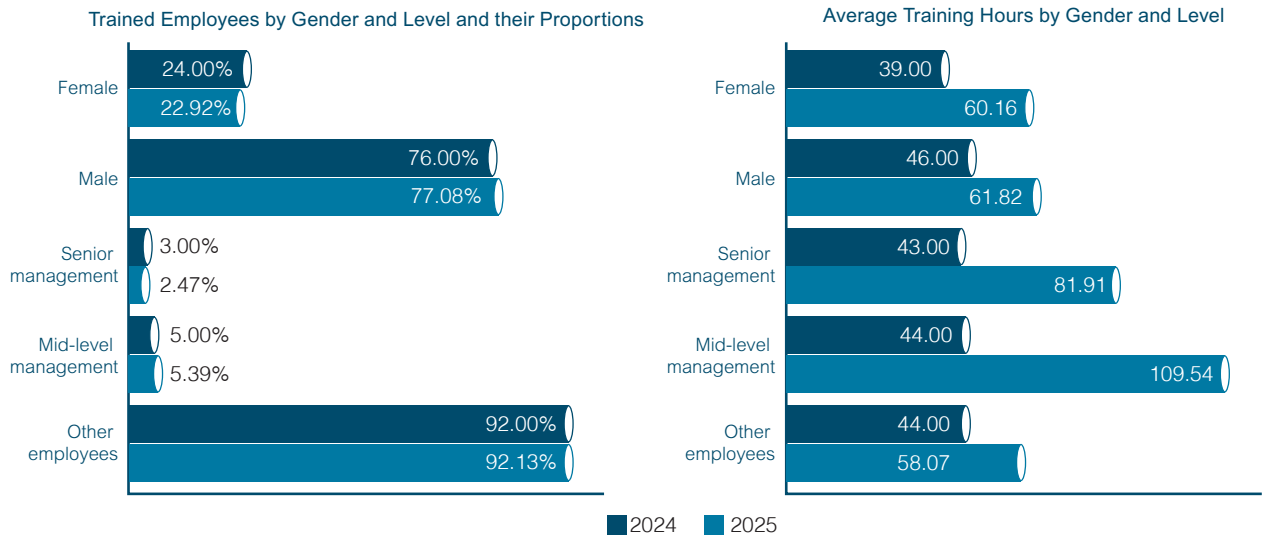
Case: Comprehensive Capability Improvement Training

From April 25 to 26, 2025, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) organised a special training session on “Comprehensive Capability Training for Team Leaders/Production Managers”, with over 40 production management participating. This training was oriented towards the practical needs of spiral steel pipe production management, adopting a teaching model of “case study analysis + scenario simulation”. An experienced industry management expert was invited to instruct, focusing on common issues in the operational process and providing practical and feasible solutions for the participants.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A total of 445 employees received trainings provided by the Group during the Reporting Period. Set out below is a breakdown of percentage of employees trained⁸ and average trainings hours⁹:



4.6 Employee Care Activity

To enhance employee cohesion and sense of belonging, we actively organise a variety of employee activities, including celebrations for International Women’s Day and sending representatives to participate in sports competitions. This helps to build a more dynamic and excellent talent team and fosters a focus on good employee relationship management.

International Women’s Day Celebration Activity



⁸ The percentage of employees trained is calculated by dividing the number of trained employees in that category by the total number of trained employees, then multiplying by 100%.

⁹ The average training hours per employee are calculated by dividing the total training hours for employees in that category by the total number of trained employees in that category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group applies rigorous criteria to the selection and evaluation of its suppliers, based on the following multi-tiered assessment process:



The Group requires that all products and services provided by suppliers comply with quality standards, while strictly adhering to ESG criteria. For suppliers subject to regulatory or administrative licensing requirements, we verify the validity of their relevant certifications and qualifications. In addition to qualifications, quality, and economic factors, we also place emphasis on suppliers' environmental and social performance. We refuse to cooperate with any partners involved in child labour or forced labour, and, where conditions permit, we prioritize the procurement of environmentally friendly products. We are committed to fostering a win-win cooperative relationship with our suppliers, exerting a positive influence in areas such as environment, health, and safety, and driving their continuous improvement. This approach enables us to manage potential operational risks effectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Building a New Benchmark for Industrial Chain Synergy with Rizhao Steel Group

During the Reporting Period, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) signed a strategic cooperation agreement with Rizhao Steel Holding Group Co., Ltd., officially establishing a comprehensive partnership. In the future, both parties will deepen collaboration in areas such as resource assurance, technology research and development, and market development, jointly promoting mutually beneficial and win-win development.



5.2 Improving Product Quality

The Group strictly abides by the Law of the PRC on Product Quality* (《中華人民共和國產品質量法》), the Law of the PRC on the Safety of Special Equipment* (《中華人民共和國特種設備安全法》), the Trademark Law of the PRC* (《中華人民共和國商標法》), the Patent Law of the PRC* (《中華人民共和國專利法》), the Basic Requirements of Quality Assurance System for Manufacture, Installation, Alteration and Repair of Special Equipment* (《特種設備製造、安裝、改造、維修質量保證體系基本要求》), the Provisions on the Supervision and Inspection on Pressure Pipe* (《壓力管道監督檢驗規則》) and other laws and regulations, and carries out production in accordance with “Steel Pipes for Pipeline Transportation Systems in Petroleum and Natural Gas Industries” (《石油天然氣工業管線輸送系統用鋼管》)(GB/T9711-2023) and “Submerged Arc Welded Pipes for General Fluid Transmission Pipelines” (《普通流體輸送管道用埋弧焊鋼管》)(SY/T5037-2023). No case of violation was identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a provincial research centre for steel pipe engineering technology for the transmission of oil and natural gas and a nationally recognised quality testing laboratory, equipped with state-of-the-art production facilities and professional technical team. The Group has formulated the Planning Procedures for Product Realisation* (《產品實現策劃程序》), the Procedures for Product Surveillance and Survey Control* (《產品監視和測量控制程序》) and other systems for quality and safety management. Leveraging our technological and managerial advantages, we are committed to providing customers with high-quality, healthy and safe products. By implementing a Non-Destructive Testing (NDT) review system, we adopt measures such as radiographic film retention review, dedicated personnel for ultrasonic re-inspection, and third-party reviews to strictly prevent the oversight of defects. If a suspected defect is identified during the review, the relevant steel pipe is returned to the workshop for re-inspection. For any instances of missed detection, we execute a process of pipe hold and re-inspection to mitigate the risk of non-conforming products leaving the facility, thereby ensuring quality and safety requirements at the customer's construction site. Concurrently, we implement strict accountability measures and disciplinary actions against responsible personnel.

We have upgraded our radiographic testing equipment and increased the proportion of film radiography conducted. At the Spiral Pipe Sub-factory, the minimum requirement is to perform radiographic testing on the pipe-to-pipe joints and the ends of each adjacent pipe, in order to reduce the risk of misjudgement. We have also strengthened the management of critical inspection processes, such as radiographic testing and non-destructive testing (NDT), to ensure that no defective products leave the factory. During the Reporting Period, the Group did not experience any return of products sold or delivered out of safety and health reasons.

Case: Winning the Bid for Procurement Project of PipeChina

During the Reporting Period, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) successfully won the bid for a procurement project of PipeChina. This achievement reflects the Company's adherence to its core philosophy of "Quality First, Customer Foremost", as well as its commitment to providing higher-standard workmanship, more reliable products, and superior services, and has been recognized both externally and by the national level.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Awarded the Second Prize in the Zibo “Four-One” Engineering Technology Innovation Outstanding Project

Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) project, “Automatic Grinding of the Full Outer Weld Seam for Online Spiral Welded Pipes”, was awarded the Second Prize in the 2025 Municipal “Four-One” Engineering Technology Innovation Outstanding Project. This marks the first technology project award conferred by a government department in recent years. Held biennially, this award aims to thoroughly implement the national innovation-driven development strategy, promote reform, innovation, and technological progress, and enhance the core competitiveness of enterprises.



Case: Holding Symposium for the 30th Anniversary of Quality Management System Certification

During the Reporting Period, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) held a symposium with China Classification Society Certification Company to commemorate the 30th anniversary of its Quality Management System certification, under the theme of “Quality as the Foundation, Responsibility as the Core, Efficiency as the Driver – Three Decades of Certification Empowering Corporate Longevity”. The meeting reviewed the initial establishment of the system and the evolution of technical standards, reflecting the collaborative efforts of both parties. Moving forward, we will continue to uphold the philosophy of “Quality as the Foundation, Responsibility as the Core, Efficiency as the Driver”, and deepen our cooperation in areas such as quality management, technical certification and market expansion.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 Addressing Customer Service

The Group places a high priority on product quality and customer feedback. To standardize the handling of customer complaints, we have established policies including the Control Procedure for Processes Related to Customers* (《與顧客有關過程的控制程序》), the Non-Conforming Product Control Procedure* (《不合格品控制程序》), and the Quality Risk Emergency Response Plan* (《質量風險應急預案》). These clearly define the specific processes and timelines for product complaints and recalls.

For key pipeline projects, the Group sets up localized after-sales service offices. Service personnel arrive at the site in advance to assist customers with product acceptance and promptly address any product quality issues that may arise during transportation or construction, meeting customer needs through high-quality after-sales service. We actively communicate with customers through telephone, WeChat, email, and on-site meetings, and are committed to collecting customer feedback to improve product and service quality.

After receiving product complaints, the Group will proactively communicate and consults with the customer. If it is an on-site quality issue, personnel are dispatched to the site within 24 hours for inspection and documentation. For other complaints, an investigation and resolution are carried out within 3 days, with timely feedback provided to the customer. The Group did not receive any product or service complaints during the Reporting Period.

5.4 Responsible Marketing and Advertising

The Group acts in good faith and is dedicated to establishing long-term and mutually beneficial relations with customers. The Group resolutely safeguards the interests of customers, and ensures the accuracy, truthfulness and objectivity of product labelling and relevant information. Therefore, we have formulated the Measures for the Administration of Information Disclosure* (《信息披露管理辦法》), the Regulations for the Administration of Publicity and Reporting* (《宣傳報道管理規定》), the Regulations for the Administration of Publicity of Enterprise Information* (《企業信息公示管理規定》), the Administrative System for Trademark* (《商標管理制度》) and the Regulations for the Administration of Product Labels* (《產品標識管理規定》) to regulate the advertising and product labeling release process.

The Group strictly complies with the Measures for the Administration of Commercial Franchise Information Disclosure* (《商業特許經營信息披露管理辦法》), Interim Regulations on Enterprise Information Publicity* (《企業信息公示暫行條例》), Interim Measures for Spot Check of Enterprise Publicity* (《企業公示抽查暫行辦法》) of the PRC, Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and other regulations. No case of violation was identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.5 Protection of Intellectual Property Rights

The Group strictly abides by Patent Law of the People's Republic of China (revised in 2020)* (《中華人民共和國專利法 (2020修正) 》), Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (revised in 2010)* (《中華人民共和國專利法實施細則 (2010修訂) 》), Regulations of Shandong Province on Science and Technology Progress* (《山東省科學技術進步條例》), Regulations on the Promotion of Intellectual Property Rights of Shandong Province* (《山東省知識產權促進條例》), Patent Labelling and Marking Method* (《專利標識標注辦法》), Patent Compulsory Licensing Method* (《專利實施強制許可辦法》) and other laws and regulations on intellectual property rights and patents.

The Group extremely values intellectual property rights, and prohibits unauthorised use of non-self-owned images and designs. Meanwhile, we encourage employees to apply for patents and publish papers, and actively protect the Group's intellectual property rights. During the Reporting Period, the Group held 17 registered patents, and obtained 3 authorised utility model patents and 1 invention patent. No complaints or proceedings regarding the infringement of intellectual property rights were received or brought against the Group during the Reporting Period.

The Group formulated the Incentive Measures for Rational Suggestions and Minor Reforms* (《合理化建議與小改小革獎勵辦法》), aiming to encourage all employees to develop their strengths and actively contribute ideas and suggestions. By stimulating innovation vitality and enthusiasm for improvement, we enhance operational efficiency and management standards, and effectively promote the growth of the Company's economic benefits and its overall rapid development.

Case: Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) was invited to participate in the National Welding Pipe Academic Conference

During the Reporting Period, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) was invited to participate in the "2025 National Welding Pipe Academic Conference" organized by the Steel Rolling Committee of the Chinese Society for Metals (中國金屬學會軋鋼分會). Wu Yusheng (吳禹勝), the Company's Chief Mechanical Engineer, delivered a featured presentation titled "Application of Rapid Macroscopic Inspection Methods for Field Welds of Submerged Arc Welded Pipes (埋弧鋼管現場焊縫快速宏觀檢驗方法的應用)," introducing the technical principles and application outcomes of the method, which was highly commended by the attending experts. Following the conference, the editorial team of Steel Pipe (《鋼管》) magazine fully acknowledged the research findings and invited Wu Yusheng to compile them into a paper for publication.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.6 Assurance of Information Security

The Group has formulated the Administrative System for Technology* (《科技管理制度》), the Provisions on Administration of Computer* (《計算機管理規定》), the Provisions on Administration of Corporate Email* (《企業郵箱管理規定》) and the Provisions on Administration of Network Information System* (《網管信息系統管理規定》), etc. to determine the management requirements for customer data and information security.

The Group has established a comprehensive set of information management regulations, covering the processes of information collection, storage and application. For instance, when collecting information, we strictly require that it be conducted lawfully and in compliance, and limited to the scope relevant to business operations. Access permissions are granted only to employees with a legitimate need. The Group also assigns dedicated or part-time positions to oversee the management of systems and networks. By strengthening disciplinary constraints and improving business processes, we comprehensively eliminate potential risks of information leakage.

5.7 Enhancing Integrity Awareness

In accordance with the Criminal Law of the PRC* (《中華人民共和國刑法》), the Law of the PRC on Tenders and Bids* (《中華人民共和國招標投標法》) and the Civil Code of the People's Republic of China and other relevant national laws and regulations, and in consideration of its own management needs, the Group has formulated the Administrative Measures for Staff Awards and Punishments* (《員工獎懲管理辦法》), which clearly stipulate various reward and disciplinary measures as well as implementation procedures. This policy aims to prevent and combat illegal activities including bribery, extortion, fraud, and money laundering, and imposes severe sanctions on actions that exploit positions for personal gain or violate laws and discipline. Furthermore, the Group may grant leniency, mitigation or exemption from disciplinary action, depending on the circumstances, in cases where employees voluntarily confess, report misconduct committed by others, or take action to prevent the escalation of losses.

For business processes with a higher risk of fraud, such as procurement and tendering, the Group has introduced mechanisms including contract review and bidding meetings to ensure that critical stages involve participation by employees from multiple positions and are subject to multi-level approval. This serves to prevent misconduct such as bribery, extortion, fraud and money laundering. These processes are regularly reviewed and monitored. To facilitate the reporting of fraud and compliance violations by employees and external stakeholders to senior management, we have established multiple reporting channels, including telephone hotlines, email, postal correspondence, and the General Manager's mailbox. The Group treats every report of fraud or violation with seriousness, commits to conducting fair and prudent investigations, and strictly protects the identity of whistleblowers to effectively safeguard their legitimate rights and interests.

The Group continuously strengthens internal and external integrity education and capacity building for prevention and control. We conduct regular internal disciplinary inspections, enhance our anti-corruption knowledge framework, and organise the dissemination of anti-corruption related information to comprehensively raise employee compliance awareness. During the Reporting Period, neither the Group nor any of its employees were involved in any judicial proceedings related to corruption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. BUILDING AN INCLUSIVE AND HARMONIOUS COMMUNITY

The Group has always paid close attention to the national and community needs for sustainable development, evolving from the principle of “serving the people wholeheartedly” to the practice of “delivering tangible benefits to the community”. During the year, the Group focused its community engagement initiatives on public welfare activities, aiming to give back to the community through concrete actions and to share the benefits of the Group's development with the community.

Case: Participation in the “Love Zibo • Walk Together” National Fitness Walk and the Inauguration Ceremony of the BLOOD Public Welfare Alliance

During the Reporting Period, two employees from Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) participated in the “2025 Love Zibo • Walk Together” National Fitness Walk and the Inauguration Ceremony of the BLOOD Public Welfare Alliance. The event actively promoted the concept that blood donation is beneficial to health, and initiated the establishment of the BLOOD Public Welfare Alliance, jointly supported by over 30 local caring enterprises. Alliance members committed to providing tangible benefits to blood donors. The event also held a celebration ceremony for the 11th anniversary of the “Love 100” Public Welfare Convoy, and honoured employees of the Company.



* The English names are for identification purposes only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE INDEX

Specific content	Relevant chapter
Mandatory disclosure requirements	
Governance structure	2.2 Sustainable Development Governance Structure
Reporting principle	1. ABOUT THE REPORT
Scope of reporting	1. ABOUT THE REPORT
A. Environmental	
A1: Emissions	
General disclosures	3. INCORPORATING GREEN CONCEPTS INTO OPERATION
A1.1	No relevant data was recorded as the vehicle exhaust gas emission data is insignificant.
A1.2	3.3 Waste management Appendix I: Summary of Sustainable Development Data
A1.3	3.3 Waste management Appendix I: Summary of Sustainable Development Data
A1.4	3.1 Formulating Environmental Targets 3.3 Greenhouse Gas Emission
A1.5	3.1 Formulating Environmental Targets 3.3 Waste Management
A2: Use of resources	
General disclosures	3. INCORPORATING GREEN CONCEPTS INTO OPERATION
A2.1	3. INCORPORATING GREEN CONCEPTS INTO OPERATION
A2.2	3.5 Efficient Water Consumption Reduction
A2.3	3.1 Formulating Environmental Targets 3.4 Efficient Management of Resources
A2.4	3.1 Formulating Environmental Targets 3.5 Efficient Water Consumption Reduction
A2.5	3.6 Efficient Use of Packaging Materials
A3: The Environment and natural resources	
General disclosures	3.4 Efficient Management of Resources
A3.1	3.4 Efficient Management of Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Specific content	Relevant chapter
B. Social	
B1: Employment	
General disclosures	4. GROWING TOGETHER WITH EMPLOYEES
B1.1	4. GROWING TOGETHER WITH EMPLOYEES
B1.2	4. GROWING TOGETHER WITH EMPLOYEES
B2: Health and safety	
General disclosures	4.4 Safe Working Environment
B2.1	4.4 Safe Working Environment
B2.2	4.4 Safe Working Environment
B2.3	4.4 Safe Working Environment
B3: Development and training	
General disclosures	4.5 Supporting Employee Development
B3.1	4.5 Supporting Employee Development
B3.2	4.5 Supporting Employee Development
B4: Labour standards	
B4	4.1 Safeguarding Employee Rights
B4.1	4.1 Safeguarding Employee Rights
B4.2	4.1 Safeguarding Employee Rights
B5: Supply chain management	
General disclosures	5.1 Sustainable Supply Chain
B5.1	5.1 Sustainable Supply Chain
B5.2	5.1 Sustainable Supply Chain
B5.3	5.1 Sustainable Supply Chain
B5.4	5.1 Sustainable Supply Chain
B6: Product responsibility	
General disclosures	5. STABLE AND COMPLIANT BUSINESS OPERATIONS
B6.1	5.2 Improving Product Quality
B6.2	5.3 Addressing Customer Service
B6.3	5.5 Protection of Intellectual Property Rights
B6.4	5.2 Improving Product Quality
B6.5	5.6 Assurance of Information Security

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Specific content	Relevant chapter
B7: Anti-corruption	
General disclosures	5.7 Enhancing Integrity Awareness
B7.1	5.7 Enhancing Integrity Awareness
B7.2	5.7 Enhancing Integrity Awareness
B7.3	5.7 Enhancing Integrity Awareness
B8: Community investment	
General disclosures	6. BUILDING AN INCLUSIVE AND HARMONIOUS COMMUNITY
B8.1	6. BUILDING AN INCLUSIVE AND HARMONIOUS COMMUNITY
B8.2	6. BUILDING AN INCLUSIVE AND HARMONIOUS COMMUNITY
D part: Climate-related disclosure	
(I) Governance	3.7 Addressing Climate Change
(II) Strategy	
20. Climate-related Risks and Opportunities	3.7 Addressing Climate Change
21. Business Model and Value Chain	3.7 Addressing Climate Change Defining the Value Chain Boundary: We apply a reasonable data exemption as we cannot obtain all reasonable and supportable information necessary to define our value chain boundary without incurring undue cost or effort as of the reporting date.
22-23. Strategy and Decision-making	3.7 Addressing Climate Change
24-25. Financial Condition, Financial Performance and Cash Flow: Current Financial Impact and Expected Financial Impact	5.7 Addressing Climate Issues Quantification of Current and Expected Financial Impact: We have applied the financial impact exemption, as we consider that the measurement method for assessing these impacts is subject to a high degree of uncertainty, and the quantitative information derived from such estimation would not provide meaningful reference value. In view of the foregoing reasons, the Group does not currently provide further quantified breakdown of the current financial impact under Article 24. The Group will consider providing more detailed quantitative disclosure in due course as data and modelling capabilities improve. Preparation of Expected Financial Impact Disclosure: We have applied the reasonable information exemption, as we will further assess the financial impact of climate-related risks and opportunities in the future.
26. Climate Resilience	3.7 Addressing Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Specific content

(III) Risk Management

Relevant chapter

3.7 Addressing Climate Change

(IV) Indicators and Targets	28. Greenhouse Gas Emission	3.7 Addressing Climate Change
	29. Climate-related Transitional Risks	3.7 Addressing Climate Change Measurement Methodology, Input Data, and Assumptions for Scope 3 GHG Emissions: We apply a reasonable data exemption as we cannot obtain all reasonable and supportable information without incurring undue cost or effort when selecting the measurement methodologies, input data and assumptions used to calculate our Scope 3 GHG emissions.
	30. Climate-related Transitional Risks	3.7 Addressing Climate Change Calculation of Indicators (Especially Cross-Industry Indicators Categories): We apply a reasonable data exemption as we cannot obtain all reasonable and supportable information without incurring undue cost or effort as of the reporting date.
	31. Climate-related Physical Risks	
	32. Climate-related Opportunities	
	33. Capital Use	3.7 Addressing Climate Change The Group has identified climate-related risks and will further identify relevant data for optimised disclosure.
	34. Internal Carbon Pricing	3.7 Addressing Climate Change The Group did not apply carbon pricing in its decision-making.
	35. Remuneration	3.7 Addressing Climate Change
	36. Industry Indicator	The Group has not yet formulated any plan to use carbon credits to offset its emissions. However, it has established and implemented conservation measures and action plans to achieve the relevant targets.
	37. Climate-related Targets	
	38-40. Climate-related Targets	
	41. Cross-industry Indicators and Applicability of Industry Indicators	3.7 Addressing Climate Change Metrics (particularly cross-industry metric categories): We adopt a reasonable information gathering approach, utilising all reasonable and substantiated information that is available to us without incurring unnecessary cost or effort as of the reporting date.

INDEPENDENT AUDITOR'S REPORT



Forvis Mazars CPA Limited
富睿瑪澤會計師事務所有限公司

42nd Floor, Central Plaza
18 Harbour Road

Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

Tel 電話 : +852 2909 5555

Fax 傳真 : +852 2810 0032

Email 電郵 : info.hk@forvismazars.com

Website 網址 : www.forvismazars.com

TO THE MEMBERS OF SHENGLI OIL & GAS PIPE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shengli Oil & Gas Pipe Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 108 to 195, which comprise the consolidated statement of financial position at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “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 (“HKASAs”) as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the “*Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of property, plant and equipment and right-of-use assets</i></p> <p>At 31 December 2025, the Group has property, plant and equipment and right-of-use assets relating to the production of submerged-arc helical welded pipes and the related services business segment (the “Pipe Business”) with aggregate net carrying amounts of approximately RMB340,190,000.</p> <p>The Group identified two cash generating units in relation to the Pipe Business, namely “Shandong CGU” and “Xinjiang CGU”. The Group’s management engaged independent professional valuers to assess the recoverable amounts of Shandong CGU and Xinjiang CGU using the value-in-use calculation based on cash flow projections and the fair value less cost of disposal calculation, respectively, for the purpose of impairment assessment of property, plant and equipment and right-of-use assets relating to the Pipe Business.</p> <p>We have identified the impairment assessment of Pipe Business related property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the carrying amounts to the consolidated financial statements and significant judgement made by the Group’s management in determining the recoverable amounts of Shandong CGU and Xinjiang CGU.</p> <p>Related disclosures are included in Notes 4(i), 16 and 20 to the consolidated financial statements.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the independent professional valuers; • Assessing the appropriateness of the methodologies used by the independent professional valuers; • Assessing the appropriateness of using the value-in-use calculation for Shandong CGU and the fair value less cost of disposal calculation for Xinjiang CGU in determining the respective recoverable amounts; • Evaluating the reasonableness of key assumptions based on our knowledge of the industry and market of Shandong CGU and Xinjiang CGU; • Involving our internal valuation specialist to assist us in assessing the appropriateness of methodology and reasonableness of significant assumption used in the impairment assessment of the Pipe Business related property, plant and equipment and right-of-use assets; • Checking, on a sample basis, the accuracy and relevance of the input data provided by the Group’s management to the independent professional valuers; and • Checking arithmetical accuracy of the valuation calculation and recognition and disclosure of impairment loss (if any) of Shandong CGU and Xinjiang CGU.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses (“ECL”) assessment of trade receivables</i></p> <p>At 31 December 2025, the gross carrying amounts of trade receivables and the related allowance for ECL amounted to approximately RMB107,263,000 and RMB886,000, respectively.</p> <p>At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables.</p> <p>The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.</p> <p>We have identified ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty.</p> <p>Related disclosures are included in Notes 4(iii), 6 and 23 to the consolidated financial statements.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none"> • Understanding the Group’s credit risk management and practices and assessing the Group’s ECL policy in accordance with the requirements of applicable accounting standards; • Evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL; • Checking the aging profile of the trade receivables at the end of reporting period and the post period-end subsequent settlement from customers, on a sample basis, to underlying accounting records and supporting documents; • Understanding and evaluating the management’s process in identifying the relevant forward-looking information for the ECL assessment; and • Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group’s disclosures in relation to credit risk of the Group in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of Equity Investment – designated at fair value through other comprehensive income (“Equity Investment – Designated FVOCI”)</i></p> <p>The Group’s Equity Investment – Designated FVOCI of approximately RMB32,971,000 was reclassified to “Assets classified as held for sale” during the year ended 31 December 2025 and stated at fair value at the end of reporting period based on the valuation carried out by an independent professional valuer.</p> <p>We have identified the valuation of Equity Investment – Designated FVOCI as a key audit matter because the carrying amount of Equity Investment – Designated FVOCI was significant to the consolidated financial statements and the valuation required significant judgement and involved high level of uncertainty.</p> <p>Related disclosures are included in Notes 4(vi), 6, 19 and 31 to the consolidated financial statements.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the independent professional valuer; • Assessing the appropriateness of the methodology used by the independent professional valuer; • Evaluating the reasonableness of key assumptions based on our knowledge of the business and industry; • Involving our internal valuation specialist to assist us in assessing the appropriateness of methodology and reasonableness of significant assumption used in the valuation of Equity Investment – Designated FVOCI; • Checking, on a sample basis, the accuracy and relevance of the input data provided by management to independent professional valuer; • Checking arithmetical accuracy of the valuation calculation; and • Checking the disclosure in relation to the fair value measurement of Equity Investment – Designated FVOCI according to the applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2025 Annual Report of the Company 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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 of the Company.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated 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.

INDEPENDENT AUDITOR'S REPORT

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and 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.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 27 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

She Shing Pang

Practising Certificate number: P05510

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	8	903,164	570,069
Cost of sales and services		(794,469)	(510,933)
Gross profit		108,695	59,136
Other income and gains	9	19,423	7,657
Selling and distribution expenses		(44,309)	(32,487)
Administrative expenses		(87,638)	(78,334)
Other expenses		(1,244)	(800)
Share of results of an associate	18	18,386	14,588
(Provision for) Reversal of impairment loss on trade receivables, net	23	(347)	821
Compensation expenses for a litigation	39	(18,956)	—
Finance costs	10	(12,647)	(13,872)
Loss before tax	11	(18,637)	(43,291)
Income tax expenses	13	(57)	(57)
Loss for the year		(18,694)	(43,348)
Other comprehensive loss:			
<i>Item that will not be reclassified to profit or loss:</i>			
Changes in fair value of Equity Investment — Designated FVOCI	19	(29,648)	(34,645)
Total comprehensive loss for the year		(48,342)	(77,993)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
(Loss) Profit for the year attributable to:			
Owners of the Company		(18,910)	(42,564)
Non-controlling interests	17	216	(784)
		(18,694)	(43,348)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(47,965)	(77,209)
Non-controlling interests	17	(377)	(784)
		(48,342)	(77,993)
Loss per share			
Basic (RMB cents)	14	(0.49)	(1.10)
Diluted (RMB cents)		(0.49)	(1.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	16	197,354	211,882
Right-of-use assets	20	164,685	167,506
Investment in an associate	18	125,752	107,366
Equity Investment — Designated FVOCI	19	—	62,619
Deposits paid for acquisition of property, plant and equipment		161	75
Deferred tax assets	21	212	285
		488,164	549,733
Current assets			
Inventories	22	133,758	127,993
Trade receivables	23	106,377	49,129
Contract assets	24	39,644	36,317
Prepayments, deposits and other receivables	25	109,994	173,362
Restricted deposits	26	6,964	243
Cash and cash equivalents	26	90,311	127,720
		487,048	514,764
Assets classified as held for sale	31	32,990	—
		520,038	514,764
Current liabilities			
Trade and bills payables	27	156,434	46,104
Other payables and accruals	28	18,514	19,756
Contract liabilities	24	128,441	259,063
Lease liabilities	20	725	1,041
Borrowings	29	217,359	203,866
Deferred income	30	292	292
		521,765	530,122
Liabilities associated with assets classified as held for sale	31	18,956	—
		540,721	530,122
Net current liabilities		(20,683)	(15,358)
Total assets less current liabilities		467,481	534,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	20	1,726	—
Borrowings	29	86,000	105,970
Deferred income	30	556	848
Deferred tax liabilities	21	212	228
		88,494	107,046
NET ASSETS			
		378,987	427,329
Capital and reserves			
Issued capital	32	334,409	334,409
Reserves	33	35,808	83,773
Equity attributable to owners of the Company			
		370,217	418,182
Non-controlling interests			
	17	8,770	9,147
TOTAL EQUITY			
		378,987	427,329

The consolidated financial statements on pages 108 to 195 were approved and authorised for issue by the Board of Directors on 27 March 2026 and signed on its behalf by

Zhang Bizhuang
Director

Han Aizhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Statutory surplus reserve	Share option reserve	FVOCI reserve	Capital reserve	Other reserve	Accumulated losses			
	RMB'000 (Note 32)	RMB'000 (Note 33(a))	RMB'000 (Note 33(b))	RMB'000 (Note 33(c))	RMB'000 (Note 33(d))	RMB'000 (Note 33(e))	RMB'000 (Note 33(f))	RMB'000	RMB'000	RMB'000	
At 1 January 2024	334,409	1,230,106	62,484	1,100	—	—	(9)	(1,132,891)	495,199	8,233	503,432
Loss for the year	—	—	—	—	—	—	—	(42,564)	(42,564)	(784)	(43,348)
Other comprehensive loss											
<i>Item that will not be reclassified to profit or loss:</i>											
Changes in fair value of Equity Investment – Designated FVOCI (Note 19)	—	—	—	—	(34,645)	—	—	—	(34,645)	—	(34,645)
Total other comprehensive loss for the year	—	—	—	—	(34,645)	—	—	—	(34,645)	—	(34,645)
Total comprehensive loss for the year	—	—	—	—	(34,645)	—	—	(42,564)	(77,209)	(784)	(77,993)
Transactions with owners											
<i>Contributions and distributions</i>											
Forfeited share options (Note 34)	—	—	—	(899)	—	—	—	899	—	—	—
<i>Changes in ownership interests</i>											
Changes in ownership interests in a subsidiary that do not result in a loss of control (Note 17)	—	—	—	—	—	192	—	—	192	1,698	1,890
Total transactions with owners	—	—	—	(899)	—	192	—	899	192	1,698	1,890
At 31 December 2024	334,409	1,230,106	62,484	201	(34,645)	192	(9)	(1,174,556)	418,182	9,147	427,329

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company										
	Issued capital	Share premium	Statutory surplus reserve	Share option reserve	FVOCI reserve	Capital reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 (Note 32)	RMB'000 (Note 33(a))	RMB'000 (Note 33(b))	RMB'000 (Note 33(c))	RMB'000 (Note 33(d))	RMB'000 (Note 33(e))	RMB'000 (Note 33(f))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	334,409	1,230,106	62,484	201	(34,645)	192	(9)	(1,174,556)	418,182	9,147	427,329
(Loss) Profit for the year	-	-	-	-	-	-	-	(18,910)	(18,910)	216	(18,694)
Other comprehensive loss <i>Item that will not be reclassified to profit or loss:</i>											
Changes in fair value of Equity Investment – Designated FVOCI (Note 19)	-	-	-	-	(29,055)	-	-	-	(29,055)	(593)	(29,648)
Total other comprehensive loss for the year	-	-	-	-	(29,055)	-	-	-	(29,055)	(593)	(29,648)
Total comprehensive loss for the year	-	-	-	-	(29,055)	-	-	(18,910)	(47,965)	(377)	(48,342)
Transactions with owners <i>Contributions and distributions</i>											
Forfeited share options (Note 34)	-	-	-	(201)	-	-	-	201	-	-	-
Total transactions with owners	-	-	-	(201)	-	-	-	201	-	-	-
At 31 December 2025	334,409	1,230,106	62,484	-	(63,700)	192	(9)	(1,193,265)	370,217	8,770	378,987

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(18,637)	(43,291)
Adjustments for:			
Finance costs		12,647	13,872
Interest income		(470)	(1,126)
Share of results of an associate		(18,386)	(14,588)
Compensation income		(981)	—
Write-off of payables in acquisition of property, plant and equipment		(3,423)	—
Depreciation of property, plant and equipment		17,475	19,381
Depreciation of right-of-use assets		5,272	5,209
Loss on disposal of property, plant and equipment, net		125	55
Provision for (Reversal of) impairment loss on trade receivables, net		347	(821)
Compensation expenses for a litigation		18,956	—
Reversal of write-down of inventories		(3,818)	(1,471)
Recognition of deferred income	30	(292)	(292)
Operating cash flows before changes in working capital		8,815	(23,072)
Changes in working capital:			
Inventories		(1,947)	(4,127)
Trade receivables		(57,595)	13,618
Contract assets		(3,327)	5,842
Prepayments, deposits and other receivables		61,464	(55,422)
Trade and bills payables		110,330	1,607
Other payables and accruals		2,509	223
Contract liabilities		(130,622)	77,573
Cash (used in) generated from operations and net cash (used in) from operating activities		(10,373)	16,242

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		(2,494)	(3,135)
Proceeds from disposal of property, plant and equipment		47	68
Changes in restricted deposits		(6,721)	10,940
Consideration received for the Partial Disposal	17	1,890	—
Interest received		470	1,126
Net cash (used in) from investing activities		(6,808)	8,999
FINANCING ACTIVITIES			
Inception of borrowings	35(b)	288,250	183,650
Repayment of borrowings		(294,727)	(203,381)
Repayment of lease liabilities		(1,068)	(1,003)
Interest paid		(12,683)	(14,105)
Net cash used in financing activities		(20,228)	(34,839)
Net decrease in cash and cash equivalents		(37,409)	(9,598)
Cash and cash equivalents at the beginning of the reporting period		127,720	137,318
Cash and cash equivalents at the end of the reporting period	26	90,311	127,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

1. GENERAL INFORMATION

Shengli Oil & Gas Pipe Holdings Limited (the “Company” together with its subsidiaries collectively referred to as the “Group”) is a limited liability company incorporated in the Caymans Islands on 3 July 2009. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 18 December 2009. The address of the Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business of the Company in Hong Kong and the People’s Republic of China (the “PRC”) are located at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and Zhongbu Town, Zhangdian District, Zibo City, Shandong Province 255082, Chinese Mainland of the PRC, respectively.

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in Notes 17 and 18 to the consolidated financial statements, respectively.

2. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations as issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Renminbi (“RMB”) which is also the Company’s functional currency and all amounts have been rounded to the nearest thousand (“RMB’000”), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the new/revised IFRS Accounting Standard and effective from the current year as set out below.

Changes in accounting policies

The Group has applied, for the first time, the following new/revised IFRS Accounting Standard that is applicable to the current reporting period:

Amendments to IAS 21

Lack of Exchangeability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

Amendments to IAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the above amendment does not have any significant impact on the consolidated financial statements.

A summary of the material accounting policies adopted by the Group is set out below.

Going concern

At 31 December 2025, the current liabilities of the Group exceeded its current assets by approximately RMB20,683,000.

The directors of the Company have prepared the Group's cash flow projections covering a period of not less than twelve months from 31 December 2025. Based on the cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025.

The directors of the Company are of the opinion that, taking into account of (i) the cash flow projections of the Group and (ii) the confirmed credit commitments from financial institutions, the Group has sufficient working capital for its present requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for an equity investment at fair value through other comprehensive income ("Equity Investment — Designated FVOCI") which is measured at fair value as explained in the material accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to the end of each reporting period. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment loss. The carrying amounts of the investments are reduced to their respective recoverable amount on an individual basis, if it is higher than the recoverable amount.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Associates

An associate is entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currency translation

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 also the functional currency of the Group and principal operating subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–60 years or over the terms of the leases
Plant and machinery	10 years
Motor vehicles	6 years
Electronic equipment and others	4–5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents plant and machinery, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the reporting period, no development cost was capitalised by the Group.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2%
Office premises	33%–50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below RMB30,000.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Recognition and derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the time frame established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

(i) Financial assets at amortised cost

Financial assets are classified under this category if they satisfy both of the following conditions:

- (a) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (b) the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

The Group's financial assets at amortised cost include trade receivables, deposits and other receivables, restricted deposits and cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets of the Group are classified under the following categories:

(ii) *Equity investments measured at fair value through other comprehensive income (“Designated FVOCI”)*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group’s financial assets at Designated FVOCI include an unlisted equity investment in a private entity incorporated in Chinese Mainland of the PRC.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“life time expected credit losses”) for trade receivables and contract assets or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of life time expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

The Group's financial liabilities include trade and bills payables, other payables and accrual, lease liabilities, borrowings and compensation payable for a litigation. All financial liabilities, except for financial liabilities at fair value through profit or loss ("FVPL"), are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the consolidated statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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 reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- (a) Sale of pipe;
- (b) Rendering of services related to pipe business; and
- (c) Trading of commodities.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers within IFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) 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.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of pipe and trading of commodities are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered and title has been passed.

Revenue from rendering of services related to pipe business is recognised at a point in time at which the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract assets

Contract assets are primarily related to the Group's rights to consideration for sales of goods or services completed and not billed because the rights to bill are conditional until the end of the quality guarantee periods. The contract assets are transferred to trade receivables when the rights become unconditional (i.e. the date of acceptance certificates issued by the customers). During that period, any significant financing components, if applicable, is included within the contract assets and recognised as interest income.

Contract liabilities

It is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Revenue from other sources

Rental income

Rental income is recognised on a straight-line basis over the lease term.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue from other sources (Continued)

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of Hong Kong dollars ("HK\$") 30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in Chinese Mainland of the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme.

No forfeited contributions of the Group may be used by the employers to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance in Hong Kong is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits/losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Borrowing costs

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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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

Related parties

A related party is a person or entity that is related to the Group:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (except investments, deferred tax assets, inventories and receivables) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

3. FUTURE CHANGES IN IFRS ACCOUNTING STANDARDS

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the current year, which the Group has not early adopted.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Annual Improvements to IFRS Accounting Standards	Volume 11 ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IAS 21	Translation to Hyperinflationary Presentation Currency ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ The effective date to be determined

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”*. 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 IFRS 18 may affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group’s consolidated financial statements.

Except for the above, the directors of the Company do not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the consolidated financial statements of the Group.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES

Estimates and assumptions concerning the future and judgements are made by the directors of the Company in the preparation of the consolidated financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period.

(i) Impairment loss on non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets, including property, plant and equipment and right-of-use assets, at the end of each reporting period. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value-in-use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

(ii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Loss allowance for expected credit losses

The Group makes impairment loss for expected credit losses based on assessments of the recoverability of the trade receivables, contract assets and deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of expected credit losses requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and contract assets and expected credit losses in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Impairment loss recognised in respect of investment in an associate

Investment in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculation is used for assessing the recoverable amount of the interests. These calculation requires use of judgments and estimates.

Management judgment is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying amount of interests may not be recoverable; and (ii) whether the carrying amount of the investment in an associate can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and consolidated results of operations.

(v) Write-down of inventories

The Group determines the write-down for obsolescence of inventories with reference to aged inventory analyses and projections of expected future sale ability of goods. Based on this review, write-down of inventories will be made when the carrying amounts of inventories are lower than their estimated net realisable values. Due to changes in market conditions, actual sale ability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(vi) Fair value of Equity Investment – Designated FVOCI

The fair value of Equity Investment — Designated FVOCI that is not traded in active market is determined by valuation techniques. Fair value of Equity Investment — Designated FVOCI at the reporting date is estimated by the management of the Group based on assets approach with reference to the valuation report prepared by an independent professional valuer. Valuation techniques that include inputs that are not based on observable market data and require the management of the Group to make judgement on the assumptions made in the valuation assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged during the years ended 31 December 2025 and 2024.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise restricted deposits, cash and cash equivalents and borrowings. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as Equity Investment – Designated FVOCI, trade receivables, trade and bills payables, contract assets, contract liabilities, other receivables and deposits, other payables and accruals, compensation payable for a litigation and lease liabilities.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing borrowings with variable interest rate of approximately RMB272,620,000 (2024: approximately RMB276,040,000) at 31 December 2025. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 29 to the consolidated financial statements.

At 31 December 2025, if the interest rates had been 1% higher/lower while all other variables were held constant, the Group's consolidated loss before tax for the year ended 31 December 2025 would be increased/decreased by approximately RMB2,726,000 (2024: approximately RMB2,760,000) as a result of changes in interest expenses on interest-bearing borrowings.

The above sensitivity analysis has been determined assuming that the reasonably possible changes in the interest rate has occurred at the beginning of the reporting period and has been applied to the exposure to interest rate risk in existence at the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk because the exposure at 31 December 2025 and 31 December 2024 do not reflect the exposure during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

At 31 December 2025, the Group is exposed to price risk arising from Equity Investment — Designated FVOCI amounted to approximately RMB32,971,000 (2024: approximately RMB62,619,000). Since August 2025, the Group intended to dispose of the entire equity investment (Notes 19 and 31), the Group does not actively trade the equity investment. The sensitivity analysis has been determined based on the exposure to price risk.

At 31 December 2025, if the fair value of Equity Investment — Designated FVOCI had been 5% higher/lower while all other variables were held constant, the Group's total other comprehensive loss would be decreased/increased by approximately RMB1,649,000 (2024: approximately RMB3,131,000) as a result of changes in fair value of Equity Investment — Designated FVOCI.

The above sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of Equity Investment — Designated FVOCI had occurred at 31 December 2025 and 31 December 2024 and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investments over the next 12 months after the years ended 31 December 2025 and 2024.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at 31 December 2025 and 31 December 2024 do not reflect the exposure during the years ended 31 December 2025 and 2024.

Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

In addition, the Group continuously monitors its trade receivable and contract assets balance and insists that sales persons are responsible for cash collection, and the persons who approve sales contracts are accountable for the collection of receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group's other financial assets include restricted deposits, cash and cash equivalents and other receivables and deposits. Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Chinese Mainland of the PRC and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's restricted deposits and other receivables and deposits arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

At 31 December 2025, the Group had certain concentration of credit risk as approximately 69% (2024: approximately 29%) and approximately 94% (2024: approximately 73%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written-off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and its own funding sources.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Total RMB'000	Carrying amounts in the consolidated statement of financial position RMB'000
At 31 December 2025					
Trade and bills payables	156,434	—	—	156,434	156,434
Financial liabilities included in other payables and accruals	15,512	—	—	15,512	15,512
Compensation payable for a litigation	18,956	—	—	18,956	18,956
Lease liabilities	832	909	909	2,650	2,451
Borrowings	225,182	89,043	—	314,225	303,359
	416,916	89,952	909	507,777	496,712
					Carrying amounts in the consolidated statement of financial position RMB'000
	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Total RMB'000	
At 31 December 2024					
Trade and payables	46,104	—	—	46,104	46,104
Financial liabilities included in other payables and accruals	18,850	—	—	18,850	18,850
Lease liabilities	1,068	—	—	1,068	1,041
Borrowings	213,508	107,023	—	320,531	309,836
	279,530	107,023	—	386,553	375,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets:		
Financial assets at amortised cost		
Trade receivables	106,377	49,129
Financial assets included in prepayments, deposits and other receivables	107,903	168,164
Contract assets	39,644	36,317
Restricted deposits	6,964	243
Cash and cash equivalents	90,311	127,720
	351,199	381,573
Financial assets at fair value		
Equity Investment — Designated FVOCI (Remark)	32,971	62,619
	384,170	444,192
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and bills payables	156,434	46,104
Financial liabilities included in other payables and accruals	15,512	18,850
Compensation payable for a litigation (Remark)	18,956	—
Borrowings	303,359	309,836
Lease liabilities	2,451	1,041
	496,712	375,831

Remark:

Included in “Assets classified as held for sale” and “Liabilities associated with assets classified as held for sale”, respectively for balances at 31 December 2025 (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "Fair Value Measurement", with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

a) Financial instruments that are measured at fair value

Financial assets	Fair value at the end of the reporting period RMB	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Equity Investment – Designated FVOCI						
Unlisted equity investment	32,971,000 (2024: 62,619,000)	Level 3	Adjusted asset approach	Marketability discount of 38.8% (2024: 20.0%)	The higher the discount rate, the lower the fair value.	If the discount rate increased/decreased by 1%, the fair value of the unlisted equity investment would be decreased/increased by approximately RMB539,000 (2024: RMB3,913,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement (Continued)

a) Financial instruments that are measured at fair value (Continued)

Movements in Level 3 fair value measurements is as follow:

	RMB'000
At 1 January 2024	97,264
Change in fair value recognised in other comprehensive income (Note 19)	(34,645)
At 31 December 2024 and 1 January 2025	62,619
Change in fair value recognised in other comprehensive income (Note 19)	(29,648)
At 31 December 2025	32,971

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3.

b) Financial instruments not measured at fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

7. OPERATING SEGMENT INFORMATION

During the years ended 31 December 2025 and 2024, the Group has two reportable segments which comprise of (i) production of submerged-arc helical welded pipes (the “SAWH pipes”) and the related services which are mainly used for the oil and infrastructure industry (the “Pipe Business”) and (ii) trading of commodities (the “Trading Business”). Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets exclude deferred tax assets, Equity Investment — Designated FVOCI, restricted deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

7. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude borrowings, deferred tax liabilities, compensation payable for a litigation and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment results represent the loss resulted by each segment without taking into account the allocation of interest income, rental income, compensation income, compensation expenses for a litigation, finance costs, central administration costs including directors' and chief executive's fees and items not directly related to the core business of the segments.

Segment revenue and results

The followings are analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2025

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	903,164	—	903,164
Segment results	27,410	(1,949)	25,461
Interest income			470
Rental income			781
Compensation income			981
Compensation expenses for a litigation			(18,956)
Unallocated other corporate expenses			(14,727)
Finance costs			(12,647)
Loss before tax			(18,637)
Income tax expenses			(57)
Loss for the year			(18,694)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

7. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2024

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	559,375	10,694	570,069
Segment results	(14,835)	(2,788)	(17,623)
Interest income			1,126
Rental income			984
Unallocated other corporate expenses			(13,906)
Finance costs			(13,872)
Loss before tax			(43,291)
Income tax expenses			(57)
Loss for the year			(43,348)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

7. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segments is set out below:

2025

	Pipe Business RMB'000	Trading Business RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	949,197	442	58,563	1,008,202
Segment liabilities	(301,888)	(3)	(327,324)	(629,215)
Other segment information:				
Rental income	—	—	781	781
Compensation income	—	—	981	981
Write-off of payables in acquisition of property, plant and equipment	3,423	—	—	3,423
Compensation expenses/payable for a litigation	—	—	18,956	18,956
Reversal of write-down of inventories, net	3,818	—	—	3,818
Provision for impairment loss on trade receivables, net	347	—	—	347
Share of results of an associate	18,386	—	—	18,386
Loss on disposal of property, plant and equipment, net	125	—	—	125
Depreciation	21,670	—	1,077	22,747
Investment in an associate	125,752	—	—	125,752
Equity Investment — Designated FVOCI	—	—	32,990	32,990
Finance costs	—	—	12,647	12,647
Capital expenditure (Note)	1,774	—	1,345	3,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

7. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

2024

	Pipe Business RMB'000	Trading Business RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	949,785	24,103	90,609	1,064,497
Segment liabilities	(324,250)	(8)	(312,910)	(637,168)
Other segment information:				
Rental income	—	—	984	984
Reversal of write-down of inventories, net	1,471	—	—	1,471
Reversal of impairment loss on trade receivables, net	821	—	—	821
Share of results of an associate	14,588	—	—	14,588
Loss on disposal of property, plant and equipment, net	55	—	—	55
Depreciation	22,896	—	1,694	24,590
Investment in an associate	107,366	—	—	107,366
Equity Investment — Designated FVOCI	—	—	62,619	62,619
Finance costs	—	—	13,872	13,872
Capital expenditure (Note)	2,242	—	13,193	15,435

Note: Amount included in the capital expenditure represented the additions of property, plant and equipment of approximately RMB3,119,000 (2024: approximately RMB15,435,000).

Geographical Information

The geographical location of the Group's revenue from external customers is presented based on the location of the customers. No geographical analysis on revenue from external customers is provided as substantially all of the Group's revenue is principally attributable to Chinese Mainland of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

7. OPERATING SEGMENT INFORMATION (Continued)

Geographical Information (Continued)

The geographical location of the Group's non-current assets, other than investment in an associate, Equity Investment — Designated FVOCI and deferred tax assets, is presented based on the location of the assets as follows:

Non-current assets

	2025 RMB'000	2024 RMB'000
Chinese Mainland of the PRC	359,747	378,501
Hong Kong	2,453	962
	362,200	379,463

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	2025 RMB'000	2024 RMB'000
Customer A	703,017	375,443

8. REVENUE

(i) Disaggregation of revenue from contracts with customers within IFRS 15

	2025 RMB'000	2024 RMB'000
Types of goods or service		
Pipe Business		
Sales of pipe	824,128	514,921
Rendering of services related to the Pipe Business	79,036	44,454
	903,164	559,375
Trading Business		
Trading of commodities	—	10,694
	903,164	570,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

8. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers within IFRS 15 (Continued)

For the year ended 31 December 2025

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Geographical markets			
Chinese Mainland of the PRC	903,164	—	903,164
Timing of revenue recognition			
At a point in time	903,164	—	903,164

For the year ended 31 December 2024

	Pipe Business RMB'000	Trading Business RMB'000	Total RMB'000
Geographical markets			
Chinese Mainland of the PRC	559,375	10,694	570,069
Timing of revenue recognition			
At a point in time	559,375	10,694	570,069

(ii) Performance obligations for contracts with customers

Sales of pipe and rendering of related services

The Group manufactures and sells SAWH pipes and provides anti-corrosion processing service to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Warranty provision is recognised based on the management's best estimates on the Group's liabilities under the standard warranty terms granted with reference to the prior experience for the defective products. In the opinion of the directors of the Company, no warranty provision is recognised for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

8. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Sales of pipe and rendering of related services (Continued)

Sales to third party customers are normally made with credit terms up to 180 days for the years ended 31 December 2025 and 2024. Sales to an associate are made with credit terms of 30 days for the years ended 31 December 2025 and 2024. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the consideration is unconditional.

Trading Business

The Group sells commodities to the customers. Sales are recognised when control of the commodities has transferred, being when the commodities are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the commodities and the customer has obtained legal titles to the commodities.

Sales to customers are normally made with credit terms of 90 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the commodities are delivered to the customers 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

9. OTHER INCOME AND GAINS

	2025 RMB'000	2024 RMB'000
Other income		
Interest income	470	1,126
Government grants (Note (i))	632	292
Rental income	781	984
Write-off of payables in acquisition of property, plant and equipment	3,423	—
Others	714	751
	6,020	3,153
Other gains		
Compensation income (Note (ii))	981	—
Compensation income received from suppliers in respect of late delivery	735	—
Gain on sales of materials	11,687	4,504
	13,403	4,504
	19,423	7,657

Notes:

- (i) In the opinion of the directors of the Company, there was no unfulfilled condition or contingency relating to the government grants.
- (ii) During the year ended 31 December 2025, the Group, as a plaintiff, received certain properties, with an aggregated amount of approximately RMB981,000, with reference to the amounts stated in the enforcement order issued by 山東省淄博市中級人民法院 (Zibo City Intermediate People's Court, Shandong[#]), from an independent third party (the "Defendant"), as a defendant, for partial settlement of financial compensation, in relation to a litigation of approximately RMB1,712,000 payables to the Group against the Defendant (the "Settlement"). The Settlement was on a dollar-to-dollar basis. In the opinion of the directors of the Company, the remaining financial compensation of approximately RMB731,000 has not been recognised in the profit or loss as the Defendant is known to have financial difficulties and the recoverability of the amount is not probable.

[#] The English name is for identification only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

10. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank loans	10,967	11,612
Interest on other loans	1,653	2,177
Interest on lease liabilities	27	83
	12,647	13,872

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2025 RMB'000	2024 RMB'000
Employees benefits expenses (including directors' remuneration in Note 12):		
Wages and salaries	52,378	43,708
Performance related bonus	186	240
Pension scheme contributions	10,607	10,972
Welfare and other expenses	2,425	1,845
	65,596	56,765
Other items		
Auditor's remuneration		
— Audit services	1,614	1,650
— Non-audit services	324	377
Cost of inventories sold (Notes (i) and (ii))	748,826	483,265
Cost of services	45,643	27,668
Depreciation of property, plant and equipment	17,475	19,381
Depreciation of right-of-use assets	5,272	5,209
Exchange losses, net	68	373
Loss on disposal of property, plant and equipment, net	125	55
Short-term lease payments	308	184
Write-off of payables in acquisition of property, plant and equipment	(3,423)	—
Research and development expenses (Note (iii))	8,336	—

Notes:

- (i) Included in the cost of inventories sold are amounts of approximately RMB3,818,000 (2024: RMB1,471,000) related to the reversal of write-down of inventories as a result of utilisation of inventories which have been written-down in prior years for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

11. LOSS BEFORE TAX (Continued)

Notes: (Continued)

- (ii) Cost of inventories sold includes approximately RMB59,091,000 (2024: RMB52,212,000) relating to aggregate amounts of certain staff costs, depreciation and short-term lease payments, which are included in the respective total amounts disclosed separately above for the year ended 31 December 2025.
- (iii) The Group carried out several research and development projects for enhancement of the existing products quality and production efficiency. Having considered the enhancement to the existing products' quality and production efficiency cannot be clearly quantified, the costs incurred in the enhancement are recognised in the profit or loss as incurred during the reporting period.

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

12(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the reporting period, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2025

	Directors' fees RMB'000	Salaries, wages, allowances and other benefits-in-kind RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Zhang Bizhuang (Note (i))	183	758	45	111	1,097
Han Aizhi	183	539	48	16	786
Wang Kunxian	183	579	48	128	938
Wei Jun (Note (ii))	183	641	—	—	824
Non-executive directors:					
Huang Xingwang (Note (iii))	275	—	—	—	275
Independent non-executive directors:					
Chen Junzhu	261	—	—	14	275
Qi Defu (Note (iv))	275	—	—	—	275
Qiao Jianmin	275	—	—	—	275
	1,818	2,517	141	269	4,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

12(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2024

	Directors' fees RMB'000	Salaries, wages, allowances and other benefits-in-kind RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Zhang Bizhuang (Note (i))	182	672	53	64	971
Han Aizhi	182	509	42	17	750
Wang Kunxian	182	557	44	65	848
Zhang Bangcheng (Note (v))	87	302	—	18	407
Zhang Danyu (Note (vi))	79	200	—	—	279
Co-chief executive officer:					
Zhang Liucheng (Note (vii))	—	338	—	41	379
Non-executive directors:					
Wei Jun (Note (ii))	274	—	—	—	274
Huang Xingwang (Note (iii))	137	—	—	—	137
Independent non-executive directors:					
Chen Junzhu	260	—	—	14	274
Wu Geng (Note (viii))	86	—	—	—	86
Qi Defu (Note (iv))	188	—	—	—	188
Qiao Jianmin	274	—	—	—	274
	1,931	2,578	139	219	4,867

Notes:

- (i) Mr. Zhang Bizhuang also acted as the chief executive officer of the Company for the years ended 31 December 2025 and 2024.
- (ii) Mr. Wei Jun was redesignated as an executive director of the Company on 1 January 2025.
- (iii) Mr. Huang Xingwang was appointed as a non-executive director of the Company on 1 July 2024.
- (iv) Mr. Qi Defu was appointed as an independent non-executive director of the Company on 24 April 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

12(a) Directors' and chief executive's emoluments (Continued)

Notes: (Continued)

- (v) Mr. Zhang Bangcheng resigned as an executive director of the Company on 21 June 2024.
- (vi) Mr. Zhang Danyu was redesignated as a non-executive director of the Company on 24 April 2024. On 22 May 2024, Mr. Zhang Danyu resigned as a non-executive director of the Company.
- (vii) Mr. Zhang Liucheng resigned as a co-chief executive officer of the Company on 24 March 2024.
- (viii) Mr. Wu Geng resigned as an independent non-executive director of the Company on 24 April 2024.

For the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors or chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors or chief executive of the Company waived or agreed to waive any emoluments in respect of the years ended 31 December 2025 and 2024.

12(b) Five highest paid individuals' emoluments

The five highest paid individuals of the Group for the year included four (2024: four) directors whose emoluments are reflected in the analysis presented above and one (2024: one) non-director individuals whose emoluments are disclosed as follows:

	Number of individuals	
	2025	2024
Director (Remark)	4	4
Non-director	1	1
	5	5

Remark:

It included an executive director who resigned during the year ended 31 December 2024.

Details of the remunerations of the above highest paid non-director individuals are as follow:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and other benefits-in-kind	551	565
Performance related bonus	45	43
Retirement benefit scheme contributions	97	37
	693	645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

12(b) Five highest paid individuals' emoluments (Continued)

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	2025	2024
Nil to HK\$1,000,000	1	1

For the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the highest paid individuals as a payment for loss of office or as an inducement to join or upon joining the Group.

For the years ended 31 December 2025 and 2024, no highest paid individuals as set out above waived or agreed to waive any emoluments.

13. TAXATION

	2025 RMB'000	2024 RMB'000
Current tax	—	—
Deferred tax		
Changes in temporary differences (Note 21)	57	57
Income tax expenses	57	57

For the years ended 31 December 2025 and 2024, the assessable profits of Hong Kong incorporated qualifying subsidiary of the Group are entitled to the two-tiered profits tax rates regime that the first HK\$2,000,000 of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax has not been provided as the Group had no assessable profits in Hong Kong for the years ended 31 December 2025 and 2024.

Singapore Corporate Income Tax ("CIT") is calculated at 17% of the assessable profits for the years ended 31 December 2025 and 2024. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

13. TAXATION (Continued)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in Chinese Mainland of the PRC was 25% for the years ended 31 December 2025 and 2024. For the year ended 31 December 2025, PRC EIT has not been provided as (i) the assessable profits of the entities in Chinese Mainland of the PRC for the year were wholly absorbed by unrelieved tax losses brought forward from previous years and (ii) certain Group’s entities in Chinese Mainland of the PRC either incurred a loss for taxation purposes or had no assessable profits for the year. For the year ended 31 December 2024, PRC EIT has not been provided as the Group’s entities in Chinese Mainland of the PRC incurred a loss for taxation purposes.

Reconciliation of income tax expenses

	2025 RMB'000	2024 RMB'000
Loss before tax	(18,637)	(43,291)
Tax at the applicable tax rate of companies within the Group of 25% (2024: 25%)	(4,659)	(10,823)
Expenses not deductible for tax	8,197	3,517
Income not taxable for tax	(163)	(114)
Tax losses not recognised	3,266	10,147
Utilisation of previously unrecognised tax losses	(3,044)	—
Effect of different tax rates of subsidiaries	1,057	977
Tax effect of results attributable to an associate	(4,597)	(3,647)
Income tax expenses	57	57

Notes:

- (i) At 31 December 2025, the Group has unused tax losses of approximately RMB198,329,000 (2024: approximately RMB350,973,000) available for offset against future profits. During the year ended 31 December 2025, the Group’s unused tax losses of approximately RMB153,532,000 (2024: RMB79,424,000) was expired. No deferred tax asset has been recognised of such losses for the years ended 31 December 2025 and 2024 due to the unpredictability of future profit streams. At 31 December 2025, the unused tax loss will be expired from 2026 to 2030 (2024: 2025 to 2029).
- (ii) Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland of the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland of the PRC and the jurisdiction of the foreign investors. The applicable tax rate for the Group is 10% and therefore the Group is liable to 10% withholding tax on dividends distributed by subsidiaries in Chinese Mainland of the PRC in respect of earnings generated from 1 January 2008 and afterwards. No deferred tax liabilities in respect of withholding tax is recognised as the Group has no undistributable profits retained in Chinese Mainland of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

14. LOSS PER SHARE

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

	2025 RMB'000	2024 RMB'000
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(18,910)	(42,564)
	2025	2024
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	3,874,365,600	3,874,365,600

For the years ended 31 December 2025 and 2024, the computation of diluted loss per share does not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company.

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2025 and 2024.

15. DIVIDENDS

The Board of Directors has resolved not to declare any final dividend and interim dividend for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2025

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Costs						
At 1 January 2025	329,182	592,131	7,502	5,770	5,076	939,661
Additions	1,345	1,640	84	50	—	3,119
Disposals	—	(2,455)	—	(435)	—	(2,890)
At 31 December 2025	330,527	591,316	7,586	5,385	5,076	939,890
Accumulated depreciation and impairment losses						
At 1 January 2025	142,738	569,249	5,588	5,128	5,076	727,779
Disposals	—	(2,297)	—	(421)	—	(2,718)
Depreciation	11,433	5,354	623	65	—	17,475
At 31 December 2025	154,171	572,306	6,211	4,772	5,076	742,536
Carrying amounts						
At 31 December 2025	176,356	19,010	1,375	613	—	197,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Year ended 31 December 2024

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Costs						
At 1 January 2024	315,989	590,859	8,639	6,030	6,817	928,334
Additions	13,193	1,113	332	58	739	15,435
Transfers	—	2,480	—	—	(2,480)	—
Disposals	—	(2,321)	(1,469)	(318)	—	(4,108)
At 31 December 2024	329,182	592,131	7,502	5,770	5,076	939,661
Accumulated depreciation and impairment losses						
At 1 January 2024	130,630	564,920	6,418	5,339	5,076	712,383
Disposals	—	(2,252)	(1,426)	(307)	—	(3,985)
Depreciation	12,108	6,581	596	96	—	19,381
At 31 December 2024	142,738	569,249	5,588	5,128	5,076	727,779
Carrying amounts						
At 31 December 2024	186,444	22,882	1,914	642	—	211,882

Notes:

- (a) At 31 December 2025 and 2024, the Group was in the process of applying for the title certificates of buildings with an aggregate net carrying amount of approximately RMB5,648,000 (2024: approximately RMB5,817,000). The directors of the Company are of the view that the Group is entitled to lawful and valid occupy and use the abovementioned buildings in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2025 and 2024.
- (b) In light of the continuous segment losses of the Group's Pipe Business over past years, the management of the Group considered that the property, plant and equipment and right-of-use assets relating to the Pipe Business might be impaired. In view of this, the management of the Group estimated the recoverable amount of the cash-generating units in relation to the Pipe Business as the higher of the fair value less costs of disposal calculation and the value-in-use calculation.

At 31 December 2025 and 2024, the Group identified two cash generating units in relation to the Pipe Business, namely "Shandong CGU" and "Xinjiang CGU".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(b) (Continued)

Shandong CGU

In respect of Shandong CGU, the Group estimated its recoverable amounts at 31 December 2025 and 2024 with reference to the value-in-use calculation using cash flow projections based on the valuation report prepared by CHFT Advisory and Appraisal Limited, an independent professional valuer. The financial budgets of Shandong CGU adopted in cash flow projections were approved by the Group's management covering a 5-year period to be derived from Shandong CGU. The significant inputs into this valuation approach are (i) the budgeted gross margin of 10.8% (2024: 7.7%); (ii) pre-tax discount rate of 9.4% (2024: 9.7%) to derive the present value of future cash flows; and (iii) long-term growth rate of 2.0% (2024: 3.0%).

At 31 December 2025, the net carrying amounts of property, plant and equipment and right-of-use assets relating to Shandong CGU were approximately RMB148,919,000 (2024: approximately RMB164,008,000) and RMB153,742,000 (2024: approximately RMB157,802,000), respectively, totalling approximately RMB302,661,000 (2024: approximately RMB321,810,000). Based on the assessment, the recoverable amounts of Shandong CGU at 31 December 2025 and 2024 based on the value-in-use calculation exceeds its net carrying amounts by approximately RMB25,670,000 and RMB12,074,000, respectively, and therefore no impairment loss was recognised in respect of Shandong CGU for the years ended 31 December 2025 and 2024.

Xinjiang CGU

In respect of Xinjiang CGU, the Group estimated its recoverable amounts at 31 December 2025 and 2024 with reference to the fair value less cost of disposal calculation by reference to recent market transactions of similar plant and machinery and land and buildings based on the valuation report prepared by an independent profession valuer, 新疆德合資產評估事務所 (Xinjiang Dehe Assets Evaluation Co., Ltd. #) (2024: 新疆華光萬象資產評估有限公司 (Xinjiang Huaguang Wanxiang Assets Evaluation Co., Ltd. #)). The significant inputs into this valuation approach are (i) the relevant adjusted price indices and (ii) expected useful life of the relevant assets.

At 31 December 2025, the net carrying amounts of property, plant and equipment and right-of-use assets relating to Xinjiang CGU were approximately RMB29,037,000 (2024: approximately RMB29,702,000) and RMB8,492,000 (2024: approximately RMB8,746,000), respectively, totalling approximately RMB37,529,000 (2024: approximately RMB38,448,000). Based on the assessment, the recoverable amounts of Xinjiang CGU at 31 December 2025 and 2024 based on the fair value less cost of disposal exceeds its net carrying amounts by approximately RMB10,557,000 and RMB10,899,000, respectively, and therefore no impairment loss was recognised in respect of Xinjiang CGU for the years ended 31 December 2025 and 2024.

The English name is for identification only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up share/ registered paid-up capital	% of ownership interests/voting rights held by the Group	Principal activities
Indirectly held:				
Shandong Shengli Steel Pipe Co., Ltd. [#] ("Shandong Shengli Steel Pipe") (山東勝利鋼管有限公司) (Note (i))	Chinese Mainland of the PRC	RMB1,153,790,300 (2024: RMB1,153,790,300)	100% (2024: 100%)	Manufacturing, processing and sale of SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities
Xinjiang Shengli Steel Pipe Co., Ltd. [#] ("Xinjiang Shengli Steel Pipe") (新疆勝利鋼管有限公司)	Chinese Mainland of the PRC	RMB180,000,000 (2024: RMB180,000,000)	56.43% (2024: 56.43%)	Manufacturing and selling of SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications
Shanghai Shengguan New Energy Technology Co., Ltd. [#] (上海勝管新能源科技有限公司) (Note (i))	Chinese Mainland of the PRC	RMB50,000,000 (2024: RMB50,000,000)	100% (2024: 100%)	New energy technical development and trading of environmental energy equipment, fuel oil and chemical products commodities
Shengli Steel Pipe Co., Ltd. [#] (勝利鋼管有限公司) (Note (i))	Chinese Mainland of the PRC	RMB79,898,000 (2024: RMB79,898,000)	100% (2024: 100%)	Anti-corrosion technical service and rental service
Zhejiang Shengguan Industrial Co., Ltd. [#] ("Zhejiang Shengguan") (浙江勝管實業有限公司)	Chinese Mainland of the PRC	RMB406,000,000 (2024: RMB406,000,000)	98% (Note 31) (2024: 98%) (Note (ii))	Investments holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

Notes:

- (i) These entities are wholly owned foreign enterprises.
- (ii) On 31 December 2024, the Group has completed the disposal of 2% of equity interests in Zhejiang Shengguan, a subsidiary of the Group, to an independent third party at a cash consideration of approximately RMB1,890,000 (the "Partial Disposal"). The consideration has been settled during the year ended 31 December 2025. After the completion of the disposal, the Group continues to hold 98% of equity interests in Zhejiang Shengguan and the disposal did not result in a loss of control over Zhejiang Shengguan. Accordingly, a non-controlling interest ("NCI") in Zhejiang Shengguan is recognised within equity and the difference between the consideration and the fair value of NCI of Zhejiang Shengguan at the date of disposal was recognised in capital reserve within equity, calculated as follows:

	2024 RMB'000
Consideration receivables for the Partial Disposal	1,890
Carrying amount of NCI disposed of	(1,698)
Difference recognised directly in capital reserve	192

The English names are for identification only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES (Continued)

Financial information of subsidiary with individually material NCI

The following table shows information of Xinjiang Shengli Steel Pipe, the subsidiary of the Group which has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	2025	2024
Principal place of business and country of incorporation	Chinese Mainland of the PRC	
% of ownership interests/voting rights held by NCI during the year	43.57%	43.57%
	RMB'000	RMB'000
At 31 December:		
Summarised statement of financial position		
Non-current assets	37,741	38,733
Current assets	1,147	1,143
Non-current liabilities	(556)	(848)
Current liabilities	(18,842)	(21,931)
Net assets	19,490	17,097
Accumulated NCI	8,492	7,449
For the year ended 31 December		
Summarised statement of profit or loss and other comprehensive income		
Revenue	—	—
Write-off of payables in acquisition of property, plant and equipment	3,423	—
Profit (Loss) for the year	2,393	(1,799)
Total comprehensive income (loss) for the year	2,393	(1,799)
Profit (Loss) and total comprehensive income (loss) allocated to NCI	1,043	(784)
Dividends paid to NCI	—	—
Summarised statement of cash flows		
Net cash from (used in) operating activities	1	(3)
Net cash from investing activities	—	—
Net cash from financing activities	—	—
Net increase (decrease) in cash and cash equivalents	1	(3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

17. SUBSIDIARIES (Continued)

Financial information of subsidiary with individually material NCI (Continued)

At 31 December 2025, the bank and cash balances of Xinjiang Shengli Steel Pipe denominated in RMB amounted to approximately RMB4,000 (2024: approximately RMB3,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

18. INVESTMENT IN AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Unlisted investment in Chinese Mainland of the PRC	125,752	107,366
Share of results of an associate	18,386	14,588

Particulars of the associate of the Group at the end of the reporting period are as follows:

Name of associates	Place of incorporation/ registration and operation	Registered paid-up capital	% of ownership interests/ voting rights held by the Group at 31 December		Principal activities
			2025	2024	
Hunan Shengli Xianggang Steel Pipe Co., Ltd. # ("Hunan Shengli Steel Pipe") (湖南勝利湘鋼管有限公司)	Chinese Mainland of the PRC	RMB500,000,000 (2024: RMB500,000,000)	48%	48%	Manufacturing, processing and sale of SAWL pipelines and submerged-arc helical welded ("SAWH") pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities

The associate is accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the associate itself.

The English name is for identification only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

18. INVESTMENT IN AN ASSOCIATE (Continued)

Relationship with associate

Hunan Shengli Steel Pipe is engaged in manufacturing, processing and sale of SAWL pipelines, SAWH pipes and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities which allows the Group to expand its Pipe Business.

Financial information of Hunan Shengli Steel Pipe

Summarised financial information of Hunan Shengli Steel Pipe is set out below, which represents amounts shown in the financial statements of Hunan Shengli Steel Pipe prepared in accordance with IFRS Accounting Standards and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	2025 RMB'000	2024 RMB'000
At 31 December:		
Summarised statement of financial position		
Non-current assets	424,069	425,139
Current assets	973,459	811,426
Current liabilities	(1,063,253)	(968,288)
Non-current liabilities	(72,292)	(44,176)
Net assets	261,983	224,101
Reconciliation:		
% of ownership interests/voting rights held by the Group	48%	48%
Group's share of net assets of the investment	125,752	107,568
Elimination of gains or losses for transactions between the Group and the associate	—	(202)
Carrying amount of the investment	125,752	107,366

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YEAR ENDED 31 DECEMBER 2025

18. INVESTMENT IN AN ASSOCIATE (Continued)

Financial information of Hunan Shengli Steel Pipe (Continued)

	2025 RMB'000	2024 RMB'000
For the year ended 31 December:		
Summarised statement of profit or loss and other comprehensive income		
Revenue	1,226,157	906,790
Profit for the year	38,304	30,813
Total comprehensive income for the year	38,304	30,813
Group's share of profit and total comprehensive income	18,386	14,790
Elimination of gains or losses for transactions between the Group and the associate	—	(202)
Carrying amount of Group's share of profit and total comprehensive income	18,386	14,588

At 31 December 2025, the bank and cash balances of the associate that denominated in RMB amounted to approximately RMB421,477,000 (2024: approximately RMB12,984,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

19. EQUITY INVESTMENT – DESIGNATED FVOCI

	Unlisted equity investment RMB'000
At 1 January 2024	97,264
Change in fair value recognised in other comprehensive income	(34,645)
At 31 December 2024 and 1 January 2025	62,619
Change in fair value recognised in other comprehensive income	(29,648)
Presented as assets classified as held for sale (Note 31)	(32,971)
At 31 December 2025	—

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19. EQUITY INVESTMENT — DESIGNATED FVOCI (Continued)

The unlisted equity investment represented the 19.95% of equity interests in 新鋒能源集團有限公司 (Xinfeng Energy Enterprise Group Co., Ltd.#) (“Xinfeng Energy”), a private entity incorporated in Chinese Mainland of the PRC, which principally engaged in designing and construction of wind farms, sale of the whole machine and components of wind turbine sets and mechanical equipment and software development of digital wind farm system. No dividends were received on this investment during the years ended 31 December 2025 and 2024.

The Group irrevocably designated the investment in Xinfeng Energy as Equity Investment — Designated FVOCI since the Group intends to hold the investment for long-term strategic purposes and considers the accounting treatment applied provide more relevant information for the investment.

On 31 December 2025, the fair value of Equity Investment — Designated FVOCI was approximately RMB32,971,000 (2024: approximately RMB62,619,000) with reference to the valuation report prepared by CHFT Advisory and Appraisal Limited, an independent professional valuer using adjusted assets approach.

The fair value of Equity Investment — Designated FVOCI was categorised into the level 3 fair value hierarchy as defined in IFRS 13, “Fair Value Measurement” and detailed in Note 6 to the consolidated financial statements.

The English name is for identification only.

20. LEASE AND RIGHT-OF-USE ASSETS

The Group as lessee

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
Land use rights	162,234	166,547
Office premises	2,451	959
	164,685	167,506
Lease liabilities		
Current	725	1,041
Non-current	1,726	—
	2,451	1,041

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20. LEASE AND RIGHT-OF-USE ASSETS (Continued)

The Group as lessee (Continued)

The Group leases various land use rights and office premises. Lease agreements for land use rights and office premises are typically made for fixed periods of 50 years and 2 to 3 years, respectively. 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 and the leased assets may not be used as security for borrowing purposes.

At 31 December 2025 and 2024, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate carrying amount of approximately RMB2,098,000 (2024: approximately RMB2,158,000). The directors of the Company are of the view that the Group is entitled to lawful and valid occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2025 and 2024.

Right-of-use assets

Further information about the right-of-use assets is as follow:

	Land use rights RMB'000	Office premises RMB'000	Total RMB'000
Year ended 31 December 2025			
Depreciation	(4,313)	(959)	(5,272)
At 31 December 2025			
Net carrying amounts	162,234	2,451	164,685
	Land use rights RMB'000	Office premises RMB'000	Total RMB'000
Year ended 31 December 2024			
Depreciation	(4,315)	(894)	(5,209)
At 31 December 2024			
Net carrying amounts	166,547	959	167,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. LEASE AND RIGHT-OF-USE ASSETS (Continued)

The Group as lessee (Continued)

Lease liabilities

The present value of lease liabilities is summarised as below:

	Lease payments		Present value of lease payments	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Amounts payable:				
Within one year	832	1,068	725	1,041
More than one year, but not exceeding three years	1,818	—	1,726	—
	2,650	1,068	2,451	1,041
Less: future finance charges	(199)	(27)		
Total lease liabilities	2,451	1,041		

During the year ended 31 December 2025, the average effective borrowing rate was 5.28% (2024: 5.67%) per annum.

The Group has recognised the following amounts in the profit or loss during the reporting period:

	2025 RMB'000	2024 RMB'000
Depreciation of right-of-use assets	5,272	5,209
Interest on lease liabilities	27	83
Short-term lease payments	308	184
Expenses recognised in profit or loss	5,607	5,476

At 31 December 2025 and 2024, no commitments on short-term leases or low-value asset leases.

The total cash outflow for leases for the year ended 31 December 2025 was approximately RMB1,376,000 (2024: approximately RMB1,187,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

21. DEFERRED TAX

The movements in deferred tax assets (liabilities) during the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
Deferred tax assets		
At the beginning of the reporting period	285	358
Deferred tax charged to the profit or loss (Note 13)	(73)	(73)
At the end of the reporting period	212	285
Deferred tax liabilities		
At the beginning of the reporting period	(228)	(244)
Deferred tax credited to the profit or loss (Note 13)	16	16
At the end of the reporting period	(212)	(228)
Net deferred tax assets	—	57

The components of the Group's deferred tax assets (liabilities) are as follows:

	2025 RMB'000	2024 RMB'000
Deferred tax assets		
Government grants received but not yet recognised as income	212	285
Deferred tax liabilities		
Excess of fair value of identifiable assets and liabilities over carrying value in acquisition of subsidiaries	(212)	(228)
Net deferred tax assets	—	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

22. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	66,178	38,041
Work in progress	7,143	5,471
Finished and semi-finished goods	60,437	84,481
	133,758	127,993

23. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables from third parties	106,667	49,668
Trade receivables from an associate (Note)	596	—
	107,263	49,668
Less: Loss allowance	(886)	(539)
	106,377	49,129

Note: The amounts represented trade receivables due from an associate, Hunan Shengli Steel Pipe. The amount due was unsecured, interest-free and had a credit period of 30 days.

Included in the balances are the trade receivables (before loss allowance) from contracts with customers within IFRS 15:

	2025 RMB'000	2024 RMB'000
At the beginning of the reporting period	49,668	57,460
At the end of the reporting period	107,263	49,668

The Group's trading terms with its customers are mainly on credit generally up to 180 days (2024: up to 180 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

23. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date (net of allowances), is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	97,260	40,346
3 to 6 months	—	2,410
6 months to 1 year	4,928	4,772
1 to 2 years	4,189	1,601
	106,377	49,129

The movement in the loss allowance for trade receivables during the reporting period is summarised below:

	2025 RMB'000	2024 RMB'000
At the beginning of the reporting period	539	1,360
Increase (Decrease) in loss allowance, net	347	(821)
At the end of the reporting period	886	539

The Group applies the simplified approach under IFRS 9 “*Financial Instruments*” to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

23. TRADE RECEIVABLES (Continued)

	Current RMB'000	Within 1 year past due RMB'000	1 to 2 years past due RMB'000	Total RMB'000
At 31 December 2025				
Weighted average expected loss rate (%)	0.0%	5.0%	10.0%	0.8%
Gross amount	94,200	8,409	4,654	107,263
Loss allowance	—	(421)	(465)	(886)
Net amount	94,200	7,988	4,189	106,377
At 31 December 2024				
Weighted average expected loss rate (%)	0.0%	5.0%	10.0%	1.1%
Gross amount	39,120	10,317	231	49,668
Loss allowance	—	(516)	(23)	(539)
Net amount	39,120	9,801	208	49,129

The Group does not hold any collateral over trade receivables at 31 December 2025 and 2024.

The Group's credit terms and credit policy with customers are disclosed in Note 6 to the consolidated financial statements.

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000	At 1 January 2024 RMB'000
Pipe Business			
Total contract assets	39,644	36,317	42,159
Total contract liabilities	128,441	259,063	181,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

24. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Contract assets

The contract assets are primarily related to the Group's rights to consideration for sales of goods or services completed and not billed because the rights to bill are conditional until the end of the quality guarantee periods, which is typically ranging from one to three years upon the delivery of goods or services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance certificates issued by the customers when such right of collections becomes unconditional other than the passage of time.

The Group's credit terms and credit policy with customers are disclosed in Note 6 to the consolidated financial statements.

At 31 December 2025, the Group's contracts assets amounted to approximately RMB8,774,000 (2024: approximately RMB5,580,000) were expected to be recovered more than twelve months after the end of the reporting period. The Group classifies these contract assets as current because it expects to realise them in its normal operating cycle.

The Group applies the simplified approach under IFRS 9 "Financial Instruments" to provide for expected credit losses using the lifetime expected loss provision for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics. In the opinion of the management of the Group, the expected credit losses on contract assets are insignificant for the years ended 31 December 2025 and 2024. Accordingly, no expected credit losses on contract assets has been recognised for the years ended 31 December 2025 and 2024.

The Group does not hold any collateral over contract assets at 31 December 2025 and 2024.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets within IFRS 15 during the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the reporting period	36,317	42,159
Transfer of contract assets to trade receivables	(30,737)	(36,326)
Increase in contract assets	34,064	30,484
At the end of the reporting period	39,644	36,317

During the year ended 31 December 2025, the changes in contract assets were mainly due to the increase in sales orders to customers who required quality guarantee periods for their orders at 31 December 2025.

During the year ended 31 December 2024, the changes in contract assets were mainly due to shorter remaining quality guarantee periods granted to the customers at 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

24. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Contract liabilities

The contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities within IFRS 15 during the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the reporting period	259,063	181,490
Recognised as revenue	(254,664)	(180,936)
Increase in contract liabilities or recognition of trade receivables	124,042	258,509
At the end of the reporting period	128,441	259,063

At 31 December 2025, the Group's contracts liabilities amounted to approximately RMB9,648,000 (2024: approximately RMB4,399,000) were expected to be settled more than twelve months after the end of the reporting period. The Group classifies these contract liabilities as current because it expects to realise them in its normal operating cycle.

During the year ended 31 December 2025, the significant changes in contract liabilities were mainly due to the decrease in number of sales orders which required advance payments at 31 December 2025.

During the year ended 31 December 2024, the significant changes in contract liabilities were mainly due to the increase in number of sales orders which required advance payments at 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Advances to suppliers (Note)	101,047	149,390
Value-added tax recoverables	665	2,130
Prepayments	827	865
Tender deposits to customers	604	2,203
Security deposits in respect of sales contract with customers	4,704	13,931
Consideration receivables in respect of the Partial Disposal of equity interests in a subsidiary (Note 17)	—	1,890
Others	2,147	2,953
	109,994	173,362

Note: The advances are paid to suppliers to secure the supply of raw materials at the end of the reporting period. The advances are interest-free, refundable and/or expected to be utilised within 1 year.

26. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents		
Bank balances and cash	90,311	127,720
Restricted deposits (Note)	6,964	243
Cash and cash equivalents and restricted deposits denominated in RMB	95,204	126,674

RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

Note: At 31 December 2025, it mainly represented restricted deposits of approximately RMB6,950,000 (2024: Nil) pledged to secure bills payables (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

27. TRADE AND BILLS PAYABLES

	Notes	2025 RMB'000	2024 RMB'000
Trade payables to third parties	27(a)	147,422	46,104
Trade payables to an associate	27(b)	2,062	—
		149,484	46,104
Bills payables	27(c)	6,950	—
		156,434	46,104

27(a) Trade payables to third parties

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days (*2024: 90 to 180 days*) from the time when goods are received from suppliers.

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	141,350	35,209
3 to 6 months	3,934	518
6 months to 1 year	187	2,199
1 to 2 years	753	449
Over 2 years	3,260	7,729
	149,484	46,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. TRADE AND BILLS PAYABLES (Continued)

27(b) Trade payables to an associate

The trade payables to an associate are unsecured, interest-free and will be settled in accordance with a credit period of 30 days granted to the Group.

27(c) Bills payables

At 31 December 2025, the bills payables were interest-free, guaranteed by banks in Chinese Mainland of the PRC, had maturities of less than six months and secured by restricted deposits of approximately RMB6,950,000. (Note 26)

28. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Accruals	5,503	4,262
Tender deposits to suppliers	2,388	3,059
Payables in acquisition of property, plant and equipment	149	3,842
Payables for distribution services fee	3,134	3,798
Other tax payables	3,002	906
Interest payables in respect of other loans	1,396	1,459
Others	2,942	2,430
	18,514	19,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. BORROWINGS

	2025			2024		
	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000
Bank loans						
Secured (Note (i))	3.04%–3.97%	2026–2027	272,620	3.40%–4.38%	2025–2026	276,040
Other loans						
Unsecured (Note (ii))	5.00%	2026	30,739	5.00%	2025	33,796
			303,359			309,836
Borrowings are repayable as follows:			RMB'000			RMB'000
Within one year			217,359			203,866
One to two years			86,000			105,970
Analysed for reporting purpose:						
Current			217,359			203,866
Non-current			86,000			105,970
			303,359			309,836

Notes:

- (i) The bank loans were secured by pledge of certain of the Group's property, plant and equipment amounting to approximately RMB112,258,000 (2024: approximately RMB117,868,000) and right-of-use assets amounting to approximately RMB66,176,000 (2024: approximately RMB68,111,000).
- (ii) At 31 December 2025, the other loans represented the advance from directors, chief executive and other members of key management of the Company of approximately RMB1,065,000 (2024: approximately RMB1,065,000) and from employees of approximately RMB29,674,000 (2024: approximately RMB32,731,000), which are unsecured, bear a fixed interest rate of 5% per annum and repayable within one year (2024: same). During the year ended 31 December 2025, advance from directors, chief executive and other members of key management of the Company of approximately RMB1,065,000 and from employees of approximately RMB29,674,000 at 31 December 2024 were further extended and being repayable within one year at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

30. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grants		
At the beginning of the reporting period	1,140	1,432
Recognised as other income	(292)	(292)
At the end of the reporting period	848	1,140
Less: Current portion	(292)	(292)
Non-current portion	556	848

In August 2011, Xinjiang Shengli Steel Pipe received a government grant of approximately RMB12,330,000 in relation to property, plant and equipment and a land use right. Such government grant is recognised as income in equal amounts over the expected useful life of the land use right.

31. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In August 2025, the Company has publicly announced that the Group intended to dispose of all its equity interests in Zhejiang Shengguan (the "Intended Disposal") by way of a public tender. After the failure in identifying bidders through the public tender, the Group was in process of searching for potential buyers. On 17 March 2026, the Group entered the sale and purchase agreements with an independent third party to dispose of all its equity interests in Zhejiang Shengguan at a cash consideration of approximately RMB14,700,000. Details of the Intended Disposal are disclosed in the Company's announcements dated 11 August 2025, 27 August 2025 and 9 September 2025.

Zhejiang Shengguan were principally engaged in investment holdings.

The management of the Group assessed that the Intended Disposal met the criteria under IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", concluding that the Intended Disposal was highly probable and expected to be completed within one year from the date of classification. The Intended Disposal did not meet the criteria for classification as discontinued operations under IFRS 5, as Zhejiang Shengguan did not represent a major line of business or geographical area of operations of the Group. Accordingly, the assets and liabilities of Zhejiang Shengguan were reclassified to "Assets classified held for sale" and "Liabilities associated with assets classified as held for sale" in the Group's consolidated statement of financial position at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities of Zhejiang Shengguan, where non-current assets were classified as held for sale measured at the lower of carrying amount and fair value less costs to sell (if applicable), at 31 December 2025 are as follows:

	2025 RMB'000
Assets	
Equity Investment — Designated FVOCI (Note 19)	32,971
Prepayments, deposits and other receivables	19
Assets classified as held for sale	32,990
Liabilities associated with assets classified as held for sale	
Compensation payable for a litigation (Note 39)	18,956
Net assets of Zhejiang Shengguan	14,034

32. SHARE CAPITAL

	2025		2024	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary share of HK\$0.1 each				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	5,000,000,000	500,000	5,000,000,000	500,000

	No. of shares	Issued capital HK\$'000	Issued capital equivalent to RMB'000
Issued and fully paid:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	3,874,365,600	387,437	334,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

33. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) Statutory surplus reserve

As stipulated by the relevant law and regulations for foreign investment enterprises in Chinese Mainland of the PRC, the Company's subsidiaries in Chinese Mainland of the PRC are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax expenses as shown in the statutory financial statements of the relevant subsidiaries in Chinese Mainland of the PRC and after making up prior year cumulative losses. The amounts and allocation basis are decided by the Board of Directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

(c) Share option reserve

Share option reserve represents the reserve arising from the share option scheme for eligible participants. Details of which are disclosed in Note 34 to the consolidated financial statements.

(d) FVOCI reserve

FVOCI reserve comprises the accumulated gains and losses arising on the change in fair value of Equity Investment – Designated FVOCI that has been recognised in other comprehensive income.

(e) Capital reserve

Capital reserve represents the difference between the fair value of consideration payables or receivables and the change in the carrying value of non-controlling interests of a subsidiary in circumstances where changes in the Group's ownership interests in the subsidiary do not result in a loss of control.

(f) Other reserve

Other reserve represents the reserve arising from Group's reorganisation.

The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2025 and 2024 are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. RESERVES (Continued)

The Company

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2025 and 2024 are as follows:

	Share premium RMB'000 (Note 33(a))	Share option reserve RMB'000 (Note 33(c))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	1,230,445	1,100	(1,085,707)	145,838
Loss and total comprehensive loss for the year	—	—	(62,265)	(62,265)
Transactions with owners				
<i>Contributions and distributions</i>				
Forfeit of share options (Note 34)	—	(899)	899	—
Total transactions with owners	—	(899)	899	—
At 31 December 2024	1,230,445	201	(1,147,073)	83,573
	Share premium RMB'000 (Note 33(a))	Share option reserve RMB'000 (Note 33(c))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2025	1,230,445	201	(1,147,073)	83,573
Loss and total comprehensive loss for the year	—	—	(49,005)	(49,005)
Transactions with owners				
<i>Contributions and distributions</i>				
Forfeit of share options (Note 34)	—	(201)	201	—
Total transactions with owners	—	(201)	201	—
At 31 December 2025	1,230,445	—	(1,195,877)	34,568

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34. SHARE-BASED PAYMENTS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details of the share options outstanding at the end of the reporting period are as follows:

	2025 No. of share options	2024 No. of share options
Granted on 22 June 2020 (Note)	—	13,500,000

Number of outstanding share options are set out as following:

	2025		2024	
	No. of share options	Weighted average exercise price HK\$'000	No. of share options	Weighted average exercise price HK\$'000
At the beginning of the reporting period	13,500,000	0.17	73,950,000	0.17
Forfeit of share options	(13,500,000)	0.17	(60,450,000)	0.17
At the end of the reporting period	—	—	13,500,000	0.17

During the years ended 31 December 2025 and 2024, no share-based payments expenses were recognised as all the share options granted were fully vested in previous reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

34. SHARE-BASED PAYMENTS (Continued)

Note:

Pursuant to the Company's announcement on 22 June 2020, the Company granted to eligible participants a total of 77,100,000 share options to subscribe for ordinary shares of HK\$0.10 each in the share capital of the Company at an exercise price of HK\$0.10 per share (the "2020 Share Options").

The share options granted has a 5-year exercisable period and are vesting as follows:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	One-third of the total number of share options granted
Second anniversary of the date of grant	One-third of the total number of share options granted
Third anniversary of the date of grant	One-third of the total number of share options granted

The closing price of the Company's shares immediately before 22 June 2020, being the date of grant, was HK\$0.059 per share.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The aggregate fair values of the options determined at the date of grant based on the Binomial model, was HK\$1,309,000.

The following assumptions were used to calculate the fair values of share options granted on 22 June 2020:

Grant date share price (per share)	HK\$0.059
Exercise price (per share)	HK\$0.100
Contractual life	5 years
Expected volatility (%)	53.8%
Dividend yield (%)	0.00%
Risk-free interest rate (%)	0.36%

During the year ended 31 December 2025, 13,500,000 (2024: 60,450,000) share options were forfeited.

The share option reserve of approximately RMB201,000 (2024: RMB899,000) has been transferred to accumulated losses within equity during the year ended 31 December 2025. There was no outstanding share option (2024: 13,500,000) for the 2020 Share Options at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

35. OTHER CASH FLOW INFORMATION

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

- (i) During the year ended 31 December 2025, the Group recognised right-of-use assets by incurring lease liabilities of approximately RMB2,451,000 (2024: Nil).
- (ii) During the year ended 31 December 2025, the Group received property, plant and equipment with equivalent value of approximately RMB981,000 as settlement of compensation income (Note 9(ii)).
- (iii) During the year ended 31 December 2025, the Group has written-off payables in acquisition of property, plant and equipment with an aggregated amount of approximately RMB3,423,000 (2024: Nil).
- (iv) During the year ended 31 December 2025, the Group utilised the deposits paid for acquisition of property, plant and equipment of approximately RMB75,000 (2024: RMB214,000) for the additions of property, plant and equipment.
- (v) During the year ended 31 December 2024, the additions of properties with an aggregated amount of approximately RMB13,193,000 were settled by deposits paid in previous years (included in “prepayments, deposits and other receivables”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

35. OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities:

For the year ended 31 December 2025

	Lease liabilities RMB'000	Interest payables RMB'000	Borrowings RMB'000	Total RMB'000
At 1 January 2025	1,041	1,459	309,836	312,336
Non-cash changes				
Additions	2,451	—	—	2,451
Finance costs	27	12,620	—	12,647
Cash (outflow) inflow in financing activities:				
Inception of borrowings	—	—	288,250	288,250
Repayment of borrowings	—	—	(294,727)	(294,727)
Repayment of lease liabilities	(1,068)	—	—	(1,068)
Interest paid	—	(12,683)	—	(12,683)
At 31 December 2025	2,451	1,396	303,359	307,206

For the year ended 31 December 2024

	Lease liabilities RMB'000	Interest payables RMB'000	Borrowings RMB'000	Total RMB'000
At 1 January 2024	1,961	1,775	329,567	333,303
Non-cash changes				
Finance costs	83	13,789	—	13,872
Cash (outflow) inflow in financing activities:				
Inception of borrowings	—	—	183,650	183,650
Repayment of borrowings	—	—	(203,381)	(203,381)
Repayment of lease liabilities	(1,003)	—	—	(1,003)
Interest paid	—	(14,105)	—	(14,105)
At 31 December 2024	1,041	1,459	309,836	312,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

36. CAPITAL COMMITMENTS

The Group had the following capital commitments for property, plant and equipment at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for, net of deposits paid (if any)	22	175

37. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the years ended 31 December 2025 and 2024 the Group had the following material transactions with related parties. In the opinion of the management of the Group, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

	2025 RMB'000	2024 RMB'000
Interest on other loans paid to directors, chief executive and other members of key management	53	53
Repayment of interest on other loans paid to directors, chief executive and other members of key management	53	—
Sales made to Hunan Shengli Steel Pipe	1,899	44,540
Purchase made from Hunan Shengli Steel Pipe	184,660	44,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party balances

At the end of the reporting period, the Group had the following balances with its related parties:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Other loans from directors, chief executive and other members of key management	1,065	1,065
Interest payables on other loans from directors, chief executive and other members of key management	81	81
Trade receivable from Hunan Shengli Steel Pipe	596	—
Trade payable to Hunan Shengli Steel Pipe	2,062	—

(c) Key management compensation

The emoluments of directors, chief executive and other members of key management for the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
Directors' fees	1,818	1,931
Salaries, wages, allowances and other benefits in kind	4,085	4,938
Performance related bonus	186	240
Retirement benefit scheme contributions	382	352
	6,471	7,461

Further details of directors' and chief executive's emoluments are included in Note 12 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		2	4
Right-of-use assets		2,451	958
Investments in subsidiaries		368,163	413,362
		370,616	414,324
Current assets			
Prepayments, deposits and other receivables		759	792
Cash and cash equivalents		2,347	5,679
		3,106	6,471
Current liabilities			
Other payables and accruals		2,294	1,772
Lease liabilities		725	1,041
		3,019	2,813
Net current assets		87	3,658
Total assets less current liabilities		370,703	417,982
Non-current liabilities			
Lease liabilities		1,726	—
NET ASSETS		368,977	417,982
Capital and reserves			
Share capital	32	334,409	334,409
Reserves	33	34,568	83,573
TOTAL EQUITY		368,977	417,982

The statement of financial position was approved and authorised for issue by the Board of Directors on 27 March 2026 and signed on its behalf by

Zhang Bizhuang
Director

Han Aizhi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

39. LITIGATION

Zhejiang Shengguan and Shandong Shengli Steel Pipe, two subsidiaries of the Group, have received a civil judgment (the “Judgement”) dated 9 April 2025 issued by 上海市黃浦區人民法院 (the People’s Court Huangpu District of Shanghai Municipality[#]) in relation to a litigation (the “Litigation”) brought by 甘肅科耀電力有限公司 (Gansu Keyao Electric Power Co., Ltd[#]) (the “Plaintiff”) against, among others, (a) 杭州晗月新能源有限公司 (Hangzhou Hanyue New Energy Co., Ltd.[#]) (“Hangzhou Hanyue”), one of the shareholders of Xinfeng Energy and an independent third party of the Group, (b) Zhejiang Shengguan and (c) Shandong Shengli Steel Pipe for the payment for breach of contracts by Xinfeng Energy in the outstanding sum of approximately RMB17,196,000 (the “Outstanding Sum”).

The Plaintiff demanded, among others, that Hangzhou Hanyue shall be liable for the repayment of the Outstanding Sum with the default interest accrued (collectively referred as the “Relevant amount”) thereon as Hangzhou Hanyue has to fulfil its obligations to settle its unpaid registered capital in Xinfeng Energy (the “Unpaid Capital”). The Plaintiff further demanded that, if Hangzhou Hanyue fails to make the repayment, Zhejiang Shengguan shall be liable for supplementary compensation, and its immediate holding company, Shandong Shengli Steel Pipe shall be liable for supplementary compensation for Zhejiang Shengguan as the Unpaid Capital in Xinfeng Energy was transferred by Zhejiang Shengguan to Hangzhou Hanyue.

Pursuant to the Judgement, among others, (i) Hangzhou Hanyue shall be liable to repay the Outstanding Sum within the scope of the Unpaid Capital and default interest which accrued at a daily interest rate of 0.0175% from 25 May 2024 until the date of repayment; (ii) Zhejiang Shengguan shall be liable for supplementary compensation where Hangzhou Hanyue is unable to repay the Outstanding Sum on time; and (iii) Shandong Shengli Steel Pipe is not liable for the repayment of the Relevant Amount as Shandong Shengli Steel Pipe is independent from Zhejiang Shengguan. Zhejiang Shengguan appealed against the Judgement (the “Appeal”) on 28 April 2025. 上海市第二中級人民法院 (Shanghai No. 2 Intermediate People’s Court[#]) has rejected the Appeal on 31 July 2025 and upheld the Judgement to be final and conclusive. Accordingly, a compensation expenses of approximately RMB18,956,000, representing the Outstanding Sum and the default interest accrued up to the end of the reporting period, has been recognised in the profit or loss during the year ended 31 December 2025.

Details of the Litigation are disclosed in the Company’s announcement dated 1 August 2025.

[#] The English name is for identification only.

40. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group has no significant events after the reporting period.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	903,164	570,069	591,885	1,046,891	1,526,684
Loss before tax	(18,637)	(43,291)	(114,355)	(29,072)	(272,266)
Income tax (expense) credit	(57)	(57)	15,122	(186)	(3,583)
Loss for the year	(18,694)	(43,348)	(99,233)	(29,258)	(275,849)
Attributable to:					
Owners of the Company	(18,910)	(42,564)	(98,414)	(33,004)	(260,719)
Non-controlling interests	216	(784)	(819)	3,746	(15,130)
	(18,694)	(43,348)	(99,233)	(29,258)	(275,849)

ASSETS AND LIABILITIES

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	1,008,202	1,064,497	1,083,579	1,156,398	1,919,687
Total liabilities	629,215	(637,168)	(580,147)	(553,808)	(1,292,222)
Net assets	378,987	427,329	503,432	602,590	627,465
Attributable to:					
Owners of the Company	370,217	418,182	495,199	593,538	626,433
Non-controlling interests	8,770	9,147	8,233	9,052	1,032
	378,987	427,329	503,432	602,590	627,465