宏华集团
HONGHUA GROUP

( Incorporated in the Cayman Islands with limited liability )

Stock Code: 196



# 2025

# ESG REPORT

Honghua Group Limited

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# About This Report

## Report Introduction

This is the tenth Environmental, Social and Governance (ESG) Report issued by Honghua Group Limited (together with its subsidiaries referred to as "the Group", "Honghua Group", "we" or "the Company"). It systematically elaborates the Group's sustainable development philosophy, practices and tangible achievements. By issuing this ESG Report, the Company aims to address the concerns of stakeholders, strengthen communication and interaction with stakeholders, and jointly advance environmental, social and economic sustainable development.

## Report Boundary

This report covers Honghua Group Limited and its subsidiaries, consistent with the scope of the consolidated financial statements. For details of the Company's business development and consolidated financial statements, please refer to the 2025 Annual Report.

## Reporting Period

This report covers the period from January 1, 2025 to December 31, 2025 (hereinafter referred to as the "Reporting Period"). To enhance the comparability and forward-looking nature of this report, certain content may include appropriate retrospective references to prior years or forward-looking statements.

## Basis of Preparation

Appendix C2 to the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited.

## References

| |
|---|
| State-owned Assets Supervision and Administration Commission of the State Council, Reference Indicator System for ESG Special Reports of Listed Companies Controlled by Central Enterprises |
| Global Reporting Initiative, GRI Standards 2021 |
| China Enterprise Reform and Development Society, Guidelines for Sustainable Development Report of Chinese Enterprises (CASS-ESG 6.0) |
| International Sustainability Standards Board, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information |
| International Sustainability Standards Board, IFRS S2 Climate-related Disclosures |
| United Nations Sustainable Development Goals 2030 (SDGs) |
| Sustainability Accounting Standards Board (SASB) Standards |
| S&P Global Corporate Sustainability Assessment (CSA) |

## Reporting Principles

This report has been prepared in accordance with the reporting principles of materiality, quantification, balance and consistency as stipulated in the ESG Guide of The Stock Exchange of Hong Kong Limited.

Materiality: The Company conducted materiality assessments in accordance with the ESG Guide to identify material ESG issues to the Company and its stakeholders during the Reporting Period. The material issues identified were reviewed by the board of directors and form the key disclosure topics of this report.

Quantification: The Company provides calculated data together with the standards, methodologies, assumptions and calculation tools used to ensure accuracy to the fullest extent possible.

Balance: The content of this report reflects objective facts. Both positive and negative information is disclosed impartially without inappropriate bias or modification.

Consistency: Unless otherwise specified, data disclosed in this report are compiled based on the Company's unified data collection processes and mechanisms to ensure accuracy and comparability.

## Data Statement

All information and data contained in this report are derived from the Company's official documents, statistical reports, financial reports, and verified environmental, social and governance information compiled and consolidated by the Company. Unless otherwise specified, all monetary amounts are presented in Chinese Yuan (CNY).

## Review and Publication

This report has been reviewed by the management of Honghua Group and approved by the board of directors on 25 March 2026.The report is published in electronic form and is available for review and download on the website of The Stock Exchange of Hong Kong Limited and the Company's website. This report is published in multiple languages. In case of any discrepancy, the Traditional Chinese version shall prevail.

## Important Legal Notice

This report may contain forward-looking statements. All statements (including but not limited to assumptions, objectives, estimates, business plans and strategies) regarding events or conditions that may occur in the future, other than statements of historical fact, are forward-looking statements. Such forward-looking statements are based on information, assumptions and expectations currently available to the Company and are subject to various risks, uncertainties and external factors. Actual results or developments may differ materially from those expressed or implied in such statements. Forward-looking statements should not be regarded as accurate predictions of the Company's performance, financial position or business development for any future year. The Company does not undertake any obligation to update or revise any forward-looking statements except as required by applicable laws or regulations.

# Message from our Management

Amid accelerated progress in global climate governance, the green and low-carbon transition has become an irreversible global trend. Driven by the China's "Dual Carbon" goals and energy security strategy, the oil and gas industry is undergoing a profound shift from being resource-led to technology-led and green-led. Faced with the dual missions of ensuring energy supply and advancing green transition, high-end oil and gas equipment serves not only as a cornerstone safeguarding national energy security but also as a key enabler for deep integration between conventional and new energy sources and the development of a new energy system. As a national key player in energy equipment manufacturing, Honghua Group has always kept in mind the national priorities and integrated its development into the overall national development strategy. As we enter the pivotal first year of the 15th Five-Year Plan period, amid a complex and volatile external environment, the Group remains firmly committed to its strategic goal of building a "New-Quality Honghua" and steadfastly follows a development path of "equal emphasis on land and marine operations, integrated equipment and services, and simultaneous development of domestic and overseas markets". With technological innovation and green development as our driving forces, we strive to open a new chapter of high-quality development.

## Embracing the Green Wave and Building New Industrial Competitive Advantages

In the broader context of global energy transition, we clearly recognize that the future of oil and gas equipment lies in intelligence, greenization and digitalization. During the Reporting Period, the Group's R&D investment reached CNY 287 million, representing a YoY increase of 11.47%. In response to the national "Deep Earth and Deep Sea" strategy and demand for green and low-carbon transition, we focused on breakthroughs in marine high-end equipment and core technologies. The Group achieved remarkable progress in green innovation and low-carbon technologies, launching the Intelligent Fracturing Integrated Solution and Distributed Automated Workover Rig Solution, driving the green development of energy equipment through technological advancement. Our newly developed Low-Noise, High-Efficiency and Environmentally Friendly Cluster-Well Special Drilling Rig won the 2025 Science and Technology Innovation First Prize for Petroleum and Petrochemical Equipment. It reduces noise by 65%, cuts carbon emissions by more than 90%, and achieves zero waste discharge. In terms of green practices, the Group has built a benchmark model of "gas-fired power generation + electric fracturing" and successfully verified it in the Shanxi market. The energy conversion efficiency of this power system has increased by more than 35%, and a total of 2,200 tons of carbon emissions have been reduced during project construction.

## Pursuing Quality and Efficiency Growth to Consolidate the Foundation for High-Quality Development

Faced with complex geopolitical conditions and market volatility, we adhered to the principle of "expanding markets externally and strengthening management internally", pursuing efficiency amid transition and development through reform. Over the past year, we have driven profit growth through lean management. On the production side, we optimized the collaborative operation model of production, supply and inventory, and realized the integrated allocation of warehousing resources. This significantly shortened the delivery cycle of key products, achieving a 100% delivery rate for core oil and gas equipment. During the Reporting Period, the Group achieved net profit attributable to shareholders of the parent company of CNY 38 million, representing a YoY surge of more than 4 times, marking a substantial improvement in operating performance. While pursuing growth, we regard sustainable development as a strategic objective. During the Reporting Period, we continue to advance the distributed photovoltaic power generation project and lighting energy-saving renovation at our production facilities. We fully phased out high-energy-consuming processes in heat treatment and forging workshops, accelerating the clean transformation of manufacturing. We promoted energy-saving upgrades and energy structure optimization across production and completed a feasibility study for photovoltaic construction. The comprehensive utilization rate of non-hazardous waste reached 79.37%. All production and operation bases obtained ISO 14001 Environmental Management System certification, demonstrating our concrete actions to protect the ecological environment.

## Empowering Talent to Gather Strong Momentum for Innovation-Driven Growth

Honghua Group is at a critical stage moving from "turning around losses" to "stable development and prosperity". Talent is our most valuable asset supporting green transformation. We fully implemented the "Talent Leadership" strategy. During the year, we conducted 484 training sessions and introduced 14 high-end R&D talents, striving to build a competent, innovative and high-performing "new-quality" workforce. We are committed to fostering a harmonious employee ecosystem, supporting employee development and protecting their rights and interests, enabling every Honghua employee to realize personal value and share the fruits of development amid the energy revolution. We continued to improve our employee development and rights protection system. Both employee training coverage and collective labor agreement coverage reached 100%. We uphold gender equality; the proportion of females in STEM positions rose to 12.86%, up 0.14 percent point YoY, further optimizing the talent structure in technology-related fields. All production and operation bases have obtained ISO 45001 Occupational Health and Safety Management System certification, consolidating safeguards for employee health and safety through standardized management.

## Acting as a Chain Leader to Build a Collaborative Sustainable Ecosystem

As a leading enterprise in the industrial chain, we deeply believe that "going alone is fast, but going together is far". During the Reporting Period, we strengthened ESG management across the supply chain and promoted coordinated carbon reduction and quality improvement among upstream and downstream partners. By deepening cooperation with strategic partners, we built a secure, stable and green industrial ecosystem, leading the whole industrial chain toward innovation and green development. We integrated ESG criteria into supplier access and full-process management, with a supplier review rate of 100%. Meanwhile, the Company embedded integrity, compliance and anti-corruption requirements into the entire supply chain, requiring suppliers to sign the Supplier Integrity Commitment. A total of 3,133 suppliers completed the signing, representing a signing rate of 88.40%. Through mandatory requirements, we strengthened the integrity and compliance foundation of the supply chain, and continued to guide upstream and downstream partners to practice sustainable development, steadily building a green, collaborative and compliant high-quality supply chain system.

Looking ahead, we will continue to fully implement the national 15th Five-Year Plan strategic arrangements and follow the global trend of energy transition. We will further promote the clean and efficient use of fossil fuels and their deep integration with the new energy industry. We will increase R&D investment in intelligent, green and digital technologies. By continuing to make sustained efforts in technology, employees, supply chain, social responsibility and other key areas, we will join hands with all stakeholders to strive for a new chapter of green and low-carbon development, and make greater contributions to national energy security, the building of a strong marine country and sustainable development.

# About Honghua Group

Honghua Group Limited is a world-leading provider of oil and gas exploration and production equipment, as well as drilling engineering services. With over two decades of development, the Group has established a presence in all major oil and gas producing regions across the globe. It has built a comprehensive product portfolio encompassing land drilling rigs, electric fracturing equipment, core components for drilling and completion equipment, marine engineering equipment manufacturing, drilling and completion engineering services, digital products for drilling and completion, new energy equipment for oil and gas fields, and integrated services, providing customers with full-range products and technologies for energy development.

Since the successful development and acceptance of China's first digitally controlled variable-frequency electric drilling rig ZJ40DBS in 2001, the Group has remained committed to technological innovation as a driving force, continuously launching energy equipment and technical solutions to customers worldwide. In polar scientific research, the Group developed China's first polar drilling rig, which supported a major breakthrough in scientific drilling under the Antarctic ice sheet and filled the domestic gap in deep drilling equipment for extreme environments. In national major science and technology projects, the Group deeply participated in the research and construction of Dream Class, China's first independently designed and built ocean drilling vessel. It also successfully delivered China's first fully domestic 12,000-meter intelligent ultra-deep drilling rig, another major national achievement supporting ultra-deep oil and gas development. In oil and gas stimulation, the Group launched the world's most powerful single-unit 6,000-hp electric fracturing pump, enabling high-pressure, large-displacement and high-efficiency operations, significantly improving the development efficiency of unconventional oil and gas resources such as shale gas and tight oil. In offshore oil and gas equipment, the Group's Tiger Series deepwater drilling packages represent China's first domestically designed and manufactured mid-water floating drilling packages, providing strong equipment support for the exploration and development of deepwater oil and gas resources in China. These milestone products not only demonstrate the Group's core competitiveness in high-end equipment manufacturing, but also mark the progress of China's energy equipment industry from following to aligning with and even leading the global frontier, delivering solid support for safeguarding national energy security and promoting the green and low-carbon transition.

Based on the strategic opportunity period of the 15th Five-Year Plan, the Group closely follows global trends in oil and gas development and energy transition, takes innovation as the core driver, focuses on high-quality development, and unswervingly follows a development path of "equal emphasis on land and marine operations, integrated equipment and services, and simultaneous development of domestic and overseas markets". It has set the strategic goal of "becoming a world-class marine engineering equipment supplier", built a synergistic "Three Marine-Oriented" business system, and fully embarked on a new journey to build a "New-Quality Honghua".

*This image was generated by AI



# 2025 Key Performance Highlights

## Economic Performance

**Total operating revenue**

**5,493 million CNY**

2024: 5,633 million CNY

YoY: -2.49%

**Gross profit margin**

**12.46%**

2024: 12.01%

YoY: +0.45 PP

**Net profit attributable to parent company**

**38 million CNY**

2024: 8 million CNY

YoY: 401.58%

## Environmental Performance

**Total wastewater discharge**

**52,797.10 tonnes**

Cumulative emission reduction: 77,802.90 tonnes, equivalent to the annual water storage of 31.1 standard Olympic-sized swimming pools

2024: 130,600.00 tonnes

YoY: -59.57%

**Scope 1 GHG emissions**

**5,068.28 $tCO_2e$**

Cumulative emission reduction: 8,611.54 $tCO_2e$, equivalent to taking approximately 3,700 passenger cars off the road for one year

2024: 13,679.82 tonnes $CO_2e$

YoY: -62.95%

**Total non-hazardous waste recycled and utilised**

**13,599.00 tonnes**

Increase from previous year: 3,767.17 tonnes, equivalent to reducing landfill space by 1,880 $m^3$

2024: 9,831.82 tonnes

YoY: 38.32%

## Social Performance

**of female employees in STEM[1] positions**

**12.86%**

2024: 12.72%

YoY: +0.14 PP

**Average training hours per employee**

**72.29 hours**

2024: 65.89 hours

YoY: 9.71%

**Total investment in employee training**

**4.69 million**

2024: 4.37 million

YoY: 7.22%

## Governance Performance

**No. of employees trained on business ethics**

**812 persons**

2024: 742 persons

YoY: 9.43%

**Employee business ethics training coverage rate**

**28.56%**

2024: 27.50%

YoY: +1.06 PP

**No. of training sessions on risk and compliance management**

**133**

2024: 31

YoY: 329%

[1] STEM refers to employees in the Company's J technology cluster.

# ESG Governance

Honghua Group has systematically integrated the core concepts of ESG into the Company's governance structure and continuously improved the sustainable development management mechanism led by the Board of Directors. By clarifying rights and responsibilities, optimizing processes and strengthening information disclosure, the Company has steadily enhanced effectiveness of governance. The Company actively promotes participation by internal and external stakeholders, establishes a multi-level communication and supervision system, and incorporates environmental and social risk management into decision-making processes. Responsible corporate governance supports the green transformation of the industry and lays a solid governance foundation for the Company to become a world-class oil and gas equipment and service enterprise.

## ESG Governance Structure

During the Reporting Period, to ensure the formulation and implementation of the Company's long-term sustainable development strategy, the Company formulated and implemented the Environmental, Social and Governance (ESG) Management Policy. Through systematic mechanisms, the Company ensures the full fulfillment of sustainable development responsibilities in its operations, balances the rights and interests of all stakeholders, continuously optimizes ESG-related risk management capabilities, and enhances information transparency and disclosure standardization.

Relying on a sound governance structure, clear division of powers and responsibilities, and efficient management mechanisms, the Company has established a solid institutional foundation for sustainable development. The Company has formed an ESG governance structure spanning the Board of Directors, the Strategic Investment Committee and the ESG Working Group.

Board of Directors

**The Board of Directors, as the highest decision-making body for ESG affairs, provides overall leadership and oversight of the Company's ESG initiatives.**

- Review and approve the Company's ESG strategy, objectives, governance structure, management policies, ESG-related disclosure reports, and other material ESG matters of the Company.

Strategic Investment Committee

**The Strategic Investment Committee acts as the research and advisory body for ESG affairs. It is primarily responsible for studying and advising on the Company's ESG strategies and material matters, guiding ESG management, and supervising ESG implementation.**

- Research ESG trends, relevant policies, laws and regulations;
- Manage and assess the Company's ESG risks;
- Study and provide recommendations on the Company's ESG strategy and development plans;
- Review the ESG report, provide recommendations to the Board of Directors, and monitor the implementation and progress of the Company's ESG initiatives.

ESG Working Group

**The ESG Working Group serves as the operational and implementation body of the Company's ESG affairs, responsible for managing and executing business-related ESG topics.**

- Develop ESG-related policies and action plans aligned with the Company's strategy and ESG objectives;
- Identify ESG-related risks and matters in the daily operations of the Company;
- Communicate and coordinate with relevant departments and subsidiaries of the Company to promote the implementation of ESG initiatives;
- Collect, compile and prepare public disclosure information regarding the Company's ESG performance.

ESG Governance Structure of Honghua Group

# Stakeholder Engagement

In light of its business nature and operational characteristics, combined with industry experience and practices, Honghua Group has identified key stakeholders that have decision-making power and influence over the Company. Through in-depth interaction with all parties, the Company fully understands stakeholders' expectations and demands regarding the Company's sustainable development, and takes such expectations as an important reference for implementation and improvement when formulating the Company's development strategies.

| Stakeholders | Key Focus Topics | Communication Channels |
|---|---|---|
|  Employees | • Employee Development and Training<br>• Protection of Employee Rights<br>• Employee Remuneration and Benefits<br>• Diversity, Equity and Inclusion<br>• Occupational Health and Safety | • Various employee activities<br>• Internal publications (newspapers, magazines)<br>• Employee performance appraisal<br>• Multimedia platforms (official WeChat accounts, etc.) |
|  Government and Regulatory Authorities | • Climate Change Response<br>• Waste and Emissions Management<br>• Environmental Management<br>• Protection of Employee Rights<br>• Occupational Health and Safety<br>• Product Quality and Safety | • On-site inspections<br>• Daily communication<br>• Work inspections<br>• ESG Report |
|  Shareholders and Investors | • Innovation and R&D<br>• Product Quality and Safety<br>• Intellectual Property Protection<br>• Customer Relations<br>• Business Ethics<br>• Corporate Governance | • General Meeting of Shareholders<br>• Investor Day<br>• Earnings release conferences<br>• On-site and online roadshows<br>• Financial media<br>• Investor relations official WeChat account |
|  Customers | • Innovation and R&D<br>• Product Quality and Safety<br>• Customer Relations<br>• Business Ethics<br>• Information Security and Privacy Protection<br>• Responsible Supply Chain | • Customer satisfaction surveys<br>• Customer hotline<br>• Official media platforms<br>• Regular visits |
|  Suppliers and Other Business Partners | • Responsible Supply Chain<br>• Business Ethics | • Supplier Conference<br>• Supplier training |
|  Community and Public | • Stakeholder Engagement<br>• Social Contribution<br>• Rural Revitalization<br>• Waste and Emissions Management<br>• Environmental Management | • Community outreach<br>• Public welfare activities<br>• Volunteer services<br>• Rural revitalization projects |



### Investor Relations Activities of Honghua Group

To enable shareholders and potential investors to better understand the Group's operations and strengthen market confidence, during the Reporting Period, Honghua Group held investor open days, which attracted institutional investors including Caitong Securities, Guohai Securities and Huaxi Securities. The management team of the Company systematically presented the Company's core competitiveness, strategic blueprint, as well as the current status and future plans of each business segment to investors, establishing shareholder relations based on transparency and mutual trust. In addition, the Company actively enhanced the frequency and scope of investor engagement through roadshows, reverse roadshows, results announcements and other channels.

**Investor Relations Performance**

| 152 | 13 | 176 | 36 | 143 | 16 | 2 |
|---|---|---|---|---|---|---|
| No. of investor communication activities conducted | No. of on-site investor research visits hosted | No. of external engagement activities | No. of public disclosures made through official channels | Investor roadshows | Securities firm strategy conferences | Results release conferences |

## Double Materiality Analysis

During the Reporting Period, in light of industry trends, the Company conducted an ESG materiality analysis by applying the double materiality principle for the first time. The Company identified a total of 23 ESG topics, including 5 environmental topics, 13 social topics, and 5 governance topics. Following the finalization of the materiality analysis results, the ESG Working Group verified the materiality and completeness of the topics, which were then submitted to the Board of Directors for review and confirmation.

**Background Analysis**

- Analyze macro factors including climate change, market conditions and regulatory policy trends to identify opportunities and challenges faced by the Company in the global market.
- Benchmark against the sustainable development practices of industry peers to fully understand the competitive landscape and position the Company's sustainability performance within the industry.
- Assess capital market expectations regarding the Company's sustainability management and information disclosure by considering key focuses of capital market ratings, as well as domestic and international sustainability disclosure standards and management practices.

**Identification**

- Optimize the prior-year topic list based on the Company's business characteristics and core competitiveness, in compliance with ESG Guide, and with reference to the SDGs and peer topics, to form the 2025 ESG Topic List.
- Based on the Company's operations, business context and daily stakeholder engagement, conduct a preliminary assessment of the capital dependence and impact of each sustainability issue, as well as the risks and opportunities such issues may bring to the Company's value chain.

| | | |
|---|---|---|
| Double Materiality Analysis | Impact Materiality Assessment | • Collect key stakeholder priorities on each topic through questionnaire surveys.<br>• Form assessment results against two dimensions – likelihood of impact and magnitude of impact – based on the objective consensus of industry experts.<br>• Integrate the quantitative results of likelihood and magnitude, consider the Company's management capacity and set an impact materiality threshold. Topics exceeding the threshold are classified as having impact materiality. |
| | Financial Materiality Assessment | • Collect internal management information on each topic through interviews with key functional department heads and questionnaires completed by the internal ESG Working Group.<br>• Based on the findings of internal and external expert analyses, determine the likelihood of financial impact and magnitude of financial impact for each topic over the short, medium and long term.<br>• Consolidate short-, medium- and long-term analyses to derive a comprehensive financial materiality score and ranking for each topic. |
| Materiality Conclusion and Approval | | • The final double materiality analysis results are compiled, verified for materiality and completeness by the Company's ESG Working Group, and submitted to the Board of Directors for review and confirmation. |




2025 Honghua Group Materiality Matrix

Based on the double materiality analysis, the Company identifies Climate Change Response as a core topic with both impact materiality and financial materiality, ranking first among financially material topics. Product Quality and Safety, Innovation and R&D, and Energy Utilization rank second to fourth respectively among financial material topics.

In respect of the above topics, the Company has further enhanced the depth and breadth of disclosure in this report to fully ensure its comprehensiveness, accuracy and transparency of information.

# 01 Responsible Governance, Building a Solid Compliance Foundation



## ESG Topics

- Corporate Governance
- ESG Governance
- Stakeholder Engagement
- Business Ethics
- Risk Management
- Information Security and Privacy Protection

United Nations Sustainable Development Goals (SDGs)




Honghua Group strictly abides by applicable laws, regulations and regulatory requirements. Drawing on the characteristics of the oil and gas exploration and production equipment manufacturing and drilling engineering services industry, the Company has established a distinctive governance structure that aligns with the Company's strategic positioning and operational reality, laying a solid foundation for the steady development of the Company. The Company remains committed to enhancing standardized operation and strengthening sound governance. It continuously improves the systems for corporate governance, business ethics, risk management, information security and privacy protection, so as to enhance governance effectiveness in an all-round manner and promote the high-quality development of the industry.

# Corporate Governance

Honghua Group is committed to safeguarding the legitimate rights and interests of the Company and all shareholders, conducting information disclosure in a standardized manner, and proactively fulfilling its management responsibilities. To enhance corporate governance capabilities, the Board of Directors continues to strengthen its independence and diversity, actively engages with investors, and improves investor relations management.

## Corporate Governance System

Honghua Group strictly complies with the Companies Law of the Cayman Islands, the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and other applicable laws and regulations in its operating jurisdictions. On this basis, the Company consistently explores best practices in modern corporate governance, establishing a sound and effective governance structure comprising the General Meeting of Shareholders, the Board of Directors, and the Management. This forms a well-defined and standardized governance mechanism with clear rights and responsibilities, effectively ensuring the fairness and rigor of the Company's decision-making.



**General Meeting of Shareholders**

The General Meeting of Shareholders is the highest authority of the Company, which decides on major matters in accordance with the law, including the Company's articles of association, dividend declarations, annual report review, and the appointment of auditors.



**Board of Directors**

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Strategic Investment Committee

The Board of Directors operates in accordance with the Memorandum and Articles of Association of Honghua Group and other relevant provisions, handles important decisions beyond the purview of the General Meeting of Shareholders, and collectively manages and supervises the Company's affairs.



**Management**

The Management strictly implements all resolutions of the Board of Directors and the General Meeting of Shareholders, actively promotes business development and internal management, and ensures the sustainable and stable development of the Company.

Governance Structure of Honghua Group

**2025**

| | | |
|---|---|---|
| **No. of shareholders' meetings held**<br>**1** | **No. of board meetings held**<br>**8** | **No. of Audit Committee meetings held**<br>**5** |
| **No. of Remuneration Committee meetings held**<br>**1** | **No. of Nomination Committee meetings held**<br>**1** | **No. of Strategic Investment Committee meetings held**<br>**4** |

# Board Diversity and Independence

Honghua Group firmly believes that a well-structured Board composition ensures the soundness and rigor of decision-making. The Company continuously optimizes the Board's composition and is committed to advancing the diversification of its Board structure. The Company has formulated and implemented the Honghua Group Board Diversity Policy, which integrates diversity considerations (including but not limited to gender, age, ethnicity, nationality, cultural and educational background, regional and professional experience, skills, knowledge, and tenure of service) into director appointment decisions, ensuring that the Company's senior decision-making benefits from diverse perspectives and viewpoints.

**As of the end of the Reporting Period**

**Directors**
**7**

| Executive Directors | Independent Non-Executive Directors | Non-Executive Directors | Female Directors | Male Directors |
|---|---|---|---|---|
| 3 | 3 | 1 | 1 | 6 |

Honghua Group adheres to the requirements of the Listing Rules and, in light of its own governance structure and business characteristics, continuously promotes Non-Executive Directors and Independent Non-Executive Directors to effectively fulfill their oversight and checks-and-balances functions. The Company expects them to exercise independent judgment in the Board's decision-making process and provide professional, objective, and constructive advice for the review of major matters. Meanwhile, in matters involving potential conflicts of interest, they are expected to represent and safeguard the rights and interests of all shareholders, further enhancing the transparency and fairness of the Company's governance.

| Name | Gender | Industry Experience | | Audit Committee | Remuneration Committee | Nomination Committee | Strategic Investment Committee |
|---|---|---|---|---|---|---|---|
| | | GICS Level 1 Industry Classification | Relevant Work Experience | | | | |
| Chairman of the Board | | | | | | | |
| Wang Xu | Male | Industrial – Electrical Equipment | Extensive experience in corporate governance, electrical equipment, oil and gas equipment and services, and service operations management. | | ● | | ● |
| Executive Directors | | | | | | | |
| Zhu Hua | Male | Industrial – Electrical Equipment | Possesses rich technical and corporate management experience in electrical equipment and oil and gas equipment and services. | | | | ● |
| Yang Qiang | Male | Industrial – Electrical Equipment | Extensive experience in materials procurement, equipment management, technical management, and human resources management. | | | | ● |
| Non-Executive Director | | | | | | | |
| Liu Hui | Male | Industrial – Electrical Equipment | Rich experience in production operations and corporate management. | ● | | | ● |
| Independent Non-Executive Directors | | | | | | | |
| Zhang Shiju | Male | Financial – Capital Market | Extensive experience in investment and M&A, IPO listing, corporate governance, industrial funds, and other legal services. | ● | ● | ● | |
| Li Yuedong | Female | Financial – Integrated Financial Services | Possesses rich experience in auditing and corporate governance. | ● | ● | ● | |
| Wang Junren | Male | Energy – Oil, Gas and Consumable Fuels | Extensive management experience in oil and gas exploration and development, international oil and gas operations, and engineering construction. | | ● | | ● |

Note: Wang Xu, Chairman of the Board, resigned from his position as a member of the Remuneration Committee with effect from 19 January 2026.

# Business Ethics

Honghua Group understands that responsible business conduct is a fundamental cornerstone of the Company's sustainable development. The Company is committed to fostering an honest and compliant business environment, integrating business ethics, compliance philosophy and the expectations of stakeholders to continuously enhance the Company's level of compliant operation. The Company respects the principles of market competition, supports and maintains a fair and free competitive market environment, and opposes all forms of commercial bribery, extortion, fraud, money laundering, monopoly and unfair competition. The Company adopts a zero-tolerance policy towards all breaches of business ethics. During the Reporting Period, the Company had no litigation cases arising from commercial bribery or corruption.

## Business Ethics Management System

The Company strictly complies with the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibition of Commercial Bribery, and other applicable laws and regulations of the jurisdictions in which it operates. The Company has formulated and implemented the Code of Practice for Employees' Integrity and the Compliance Management Measures and other internal policies, which systematically address business ethics risk points and provide guiding principles and a compliance framework for employees' daily conduct.

The Chairman of the Board assumes the role of primary person responsible for business ethics. Executive Directors and the Management are responsible for the supervision and administration of integrity and business ethics. The Discipline Inspection Office and other departments undertake the day-to-day implementation of business ethics and integrity initiatives to ensure that all employees and partners conduct themselves appropriately.

| | |
|---|---|
| Chairman of the Board | • Assumes the role of primary person responsible for business ethics of the Company. |
| Management | • Responsible for the supervision and administration of integrity development and business ethics of the Company. |
| Discipline Inspection Office | • Formulate policies and objectives related to business ethics and integrity.<br>• Regularly review the implementation of key policies and objectives.<br>• Handle reporting, investigation and accountability relating to business ethics matters. |

Business Ethics Management Structure of Honghua Group

The Company also extends its business ethics standards to the supply chain, requiring suppliers to sign the Code of Integrity Commitment to regulate their business conduct. For suppliers failing to comply with relevant standards, the Company reserves the right to take measures including cancellation or suspension of qualified supplier status, blacklisting and pursuit of legal liability, so as to ensure that supply chain partners adhere to the same responsible requirements as Honghua Group.

## Business Ethics Risk Prevention and Control

Honghua Group has always embedded integrity awareness into all commercial activities, from internal management to external cooperation. During the Reporting Period, the Company formulated and issued the Implementation Manual for the Integrity Risk Prevention and Control System and other management systems, steadily promoted anti-corruption work, strengthened the restriction and supervision of power, further improved the integrity risk prevention and control system of the Company, standardized and deepened integrity risk prevention and control in key businesses and critical procedures, and fostered a sound and upright production and operation environment.

| Clarify power items | Identify integrity risks | Formulate prevention and control lists | Risk prevention and control diagrams | Supervision and inspection |
|---|---|---|---|---|
| Sort out and formulate the List of "Six Powers" Items covering personnel, finance, assets, procurement, sales and approval. | Conduct comprehensive self-inspection of risk points for listed items and classify risks into three levels: A, B and C in accordance with the rating criteria. | Develop operable prevention and control measures based on risk points and improve the Library of Integrity Risk Prevention and Control Measures. | Develop special prevention and control diagrams for key areas, marking risk procedures, levels and corresponding prevention and control measures. | Conduct quarterly inspections based on the measures library and prevention and control diagrams, rectify problems in a timely manner and report to higher authorities. |

Business Ethics Risk Prevention and Control Process of the Company

# Business Ethics and Integrity Training

Honghua Group attaches great importance to the promotion and development of business ethics, and is committed to building an honest and transparent corporate culture. The Company regards integrity risk education as an important part of business ethics and anti-corruption work. Through various forms such as ethics lectures, integrity education courses, corporate culture promotion, visits to integrity education bases, discussion of warning cases and integrity reminders, the Company carries out business ethics and culture training for all employees (including Board members, senior management, part-time employees and outsourced employees), effectively enhancing the awareness of integrity and self-discipline among all employees.

## Business Ethics Training

To help employees adhere to business ethics and stay away from corruption risks in their careers, the Company organized a series of special training and warning education activities during the Reporting Period. Themed training sessions including "Discipline and Law Interpretation" and "Clean Breeze Lectures" covered more than 1,300 person-times. The Company also held 2 warning education conferences, distributed warning study materials and organized all employees to watch warning education videos, effectively enhancing employees' awareness of integrity, building a solid ideological line of defense at the source, and fostering a culture of integrity and uprightness.




| | |
|---|---|
| Integrity Culture Month | The Company collected 127 integrity culture works from all employees, fostering a strong atmosphere of thinking highly of integrity, advocating integrity and upholding integrity. |
| Integrity Culture Venue Cluster | The Company built 6 distinctive "micro-venues" for integrity culture with integrated integrity risk prevention and control. Among them, 2 venues were awarded the title of "Excellent Integrity Culture Micro-Venue" by higher authorities. |
| Reminder Letter for Integrity Practice | The Company issued Reminder Letters for Integrity Practice to supply chain employees and qualified suppliers of the Company, combining timely reminders with education. |

Integrity Promotion and Training Activities of the Company

## Business Ethics Audit

Honghua Group identifies high-risk commercial activities and operating regions through audit, discipline inspection, inspection and internal control procedures to achieve multi-party supervision. By strictly implementing rectification of identified problems, the Company ensures compliance of its operations. The Company conducts internal control evaluations every year, regularly carries out various special audits related to business ethics, and increases the frequency of reviews according to specific business needs. Through scientific assessment of internal control deficiencies, the Company effectively improves the effectiveness of the internal control system. During the Reporting Period, the Audit Department of the Company focused on key control areas and carried out special audits. Meanwhile, to strengthen overseas risk prevention and control and regulate the exercise of power by management personnel both inside and outside the country, the Company concurrently conducted off-board economic responsibility audits.

# Reporting Channels and Whistleblower Protection

Honghua Group encourages all employees to collaborate in combating fraud, corruption and other breaches of business ethics. The Company has formulated and implemented the Detailed Rules for the Implementation of Petition and Reporting Work and other internal policies. The Company respects all employees who raise concerns or make reports, as well as employees under investigation. It conducts thorough and timely investigations into all reported violations and takes appropriate corrective actions, including but not limited to clarifying Company policies, providing additional training, revising procedures and imposing disciplinary actions.

The Company assigns dedicated personnel to receive and register reports and strives to ensure that no employee suffers unfair detriment for raising concerns or reporting non-compliant or illegal conduct. Strict confidentiality is required regarding whistleblower information. During investigations, the Company maintains strict confidentiality of whistleblower information to prevent retaliation and effectively protect the legitimate rights and interests of whistleblowers.

**Business Ethics Reporting Channels**

| Email | Hotline | Mailing Address |
|---|---|---|
| hhgp.jubao@hhcp.com.cn | +86 28 6817 6829 | No. 99, Information Park East Road, Jinniu District, Chengdu City, Sichuan Province, China |

Upon receiving complaint clues or evidence, the Company promptly collects and verifies the information and assesses its authenticity and establishes an investigation team. Where violations of disciplines, rules or laws are confirmed, the Company will propose disciplinary sanctions against the individuals involved. Cases suspected of breaking laws will be transferred to relevant law enforcement authorities according to their nature.

# Anti-Monopoly and Fair Competition

Honghua conducts its business operations in accordance with the principles of voluntariness, equality, fairness and integrity, and firmly opposes unfair competition. The Company strictly complies with the Anti-Monopoly Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other applicable laws and regulations in the jurisdictions where it operates. It actively guides employees to uphold sound business conduct and maintain a fair competitive order in the industry.

During the Reporting Period, the Company had no fines imposed in relation to unfair competition, conflicts of interest, money laundering or insider trading. No litigation or major administrative penalties arising from unfair competition occurred.

**2025**

| Director and senior management business ethics training coverage rate | Employee business ethics training coverage rate | No. of business ethics training sessions conducted | No. of employees trained on business ethics | Total hours of business ethics training |
|---|---|---|---|---|
| 100% | 28.56% | 12 | 812 | 40 |

| No. of corruption-related litigation cases | No. of concluded corruption-related litigation cases | No. of accountability incidents | No. of individuals held accountable |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

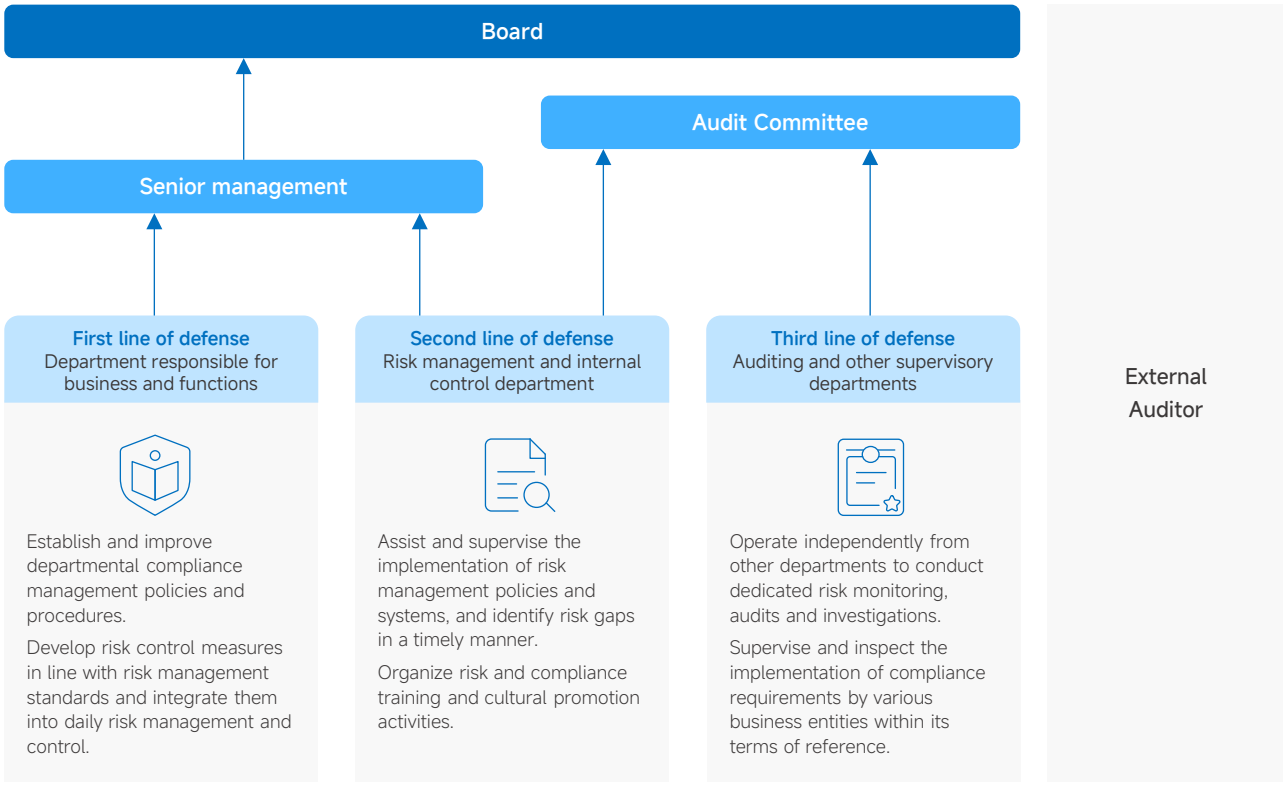
# Risk Management

Honghua Group continuously improves and builds a systematic risk management system. The Company has established a comprehensive risk assessment mechanism to thoroughly identify and assess various potential risks in its operations, and regularly reviews its risk management strategies and related internal control systems to ensure they can respond promptly to changes in the market environment and business operations.

## Risk Management System

Honghua Group has formulated and implemented internal policies including the Risk Management Policy, Internal Control System Management Policy, and Compliance Management Measures. It continuously optimizes the general assessment standards for compliance risks and business risks, comprehensively identifies potential risks in business processes, and enhances risk governance capabilities.

Honghua Group has established a risk management architecture with clear rights and responsibilities, and continuously optimizes and upgrades the Company's risk governance system. The Board of Directors, as the highest executive body for risk management and compliance management of the Company, is responsible for overall risk control and performs the functions of "formulating strategies, making decisions, and preventing risks". The Audit Committee under the Board of Directors is responsible for supervising the establishment and effective operation of the internal control system. In addition, the Company has appointed a Chief Compliance Officer to guide and supervise the Company's risk control and compliance work, and to study, discuss, and deploy the management and mitigation of major risk matters.




Risk Management Structure of Honghua Group

Honghua Group upholds bottom-line thinking and zero-tolerance for red-line violations in its enterprise-wide risk management. In accordance with internal policies including the Risk Management Policy and the Guidelines for Full-risk Management of Central SOEs, the Company has established an enterprise-wide risk management system. The Company gives full play to the Three Lines of Defense, focuses on strengthening risk management mechanisms, awareness and capability development in key areas, and continuously enhances its ability to prevent, control and respond to operational risk incidents.

# Risk Management Mechanism

Against the backdrop of rapid changes in the global economy, society and environment, the risk issues faced by enterprises have become increasingly diverse and complex. To effectively address these challenges, the Legal and Risk Control Department conducts systematic risk identification, assessment and response work on an annual basis. For identified risk events or factors, the Company formulates control objectives and measures through risk scoring and management seminars, and develops an annual risk control plan to be implemented by responsible units. The Legal and Risk Control Department continuously tracks and supervises the progress of risk response measures implemented by functional departments, and regularly reports the status of risk control to the Board of Directors. During the Reporting Period, based on risk identification results, the Company jointly formulated and implemented the Annual Key Risk Control Plan, aiming to respond promptly and properly manage potential threats.

| Risk Identification | Risk Assessmen | Risk Response | Risk Monitoring | Risk Reporting |
|---|---|---|---|---|
| • Collect information, inventory and identify potential risk sources.<br>• Classify risks according to their attributes. | • Assess risk levels based on likelihood of occurrence and magnitude of impact.<br>• Establish a risk list and rank risks by importance. | • Develop risk response measures for each business execution unit.<br>• Continuously evaluate the effectiveness of response measures. | • Continuously assess changes in risks, and track the progress and actual effectiveness of risk control measures. | • Report identified risk information, potential impacts and response measures to the Board of Directors. |

Risk Management Process of Honghua Group

# Risk and Compliance Management Culture

Honghua Group attaches great importance to the development of risk and compliance culture, and is committed to embedding the concept of risk and compliance management in the mind of every employee. During the Reporting Period, the Company actively carried out risk training focusing on key areas such as new marine business, technology R&D, contract management, labor employment and marketing business, to enhance employees' risk awareness and response capabilities.

## Strengthen the First Line of Defense for Business Supervision

To further implement the requirements of Honghua Group's "Three Lines of Defense" and strengthen the role of the first line of defense in business supervision, during the Reporting Period, the Company formulated and implemented the Compliance Officer Business Supervision Performance Checklist and Evaluation Criteria, providing guidance for all departments to strengthen self-supervision of business operations. The Company selected several compliance and legal personnel to participate in the Group's legal, risk control and compliance talent training.

As of the end of the Reporting Period

Honghua Group has appointed approximately **100** compliance officers



Compliance Officer Competency Training at Honghua Chengdu Guanghan Base

| Metrics | Unit | FY 2025 |
|---|---|---|
| No. of training sessions on risk and compliance management | No. | 133 |
| Training attendances on risk and compliance management | Person-times | 7,274 |
| Total training hours on risk and compliance management | Hours | 334.10 |

Risk Management Performance Table

# Information Security and Privacy Protection

Honghua Group attaches great importance to cybersecurity management and privacy protection. The Company comprehensively enhances its information security capabilities through multiple initiatives, including strengthening the information security system, upgrading technical protection capabilities, optimizing the emergency response mechanism, and mitigating risks associated with intelligent system applications.

## Information Security

To standardize cybersecurity management, improve prevention capabilities, and clarify accountability, the Company has formulated and implemented the Cybersecurity Management Policy and other management documents in accordance with the Cybersecurity Law of the People's Republic of China and other applicable laws and regulations of its operating jurisdictions. These documents define information security protection measures such as data disaster recovery, data backup, data masking, and encryption authentication, and strictly prevent data loss, damage, leakage, or tampering. In addition, the Company actively conducts information security certification to ensure the effective and stable operation of its information security system. As of the end of the Reporting Period, the Company has completed 4 Information System Classification Filing and Evaluation.

### Information Security Risk Management

The Company prioritizes emergency response to information security incidents. It has established management procedures such as the Cybersecurity Incident Emergency Response Plan, forming a four-level emergency response mechanism for cybersecurity incidents and clarifying response workflows for information security breaches. Meanwhile, the Company conducts annual penetration testing and vulnerability analysis simulating hacker attacks to continuously strengthen the security protection of its information systems and ensure business continuity.

During the Reporting Period, the Company organized an internal phishing email attack-defense drill involving more than 2,000 email users. By simulating potential security incidents, the Company refined emergency response procedures, optimized response mechanisms, and enhanced the practical capabilities of all employees. Furthermore, the effectiveness of core data backup has remained at 100%. During the Reporting Period, a total of 59,600 backups were completed, effectively ensuring business continuity and data security. The Company has fully deployed a confidentiality inspection system, achieving full coverage of its trade secret protection system, which has significantly improved the overall protection of trade secrets and further enhanced data leakage prevention for terminal computers.

## Privacy Protection

To strengthen and standardize information confidentiality security management, prevent sensitive information leakage, and improve the construction and operation of information confidentiality security, the Company formulated and implemented the Information Confidentiality Security Management Policy which clearly defines the boundaries and usage specifications for the collection of employees' personal information. During the Reporting Period, the Company did not experience any internal information leakage incidents, nor did it face any disputes or lawsuits arising from the leakage of customer privacy. In addition, the Company conducts regular annual training on information security and privacy protection for all employees to continuously strengthen their awareness and capabilities in information security protection.

| Metrics | Unit | FY 2025 |
|---|---|---|
| No. of information security inspections conducted | No. | 1 |
| No. of employee trained on data security and privacy | No. | 42 |
| No. of training sessions on data security and privacy | No. | 1 |
| No. of information security incidents | No. | 0 |
| Total No. of people affected by information security incidents | No. | 0 |
| No. of verified complaints related to customer privacy breaches or loss of customer data | No. | 0 |
| No. of cybersecurity incidents | No. | 0 |
| Financial loss caused by cybersecurity incidents | CNY 10,000 | 0 |
| No. of participants in cybersecurity drills | No. | 2,401 |
| No. of cybersecurity drills conducted | No. | 1 |

Information Security and Data Privacy Performance Table



# 02 Innovation Empowerment, Driving High-Quality Growth

## ESG Topics

Innovation and R&D | Product Quality and Safety | Customer Relations

United Nations Sustainable Development Goals (SDGs)




Honghua Group deeply recognizes that research and development innovation is the core driving force behind the implementation of its business strategy and the advancement of industry ecosystem development. The company continuously enhances its innovation and R&D capabilities, actively introduces advanced technologies and high-end talent, and is committed to developing more competitive products and solutions. With a focus on high quality and high performance, Honghua strives to fully meet the diversified needs of its customers. The company also upholds the philosophy of continuous improvement in its service offerings, ensuring a professional, efficient, and high-quality service experience for clients.

# Innovation and R&D

Honghua Group continues to improve its R&D system, consolidate its R&D resource advantages, accelerate technological breakthroughs and product upgrades, and build competitive advantages for the new industry landscape, driving the development of new-quality productive forces.

## R&D and Innovation System

Honghua Group strictly complies with the laws, regulations, and industry guidelines applicable in its operating locations. The Company has established and implemented internal regulations such as the Regulations on Scientific and Technological Project Management, Regulations on Technology Planning Management, and Integrated Work Program for Science and Technology Management, to standardize R&D and innovation management requirements, providing strong support for technological advancement and market competitiveness.The Company has established a sound governance structure for R&D and innovation, with relevant managers possessing professional backgrounds and capabilities in research and innovation. Honghua has set up a three-tier governance framework comprising the Science and Technology Committee (STC), the Office of Chief Technologist (OCT), and the Technical Departments, and continues to refine its scientific R&D and innovation management model to advance innovation initiatives in a more integrated and efficient manner.

| | |
|---|---|
| STC | The Science and Technology Committee (STC) is responsible for reviewing the company's R&D and innovation strategy, objectives, and risk assessments. Relevant members all possess senior industry background and professional capabilities. |
| OCT | The Office of Chief Technologist (OCT) is responsible for R&D and innovation planning management, strategic advancement, and coordination, supervising the progress of strategy execution, and regularly organizing R&D planning reports and innovation progress communication, as well as coordinating daily R&D work. |
| The Technical Departments | The Technical Departments, as the execution entities, are responsible for the specific planning, implementation, and feedback of R&D and innovation. |

R&D Governance Structure of Honghua Group

## R&D Focus and Strategic Layout

Honghua Group is committed to becoming a global leader in high-end oil and gas equipment and services, with a strategic vision of equipment intelligence, product digitization, and industrial green transformation. With forward-looking insight, the company actively plans for strategic emerging businesses and expands into the offshore engineering equipment sector, continuously increasing investment in core technologies and advanced equipment development. During the reporting period, the Group's total R&D expenditure reached CNY 287 million, representing a year-on-year increase of 11.67%. The R&D intensity reached 5.2%, up by 0.69 percentage points year-on-year, and 14 high-end R&D talents were recruited. From the successful application of software systems such as OPERA and Unison, to the launch of the Integrated Intelligent Fracturing Control Platform (iFracPlat), the company now offers customers integrated digital drilling and completion solutions, effectively driving the intelligent transformation of its products. From the smooth advancement of Intelligent Drilling Rig 2.0's iterative R&D to the successful implementation of the "Gas Power Generation + Electric Fracturing" model, Honghua is accelerating its transition from a traditional oil and gas equipment manufacturer to a digital, intelligent, and green provider of oil and gas equipment and services — laying a solid foundation for long-term growth.

Honghua Group's Intelligent Fracturing Integrated Solution




To advance unconventional oil and gas extraction technologies toward intelligence, efficiency, and greener operations, and to provide critical equipment support for the implementation of global energy security strategies, during the reporting period, Honghua Group officially launched the "Honghua Intelligent Fracturing Integrated Solution". The solution integrates and simplifies the 33 operation steps involved in traditional fracturing operations into one step, reducing manual operation intensity by 97%, improving construction efficiency by 15%, and simultaneously cutting carbon emissions by approximately 92%.

**As of the reporting period**

Honghua Group's electric fracturing services have completed over **30,000** fracturing stages

With a total power generation capacity exceeding **200** megawatts

Cumulative electricity generation surpassing **180** million kilowatt-hours

And a total length of dedicated power supply lines constructed exceeding **600** kilometers



Honghua Intelligent Fracturing Integrated Solution Press conference venue

## Honghua Group has innovatively developed the "AI + Island-style Drilling Technology"



In response to challenges such as harsh marine environments, low efficiency of conventional drilling rigs, high safety risks, and stringent environmental requirements, Honghua Group has innovatively launched a new-generation intelligent drilling system driven by the core technology of "artificial intelligence (AI) + Island-style Drilling Technology". This solution leverages a digital drilling platform to achieve standardized, automated, and intelligent management and control of drilling processes, significantly improving operational efficiency, ensuring construction safety, and guaranteeing work quality. It aims to help customers address complex operating conditions, achieve production targets, and lead oil and gas development into a new era of intelligence. In addition, the intelligent drilling rig will reduce carbon emissions by 20% through an energy management system and enable classified recovery of oil contamination, waste drilling mud, and wastewater, further minimizing environmental impact.

**Standardization of Drilling Processes:** For drilling operations, various sub-processes have been developed. These sub-processes can be combined according to process requirements to form workflows, enabling consistent and standardized control of drilling operations.

**Customization of Drilling Activities:** In response to users' differentiated needs, special operation workflows can be customized to meet the automated control requirements of unconventional operations.

**Intelligence in Drilling Processes:** Within safety boundaries, AI algorithms are used to recommend optimal drilling parameters in real time, achieving optimal results in rate of penetration and mechanical specific energy across different formations, thereby improving drilling efficiency and quality.

Orders for intelligent drilling rigs equipped with AI + Island-style Drilling Technology placed by Middle Eastern customers

## Honghua Group's independently developed low-noise, high-efficiency, and environmentally friendly special drilling rig for cluster wells won the first prize

To protect the pristine forests and wildlife of nature parks and promote green and efficient development in the oil and gas industry, Honghua Group has actively advanced technological innovation, focusing on the development of noise-reduction technologies. These efforts have significantly reduced the impact of oilfield operations on surrounding ecological environments and wildlife, promoting the harmonious integration of industrial equipment with natural ecosystems.




First Prize for Scientific and Technological Innovation in Petroleum and Petrochemical Equipment (2025)

### During the reporting period

The company' s independently developed "low-noise, high-efficiency, and environmentally friendly special drilling rig for cluster wells" was awarded the **First Prize for Scientific and Technological Innovation Achievements** at the 4th Petroleum and Petrochemical Equipment Industry Technology Conference and Exhibition of Scientific and Technological Innovation Achievements 2025.

Ultra-quiet operation at **55** dB

Noise reduction of up to **65%**

Over **90%** reduction in carbon emissions

**45%** lower fuel consumption

**Zero** waste discharge



Honghua Group Uganda Ultra-Quiet Intelligent Drilling Rig

## Industry-Academia-Research Collaboration

The company continuously monitors frontier technologies and innovative research in the industry, and actively collaborates with universities and scientific research institutions to expand the boundaries of technological development and accumulate innovation momentum. During the reporting period, Honghua Group steadily advanced its postdoctoral research programs, jointly cultivating postdoctoral researchers with three universities—including Jilin University and Southwest Jiaotong University. Three new postdoctoral researchers joined the program, conducting studies on key topics such as the online integrated detection system for coiled tubing damage, key technologies for fracturing fluid delivery systems, and scientific drilling techniques and methodologies, leveraging postdoctoral research to support breakthroughs in core technologies. In addition, the company actively collaborated with research institutes such as the Chinese Academy of Geological Sciences to advance the application and construction of a new series of high-level innovation platforms.

## R&D Incentives and Training

The company fully ensures R&D resource allocation and strengthens the development of R&D talent teams to maintain a leading position in scientific and technological innovation. It is committed to building a comprehensive mechanism for attracting, cultivating, and incentivizing talent, thereby stimulating innovation vitality. With advanced platform facilities and a high-caliber research team, the company accelerates the creation and transformation of cutting-edge research outcomes. During the reporting period, the company formulated and implemented the Implementation Rules for Rewards on Intellectual Property and Standards Achievements, further improving the reward mechanism for intellectual property and standardization outcomes. This initiative aims to boost scientific and technological innovation by recognizing and rewarding such achievements.

Closely aligning with the innovation-driven development strategy and targeting optimized allocation of scientific resources and enhanced value creation, the company has established a "3+1" tiered incentive system covering the entire R&D lifecycle. This system spans key stages including research and development, market commercialization, and knowledge consolidation. By strengthening the guiding role of incentives, it effectively motivates talent and enhances innovation capacity.During the reporting period, the company recognized and commended 15 outstanding internal scientific and technological achievements. Among them, five received awards at the Group level.

# Intellectual Property Protection

Honghua Group strictly complies with the laws and regulations of its operating locations, including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. During the reporting period, the company revised and implemented internal systems such as the Intellectual Property Management Measures, the Patent Management Rules, and the Implementation Rules for Rewards on Intellectual Property and Standards Achievements, clarifying the basic requirements for intellectual property protection and risk prevention mechanisms. The company integrates the encouragement of R&D innovation and the incentive for the transformation of technological achievements into full-process management, adopts multiple measures to improve the intellectual property management system, continuously stimulates innovation vitality, and empowers high-quality development through independent intellectual property. The company respects the intellectual property rights of others and actively protects its own intellectual property achievements, conducting patent layout in accordance with the principle of "improving quality and strengthening rights protection".

During the reporting period, Honghua Group passed the annual confirmation audit of Innovation Management — Guidelines for Intellectual Property Management (ISO 56005), maintaining its Level 2 valid certificate, thereby effectively enhancing its intellectual property management level. In addition, the company passed the re-audit of the Enterprise Intellectual Property Compliance Management System (GB/T 29490–2023).

### Specialized Training on Intellectual Property Risks and Control in Enterprise Business Operations

During the reporting period, the company invited external senior intellectual property lawyers to deliver a specialized lecture on *"Intellectual Property Risks and Control in Enterprise Business Operations"*, aiming to strengthen employees' awareness of intellectual property risk prevention and control, and to enhance compliance management capabilities across all business processes.



Honghua Group conducted an intellectual property risk specialized training session with external lawyers

| Metrics | Unit | FY 2025 |
|---|---|---|
| R&D expenditure | CNY 100 million | 2.87 |
| % of R&D expenditure to revenue | % | 5.22 |
| No. of R&D personnel | No. | 493 |
| R&D personnel ratio | % | 17.34 |
| Total no. of valid patents | No. | 882 |
| No. of valid invention patents | No. | 416 |
| Proportion of invention patents among valid patents | % | 47.17 |
| No. of newly granted patents | No. | 71 |
| No. of newly granted invention patents | No. | 37 |
| No. of newly overseas patent applications filed | No. | 2 |
| No. of newly overseas patents granted | No. | 4 |
| Total no. of trademarks owned by the company | No. | 53 |
| Total no. of copyrights held by the company | No. | 74 |
| No. of industry exchange events participated in | No. | 81 |
| No. of national standards led or participated in developing or revising | No. | 6 |
| No. of industry standards led or participated in developing or revising | No. | 3 |
| No. of local standards led or participated in developing or revising | No. | 1 |
| No. of group (association) standards led or participated in developing or revising | No. | 2 |

Innovation and R&D Performance Table

# Product Quality and Safety

Honghua Group relentlessly pursues excellence in quality, strictly controls product quality at all stages, establishes a comprehensive quality management system and thorough quality control procedures, conducts external quality certifications, and fosters a culture of quality awareness, aiming to minimize production quality risks and enhance product quality levels.

## Intellectual Property Protection

Honghua Group consistently places product quality in the primary position and has established a quality management system covering the entire product lifecycle, aligned with its business development. The company strictly complies with laws and regulations in its operating locations, including the Product Quality Law of the People's Republic of China , and has formulated and implemented internal policies such as the Quality Assessment Management Measures and the Measures for Management of Quality Incidents and Accountability, enforcing quality responsibilities by incorporating quality assessment indicators into departmental organizational performance and implementing accountability for quality incidents. In addition, during the reporting period, the company newly established the Detailed Rules for Employee Quality Points-Based Assessment, linking employees' quality performance to performance bonuses, job level promotions, and recognition in excellence evaluations, thereby enhancing quality awareness and strengthening quality control in the product manufacturing process. Meanwhile, a top-down, clearly defined quality management inspection mechanism has been established across the corporate level, departmental level, and grassroots units, ensuring efficient and comprehensive implementation and execution of the quality management system. During the reporting period, the company did not experience any health- and safety-related regulatory violations concerning products and services, nor any major liability accidents related to safety and quality.

| | |
|---|---|
| General Manager | Leads the formulation of quality policy, resource approval, and continuous improvement initiatives. |
| Department of Quality, Safety and Environment | Coordinates with departments such as design, process engineering, procurement, and production to plan the quality management system and supervise its implementation. Drives cross-functional collaboration to resolve quality issues and enhance product quality |
| Grassroots Units | Implement quality standards, enforce the quality responsibility system, strengthen inspections and feedback mechanisms, and establish supporting performance-linked incentive measures to ensure the efficient achievement of quality objectives. |

Honghua Group Quality Governance Structure

Honghua Group values product quality certification and has established and operated a quality management system since 2000. During the reporting period. All production bases of Honghua Group have passed the recertification audits for ISO 9001 Quality Management System Certification. The subsidiary Sichuan Honghua passed the recertification audits for product quality certifications from the American Petroleum Institute (API) and the American Society of Mechanical Engineers (ASME). In addition, the company has successively obtained various product quality certifications covering oil and gas drilling and production equipment, offshore engineering equipment, pressure equipment, steel structures, and offshore wind power steel structures.



ISO 9001 Quality Management System Certification




API Quality Management System Certification




API Product Certification Certificat




API Product Certification Certificat

Honghua Group Product Quality Certificates (Selected)

## Product Quality Control

Honghua Group attaches great importance to quality risk management. In accordance with relevant risk management procedure documents, the company organized all departments to systematically carry out the 2025 annual risk identification from internal and external environmental dimensions, identifying a total of 179 general risks. Special response measures have been developed for 15 risks rated level 3 or above, with regular tracking and implementation. For risks that may lead to serious consequences, emergency plans are developed separately. In addition, each production workshop, in line with Group requirements, applies the 5M1E analysis method to identify key quality risks and implements targeted control measures.

During the reporting period, Honghua Group continued to advance the Three-Year Action Plan for Quality Enhancement, strictly implemented 82 quality improvement measures, and conducted quarterly tracking and inspection of implementation. As of the end of the reporting period, 65 measures had been completed. During the reporting period, the company focused on optimizing quality system documents, building quality "Five Competencies" excellence teams, cultivating quality inspection personnel, constructing test platforms, implementing NCR re-closure control, and applying 3D design and simulation tools, comprehensively enhancing quality management capabilities.

## Quality Audit

Honghua Group has established a multi-level and multi-dimensional quality audit mechanism. Each production base systematically conducts system audits, product audits, and external audits, covering the entire business process from customer requirement identification to customer satisfaction improvement. Continuous improvement is carried out for significant issues and deviations to ensure the effective operation of the quality management system. During the reporting period, the company organized two internal audits of the quality management system, with scope covering all requirements of the quality management system, all relevant units/departments and locations, and key projects under production. For minor non-conformities identified during the audit, departments are required to conduct root cause analysis, extend lessons learned to similar processes, and rectify each item to ensure the continuous and effective operation of the quality management system and achieve continual improvement.

# Lean management

Honghua Group continued to promote the implementation and practice of lean management across various business areas. During the reporting period, the company formulated and implemented internal regulations such as the Measures for the Management of Lean Improvement Activities, and clarified the "4+5+N" lean promotion framework. Through project-based operations, belt-level talent development, and employee-wide participation in improvement initiatives, an initial lean promotion structure has been established, characterized by top-level design, departmental collaboration, subsidiary follow-up, and full employee engagement.

| | |
|---|---|
| **Lean R&D Controls the Source: Breakthroughs in Design Quality and Cost Reduction** | The company focused on standardization, modularization, and design quality improvement, completing optimization of the design process, key product quality breakthroughs, promotion of 3D design, electromechanical-hydraulic integrated design, and localization substitution. These efforts have provided strong assurance for product cost advantages and quality performance from the design source. |
| **Lean Supply Chain Optimizes the System: Advancing Procurement Efficiency and Compliance** | The company deepened supply chain management through "modularized promotion," and completed the sorting and clarification of suppliers' "4+1" fields, as well as their grading and categorization. As a result, supply chain concentration, compliance, and risk resistance capability have been effectively enhanced. |
| **Lean Production Enhances Efficiency: Strengthened Delivery Capability** | The company carried out special initiatives, including the establishment of a five-level planning system, warehouse integration, and improved delivery capacity of the mud pump production line, achieving significant reduction in warehouse resources, substantially shortened delivery cycles for key products, and a notable increase in on-time delivery rate. |
| **Lean Quality Addresses Root Causes: Advancing the Management System** | The company introduced scientific root cause analysis methods such as 5Why and 8D, successfully resolving multiple major quality incidents. In the Dongfang Electric Group's Quality Management Maturity Assessment, the company achieved a score of 742.13 (Four-Star level), ranking two positions higher than before. A total of 29 QC group activities were conducted throughout the year, with a quality improvement measure completion rate of 96.58%. A culture of quality prevention and continuous improvement is gradually taking shape. |

Honghua Group's Lean Management Achievements in 2025

# Quality Culture Development

Honghua Group emphasizes the guiding role of quality culture and strengthens employees' awareness of job-specific qualification requirements related to quality. By integrating comprehensive quality training, case sharing, and quality culture promotion activities, the company enhances overall quality awareness and capabilities, and fosters the development and practice of a strong quality culture. The company has formulated and implemented the Implementation Plan for Quality Culture Development (2023–2025), requiring all grassroots departments to establish training plans for quality personnel. The company conducts regular inspections on the implementation of quality culture initiatives and the progress of quality personnel training plans.

| Metrics | Unit | FY 2025 |
|---|---|---|
| ISO 9001 coverage rate | % | 100 |
| Product pass rate | % | 99.48 |
| No. of products sold or shipped | No. | 134 |
| No. of products recalled due to quality, safety, or health issues | Units | 0 |
| Product recall rate due to quality, safety, and health concerns | % | 0 |
| YoY decrease rate of NCR per 10,000 CNY output value | % | 34.15 |

Product Quality and Safety Performance Table

# Customer Relations

Honghua Group consistently places customer needs at the forefront, committed to delivering outstanding, reliable, and high-quality products and services through responsible marketing management and an agile service management system, continuously creating value for customers.

## Customer Service

Honghua Group complies with local laws and regulations, including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, and attaches great importance to safeguarding customers' legitimate rights and interests. With customer needs at the core, the company provides meticulous technical solutions and services. It has formulated and implemented internal regulations such as the Measures for On-site After-sales Service Management, Measures for 1812 Rapid Response Management, Measures for Key Customer Management, and Measures for Customer Follow-up and Inspection Management, continuously improving after-sales service measures and enabling rapid response to customer feedback and requirements. During the reporting period, the company did not experience any product recalls due to quality issues.

Honghua Group attaches great importance to the role of its service system in enhancing brand value. Building on the existing global spare parts warehouse and regular inspection mechanisms, the company has established a Global Service Center in accordance with the Measures for 1812 Rapid Response Management, and launched the "1812" after-sales service response mechanism. It commits to achieving service response targets of 8 hours in the Chengdu-Chongqing region, 12 hours within China, and 24 hours globally. Meanwhile, the company continues to enhance service responsiveness by expanding its service network. As of the end of the reporting period, Honghua Group operates 10 service sites worldwide, including 3 within mainland China. The site layout closely follows product sales regions, ensuring proximity to customer needs.



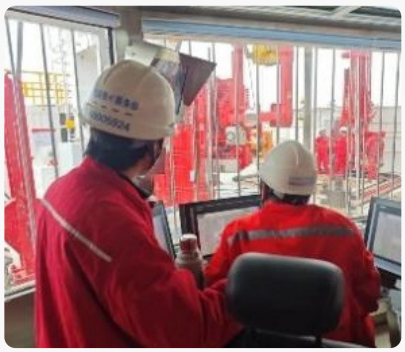

Honghua Group's "1812" [1] Service Framework

At the same time, the company has initiated the construction of a Global Remote Technical Support Centre, establishing a dual-response model combining "on-site and remote" support with "after-sales and expert" collaboration. Leveraging technologies such as intelligent diagnostics, 24/7 online service, and AR-enabled remote guidance, the centre delivers online fault diagnosis and pushes tailored solutions in real time. Through this new intelligent service model—"support before the touch"—the company has further enhanced its international brand reputation and customer loyalty.

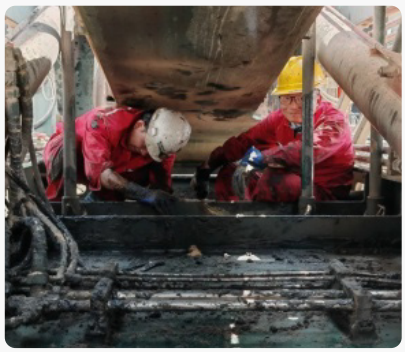
1. "1812" means respond to global requests within 1 hour, reach Sichuan and Chongqing within 8 hours, reach every part in China within 1 day, reach every part in the world within 2 days



A Honghua Group equipment inspection engineer is conducting four-category inspections on mud pumps and drawworks at a customer project site in the Middle East.



At a project site in Xinjiang, a Honghua Group after-sales service technician is patiently guiding the customer in operating the automated rig equipment system.



At an automation equipment promotion project site in the Middle East, Honghua Group's service personnel are conducting maintenance and servicing of the power catwalk together with the customer.

Honghua Group's Customer Requirement Response

## Responsible Marketing

Honghua Group strictly complies with laws and regulations in its operating jurisdictions, including the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, and the European Union's Unfair Commercial Practices Directive, ensuring that all advertising and promotional content is true and lawful, eliminating false advertising, and striving to maintain a healthy and orderly market environment and jointly foster a fair competitive market environment. During the reporting period, the company adopted a combination of internal training and external development programmes to conduct 22 training sessions for marketing employees in responsible marketing, legal compliance, and technical marketing, with a total of 317 employee attendances.

| Metrics | Unit | FY 2025 |
|---|---|---|
| No. of complaints related to products and services | No. | 0 |
| Customer satisfaction score | % | 99.60 |
| No. of incidents involving non-compliant product or service information | No. | 0 |
| Total financial loss from legal proceedings related to product information violations | CNY 10,000 | 0 |
| No. of incidents involving non-compliant marketing and communication practices | No. | 0 |
| Total financial loss from legal proceedings related to false or misleading marketing | CNY 10,000 | 0 |
| No. of responsible marketing training sessions conducted | No. | 22 |
| No. of employees participating in responsible marketing training | No. | 317 |
| Total training hours for responsible marketing programs | Hours | 303 |

Customer Relations Performance Table





*This image was generated by AI

# 03 Green and Low-Carbon, Co-Drawing an Ecological Blueprint

## ESG Topics

- Environmental Management
- Waste and Emissions Management
- Energy Utilization
- Climate Change Response

United Nations Sustainable Development Goals (SDGs)




Honghua Group actively responds to the national "Dual Carbon" strategy, deeply integrating green and low-carbon principles into its development strategy. Through a series of measures—including improving environmental management mechanisms, optimising pollutant and waste disposal processes, enhancing resource recycling efficiency, and strengthening climate change risk management and opportunity identification—the company is steadily advancing its green transformation, contributing corporate efforts towards a shared ecological vision of harmonious coexistence between humanity and nature.

# Environmental Management

Honghua Group attaches importance to green development and environmental protection, strictly complies with environmental laws and regulations, and continuously strengthens the foundation of green development by establishing a systematic environmental management system and enhancing compliance management throughout the entire process, thereby improving environmental risk prevention and control capabilities and providing solid support for sustainable development.

## Environmental Management System

Honghua Group strictly complies with environmental laws and regulations in its operating jurisdictions, including the Environmental Protection Law of the People's Republic of China, and has formulated and implemented internal control systems such as the Environmental Operational Control Procedure, refined various pollution control measures, and established a scientifically sound and comprehensive environmental management system. Meanwhile, the Company has developed the Environmental Monitoring Management Measures, clarifying the departments responsible for and implementing environmental monitoring, standardising monitoring tasks, control indicators and monitoring methods, and conducting regular testing of various pollutant to promote the systematic operation of environmental monitoring.

The Company has established a well-structured environmental management organisation system with clear responsibilities, clarifying the environmental responsibility across all levels to ensure the effective implementation of environmental protection work.

| | |
|---|---|
| General Manager | As the Company's primary person for environmental protection, the General Manager places environmental work on the company's important agenda, and coordinates the resolution of major environmental protection issues. |
| Quality, Safety and Environment Protection Department | Conducts supervision and inspection of the Company's pollutant emissions, and urges all departments to implement national environmental laws, regulations, and policies; undertakes overall supervision and manages the Company's environmental protection work, and evaluates pollution-generating departments; organises investigations into pollution incidents; and urges the implementation of the environmental "three-simultaneities" principle for new, renovated, and expanded projects. |
| Department Heads at All Levels | The environmental protection "top executive accountability system" is implemented, under which the head of each department bears overall responsibility for environmental protection work within their respective departments, sets departmental environmental targets, and conducts internal performance assessments. |
| All Business Departments | Responsible for the daily management and control of pollutants generated within their respective departments. |

Honghua Group Environmental Management Structure

The Company sets environmental management objectives at the Group, subsidiary, and departmental levels each year to promote the deep integration of environmental management with production and operations. To effectively achieve the established objectives, the Company formulates and implements the Occupational Health, Safety, and Environment Assessment Management Measures, incorporating target achievement into the employee performance evaluation system to ensure efficient implementation of the environmental management system. As at the end of the reporting period, 100% of Honghua Group's production and operation sites have obtained ISO 14001 Environmental Management System Certification.




ISO 14001 Environmental Management System Certification of Honghua Group

| Metrics | Unit | FY 2025 |
|---|---|---|
| Environmental protection expenditure | CNY 10,000 | 336.57 |
| Number of employees participating in environmental protection training | Person-times | 70 |
| Number of environmental training sessions | No. | 4 |
| Total environmental training hours | Hours | 120.00 |
| Number of factories certified under ISO 14001 | No. | 4 |
| Number of factories with other environmental management system certifications | No. | 1 |

# Environmental Aspect Identification

Honghua Group regularly conducts in-depth identification and assessment of environmental aspects involved in the production process. By compiling and improving the List of Significant Environmental Aspects, the Company clarifies control objectives, responsible departments, and specific measures for each aspect, and regularly evaluates the effectiveness of control measures to ensure the continuous and effective operation of the environmental management system.

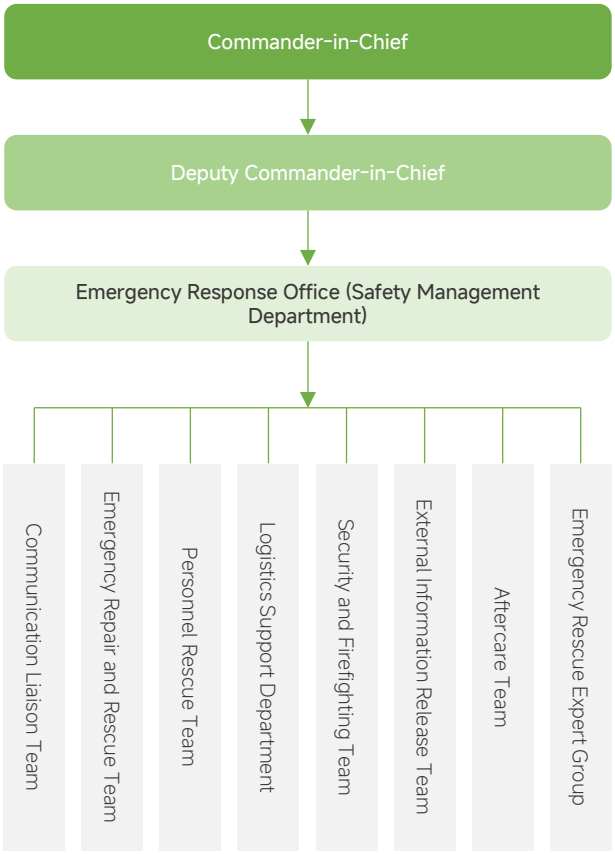
| Significant Environmental Aspects | Environmental Impacts | Objectives | Type of Operation / Activity | Control Measures |
|---|---|---|---|---|
| Air emissions: smoke, dust, VOCs, *etc.* | Air pollution | No environmental incidents; compliant exhaust emissions; environmental protection equipment and facilities operate normally | • Thermal cutting, riveting, welding, and grinding operations<br>• Sandblasting operations<br>• Painting operations<br>• Heat treatment and forging | • Reasonably distribute work layout;<br>• Regularly maintain and clean dust removal equipment;<br>• Conduct periodic monitoring to ensure compliance with emission standards. |
| | | No fire or explosion incidents | • Fire and explosion hazards | • Strengthen fire safety management;<br>• Develop emergency response plans and management systems. |
| Noise emissions | Noise pollution | No environmental incidents | • Thermal cutting, welding, and grinding operations | • Reasonably distribute work layout;<br>• Optimize processes to reduce grinding volume;<br>• Regularly conduct noise monitoring to ensure compliance. |
| | | | • Sandblasting operations | • Isolate compressor rooms;<br>• Conduct regular monitoring to ensure emissions comply with applicable standards;<br>• Strengthen equipment maintenance and servicing. |
| | | | • Power generation, testing, and grinding<br>• Heat treatment and forging | • Adjust work schedules to prohibit grinding during nighttime;<br>• Establish management procedures. |
| Hazardous waste leakage: lubricating oil, fuel, paint, waste oil, waste emulsion, etc. | Water pollution / Soil contamination | No environmental incidents; hazardous waste managed and disposed of in compliance with regulations | • Painting operations<br>• Storage of hazardous chemicals<br>• Daily operations, machine tool operation, maintenance and repair, component assembly or overhaul, wiping oil stains with rags, applying anti-rust oil to parts, and non-destructive testing | • Conduct inspections in accordance with the hazardous chemicals storage management system and perform regular checks to prevent leaks;<br>• Ensure compliant recycling, disposal, and management. |
| Slurry leakage | Water pollution / Soil contamination | No environmental incidents; waste properly managed and disposed of | • Product testing, training activities | • Construct dikes or bunds near circulation lines to prevent slurry overflow;<br>• Monitor water level and quality in sewage tanks; if discharge standards are not met, arrange for wastewater trucks to remove the slurry promptly;<br>• Remove slurry immediately after testing is completed. |
| Flammable or oxidising gas leakage, or fire | Air Pollution | No environmental incidents; emissions comply with standards | • Heat treatment and forging | • Conduct inspections to identify and eliminate leakage hazards;<br>• Standardise the storage of gas cylinders by classification and inspect upon receipt;<br>• Maintain alarm systems and exhaust gas treatment equipment; grinding operations are strictly prohibited in these areas. |

Honghua Group Significant Environmental Aspects and Control Measures (Partial)

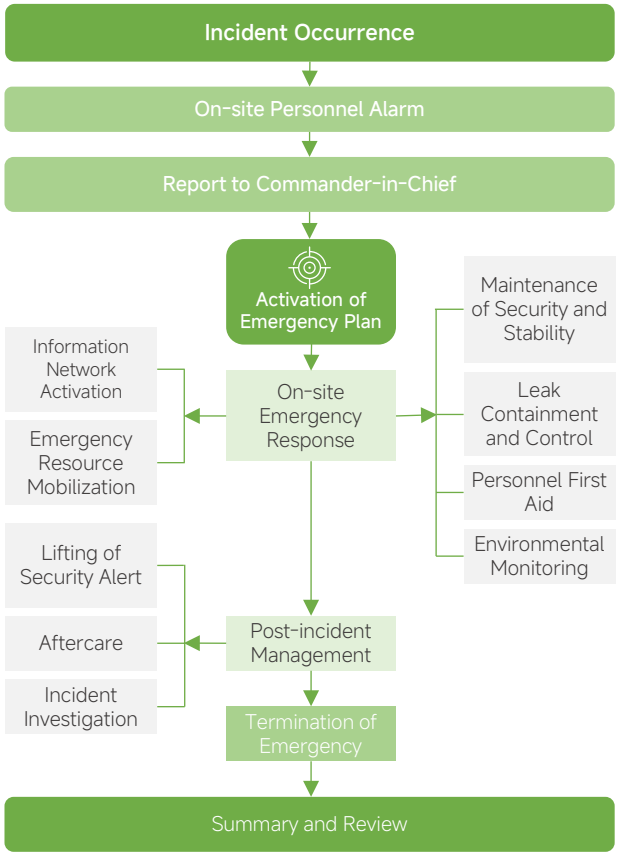
# Environmental Compliance Control

To enhance the capability to respond to sudden environmental pollution incidents, Honghua Group has developed and implemented the Emergency Response Plan for Sudden Environmental Incidents, established a graded and classified emergency response mechanism, and clearly defined emergency response procedures and responsibility assignments, ensuring that the Company can promptly activate emergency responses and carry out emergency rescue operations in an orderly manner when sudden environmental pollution incidents or emergencies occur. In addition, the company has set a target of zero major sudden environmental pollution incidents.

The company has established an Emergency Command for sudden environmental incidents, with the General Manager serving as Commander-in-Chief of the Emergency Command, who is fully responsible for the organization and command of emergency responses to major environmental pollution incidents.




Honghua Group Emergency Management Structure




Honghua Group Emergency Response Process

To strengthen employees' foundational capabilities in emergency management, Honghua Group regularly conducts emergency drills focused on critical environmental risk scenarios such as chemical spills and fires involving hazardous chemicals, effectively enhancing overall emergency response capabilities and risk prevention awareness, and continuously improving the environmental emergency management system. During the reporting period, the Company conducted an emergency drill for a paint leakage incident, with over 20 key personnel participating.

# Biodiversity

The Company integrates ecological conservation principles into daily operational management, strictly complies with national and local laws and regulations related to biodiversity, continuously strengthens ecological risk prevention and control, and promotes green office practices, energy conservation and emissions reduction, as well as compliance management, to minimize the potential impacts of operations on the surrounding ecological environment.

# Waste and Emissions Management

Honghua Group has established a comprehensive management system covering wastewater, exhaust gas, solid waste, and noise, and set targets for compliant discharge of the "three wastes". Through standardized monitoring and technological upgrades, the Company ensures full compliance and stable compliant discharge, effectively reducing the impact of production operations on the surrounding environment and contributing to the improvement of regional environmental quality.

## Wastewater Discharge Management

Honghua Group continues to improve its wastewater discharge control system and strictly complies with environmental laws and regulations applicable at its operating locations, including the Law of the People's Republic of China on the Prevention and Control of Water Pollution, Integrated Wastewater Discharge Standard, Wastewater Quality Standards for Discharge to Municipal Sewers. The Company has formulated and implemented the Water Pollution Prevention and Control Management Measures to further standardise the discharge, treatment, and control requirements for both production wastewater and domestic wastewater. During the reporting period, the company's compliance rate for wastewater treatment and discharge was 100%.

*Filtered and treated through a three-stage oil-water separation system* ▶ *Regularly tested by third-party accredited laboratories* ▶ **Conveyed to municipal wastewater treatment plants for centralised treatment**

Honghua Group Wastewater Treatment Process

| Metrics | Unit | FY 2025 |
|---|---|---|
| Total wastewater discharge | Tonnes | 52,797.10 |
| Ammonia nitrogen ($NH_3$-N) emissions | Tonnes | 0.27 |
| Chemical oxygen demand (COD) emissions | Tonnes | 2.04 |

## Air Emissions Management

Honghua Group maintains full compliance with national and local air quality regulations, including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. The Company has developed and continuously improved the Air Pollution Prevention and Control Management Measures, which clearly define emission procedures and control measures for various types of exhaust gases, establishing a systematic and institutionalised management framework. During the reporting period, the compliance rate for air emissions treatment and discharge was 100%.

**Honghua Group has upgraded its air pollution control equipment, effectively reducing exhaust gas emissions.**

Honghua Group continues to advance the upgrading of air emission control equipment across all production sites. Subsidiaries have installed a series of advanced pollution control systems — including dry filters, zeolite rotor concentrators, regenerative thermal oxidisers (RTO), baghouse dust collectors, and mobile welding fume purifiers — to strengthen the defense against industrial emissions and reduce atmospheric pollution impacts on surrounding communities.

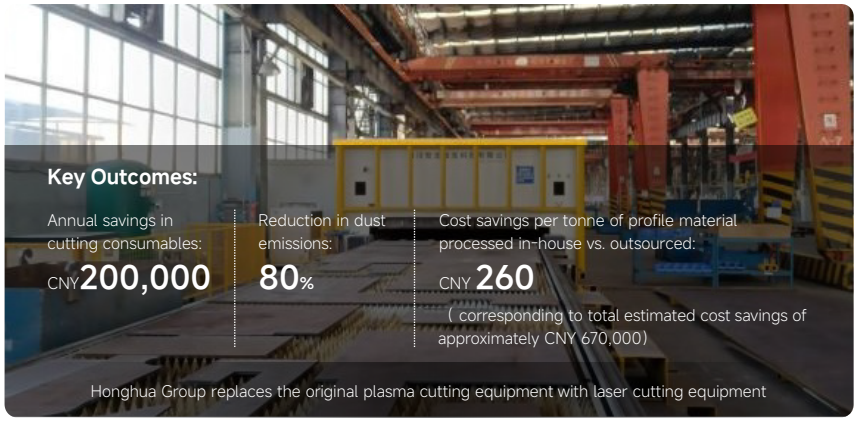
Following the equipment upgrade at Sichuan Honghua, annual volatile organic compound (VOCs) emissions decreased by **19.44** tonnes, significantly improving local air quality.



Honghua Group's Air Pollution Control Facilities

**Upgraded the cutting process by adopting laser cutting technology, effectively reducing dust emissions.**

In recent years, the Company has continuously advanced energy-saving upgrades of production equipment and fully commissioned laser cutting equipment in 2025 to replace the former plasma cutting process. This new equipment not only improves cutting efficiency and material precision but also enhances fit-up accuracy and achieves near-zero rework, enabling fitters to assemble components directly. As a result, the Company has significantly reduced production costs, shortened manufacturing cycles, and increased overall production capacity. Meanwhile, this equipment upgrade lays a critical foundation for future automation in welding processes.



Honghua Group replaces the original plasma cutting equipment with laser cutting equipment

To ensure accurate and reliable monitoring data, the Company has installed online emission monitoring systems to conduct continuous real-time monitoring of its air pollutant emissions. In addition, the company engages an independent third-party organisation on a quarterly basis to perform on-site sampling and testing of both organized and unorganized emissions, ensuring full compliance and effective control of all emission sources.

| Metrics | Unit | FY 2025 |
|---|---|---|
| Nitrogen oxides (NOx) | kg | 0 |
| Sulfur oxides (SOx) | kg | 0 |
| Particulate matter (PM) | kg | 2,799.42 |
| Volatile organic compounds (VOCs) | kg | 3,016.30 |

During the reporting period, the Company organized a special training program on the standardized operation and maintenance of exhaust gas treatment equipment. The training focused on improving operational standardization and ensuring emission compliance, covering personnel directly involved in operations, equipment maintenance and technical staff, environmental protection and safety administrators, as well as relevant management personnel. The training content included theoretical and regulatory foundations, equipment operation and maintenance, safety and emergency management, and was conducted through a combination of theoretical instruction and practical operation, aiming to standardize field operations and ensure emission compliance.

## Waste Management

Honghua Group strictly complies with environmental laws and regulations applicable at its operating locations, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the National Catalogue of Hazardous Wastes (2025 Edition). Adhering to the core principles of "minimization, resource recovery, and harmless disposal", the Company has formulated the Solid Waste Management Measures to establish a closed-loop control system covering the entire process of solid waste generation, storage, transfer, and disposal. Meanwhile, the Company classifies waste according to its hazardous characteristics to ensure legal compliance and controlled risks in solid waste management.



Honghua Group Classification Levels by Hazardous Characteristics

During the reporting period, the Company's hazardous waste disposal activities were conducted in full compliance with applicable laws and regulations. The six contracted disposal facilities all hold the required qualifications and have signed formal disposal agreements with the company, ensuring a compliant and controlled hazardous waste management process. In addition, the company has set a target of 100% lawful disposal of hazardous waste and implements refined full-process control to achieve this target.

| | |
|---|---|
| **Waste Disposal Vendor Qualification Control** | The Company implements strict qualification management for hazardous waste disposal vendors, requiring them to hold Permit for Operation of Dangerous Wastes and the Road Transport Operation Permit, with approved waste categories and operational scope covering the specific types of hazardous waste to be disposed of. |
| **Storage Facilities and On-site Management** | Construct independent, enclosed, and locked dedicated storage areas or warehouses for hazardous waste, with hardened, corrosion-resistant, and leak-proof flooring; equip emergency ventilation and fire protection systems, and locate the facilities away from office areas and water sources. |
| **Waste Receipt and Storage Management** | Store wastes by classification and in designated zones, using standardized sealed containers labeled with national standard hazardous waste labels. Place containers on raised platforms to prevent direct contact with the floor, and install physical separators for incompatible wastes. |
| **Daily Operation and Maintenance and Record-keeping Management** | Integrate with an IoT-based monitoring system to enable full-process traceability; maintain both paper and electronic records (dual-record system); and conduct regular personnel training and on-site inspections. |
| **Emergency Response and Incident Management** | Develop specialized emergency response plans for incidents such as spills and fires, and conduct drills at least once per year; equip emergency supplies and personal protective equipment; strictly enforce the electronic waste transfer manifest system to ensure 100% compliant transfer and disposal. |

Hazardous Waste Control Measures

During the reporting period, the Company's comprehensive utilisation volume of non-hazardous waste increased by 38% year-on-year.

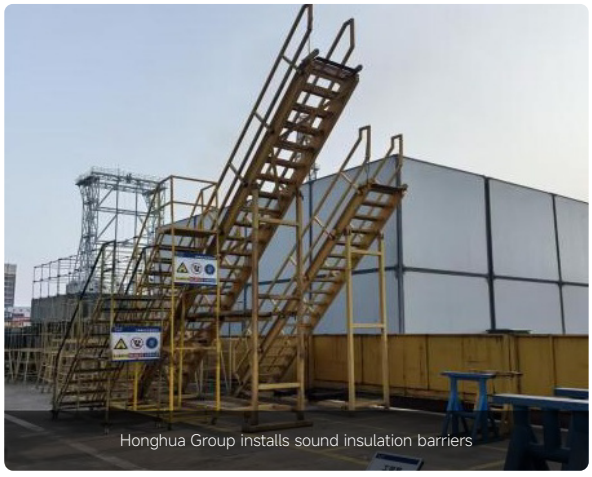
| Metrics | Unit | FY 2025 |
|---|---|---|
| Total hazardous waste generated | Tonnes | 3,231.78 |
| Hazardous waste intensity | Tonnes/CNY 10k revenue | 0.01 |
| Total non-hazardous waste generated | Tonnes | 17,132.60 |
| Non-hazardous waste intensity | Tonnes/CNY 10k revenue | 0.03 |
| Total non-hazardous waste recycled and utilised | Tonnes | 13,599.00 |
| Non-hazardous waste recycling and utilisation rate | % | 79.37 |



## Noise Management

Honghua Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Noise Pollution and other applicable regulations at its operating sites. Noise pollution prevention is integrated into the Company's overall environmental management system. The Company comprehensively identifies noise-related environmental aspects across operational processes and implements targeted control measures to continuously improve compliance and noise management performance.

During the reporting period, the Company conducted internal and external environmental aspect identification and assessment, identifying noise generated from power generation, commissioning, and grinding operations as significant environmental aspects. For the installation and commissioning phase at the rig assembly site, the company introduced mobile acoustic barriers specifically for rig testing. These barriers create a semi-enclosed sound insulation structure around the noise source, and additional isolation screens have been installed between the work area and nearby communities, effectively blocking noise propagation and reducing impacts on surrounding neighbourhoods.



Honghua Group installs sound insulation barriers

In terms of operational control and occupational health protection, the Company has optimised work scheduling to avoid conducting high-noise operations such as grinding during nighttime hours, thereby preventing noise disturbance to nearby residents. For personnel working in noisy environments, the Company provides properly fitted personal protective equipment, including earplugs and earmuffs. In addition, occupational hazard awareness training is conducted for frontline workers, along with on-site supervision and inspections, to enhance their awareness occupational health protection.

# Resource Utilization

Guided by the "Dual-Carbon" Strategy, Honghua Group has anchored its low-carbon transformation goals and is advancing sustainable development through optimised energy management and equipment upgrades, enhanced water conservation and recycling, and the promotion of green packaging materials and circular management practices. These efforts have significantly improved resource efficiency and reduced environmental impacts, supporting the implementation of both the dual-carbon objectives and the company's long-term sustainability strategy.

## The "Dual-Carbon" Strategy

Guided by Xi Jinping Thought on Ecological Civilization, Honghua Group has fully implemented the national deployment on achieving carbon peaking and carbon neutrality. The goals of carbon peak and carbon neutrality have been deeply integrated into the company's 15th Five-Year Development Plan. The Group has formulated and implemented the Action Plan for Carbon Peaking of Honghua Group Co., Ltd., and established a dedicated Carbon Peaking and Carbon Neutrality Working Leadership Group chaired by the Party Committee's principal leaders, along with a regular coordination mechanism for ongoing oversight. Implementation progress is incorporated into the performance evaluation system for leadership teams across all subsidiaries. Through targeted incentives and performance assessments, the Group ensures effective execution of all tasks, aligning its low-carbon transformation trajectory with national strategic priorities. In this reporting year, the Company has successfully achieved its 2025 dual-carbon targets as scheduled.

**2025 Targets**

**Build at least**
**1 Green Factory**
**by 2025**
(involving no fewer than one subsidiary)

**Reduce comprehensive energy consumption per CNY 10,000 of output value by**
**15%** from the 2020 baseline

**Reduce $CO_2$ emissions per CNY 10,000 of output value by**
**18%** from the 2020 baseline

## 2025 Targets – Achievement

**1**
**subsidiary has been recognized as a provincial-level Green Factory in 2025**

**Comprehensive energy consumption per CNY 10,000 of output value decreased by**
**33.3%** from the 2020 baseline

**Achieved a 35.28% reduction in carbon emission intensity ($CO_2$ emissions per CNY 10,000 of output value)**
from the 2020 baseline

Aligned with its strategic goals of "becoming a key pillar for national energy security and green, low-carbon development" and "becoming a global leader in high-end oil and gas equipment and services", the Company has systematically advanced its carbon peaking actions by integrating the national overall arrangements for carbon peaking and the evolving trends of industrial transformation.

## Optimization of Green and Low-Carbon Industrial Layout

- Strengthened Top-Level Design: The Company reviewed and issued the Implementation Guidelines for Strategic Emerging Industries (2025) and the Detailed Policy for the 2025 Assessment and Evaluation of Strategic Emerging Industries. These documents define development goals and key tasks for eight categories of strategic emerging industries and five priority development directions, with a strong emphasis on green sectors such as new energy, energy conservation and environmental protection, and low-carbon transformation of high-end equipment.
- Improved Process Control Mechanisms: A quarterly tracking mechanism for strategic emerging industries has been established to dynamically monitor industrial progress and landmark achievements. Particular attention is given to green projects such as photovoltaic power generation, new energy equipment, and carbon capture and utilization, ensuring that key tasks are advanced on schedule.
- Enhanced Information Communication and Strategic Guidance: The company compiled the Special Puclicaton on Strategic Emerging Industries, promptly summarizing outstanding achievements, policy interpretations, and requirements from higher authorities in the field of green and low-carbon development, promoting benchmarking against advanced practices and coordinated development across units, and effectively advancing the agglomeration and competitiveness enhancement of the Group's green and low-carbon industries.
- Key Achievements: The oilfield new energy business has successively secured two major projects: the Sinopec oil production platform photovoltaic power generation project and a pilot project for zero-carbon power supply for pumping units. The Group has also achieved the successful implementation of its first "photovoltaic + oil & gas" integrated new energy project.

## Green and Low-Carbon Technological Innovation

- The Company actively responds to domestic and international oilfield customers' equipment demands for energy conservation, emissions reduction, and green transformation. By integrating local natural resources such as wind and solar conditions with the actual operating environments of oilfield equipment, it has carried out green retrofitting of traditional oil and gas drilling and completion equipment, achieving significant application results.

### Industry-First Successful Application of Gas-Fired Power Generation and Electric Fracturing Mode

During the reporting period, the Group has built a benchmark model of "gas-fired power generation + electric fracturing" and successfully verified it in the Shanxi market, marking a significant milestone in the Company's journey toward green innovation. This achievement not only enhances the security of China's energy supply but also sets a benchmark for the energy industry in practicing the green development philosophy.

Compared to the traditional diesel-driven mode, the energy conversion efficiency of this power system has improved by more than **35%**. According to calculations, the project achieved a total carbon reduction of **2,200** tonnes during construction. This progress provides strong momentum toward achieving China's "Dual Carbon" goals and supports the industry's steady advancement toward cleaner, more efficient, and sustainable development.



Honghua Group Achieves First Successful Application of Gas-Fired Power Generation and Electric Fracturing in the Shanxi Coalbed Methane Block

### Mobile Photovoltaic-Energy Storage System Enables Energy Conservation and Carbon Reduction

During the reporting period, the Company completed the industrial-scale trial of its mobile photovoltaic-energy storage power supply system. The system has entered the market promotion phase in the Middle East.

With an estimated annual power generation of **132.6** MWh

It is expected to displace **37,886** liters of diesel fuel annually

resulting in a corresponding reduction of **99.64** tonnes of carbon emissions per year.



Honghua Group's Mobile Photovoltaic-Energy Storage System

### Marine Propulsion and Offshore Motors Awarded Product Carbon Footprint Certificate

In the design, procurement, and manufacturing processes of motors for marine and offshore equipment, the Company has fully implemented green design principles. By optimising structural design to reduce raw material consumption and advancing process innovation to lower energy use, the Company has achieved low-carbon and environmentally sustainable performance across the product's full lifecycle.

The motor series has now successfully passed the carbon footprint assessment conducted by the China Classification Society (CCS) and has been awarded the Product Carbon Footprint Certificate.



Carbon Footprint Assessment Certificate for Honghua Group's HTB46X Explosion-Proof Variable-Frequency Speed-Control Asynchronous Motor

### Honghua Group's Distributed Automated Workover Rig Solution

During the reporting period, the Company launched the "Distributed Automation Workover Rig Solution" globally, applying hybrid power technology to workover rigs and integrating multiple power sources such as range extenders and power batteries.

Under tripping operations, the generator set operating time of this intelligent workover rig is reduced by **55–60%**,

while overall fuel consumption and carbon emissions are lowered by **45–55%**.



Honghua Group's Distributed Automation Workover Rig Solution

## Energy Management

Honghua Group strictly complies with energy conservation laws and regulations in its operating locations, including the Energy Conservation Law of the People's Republic of China. The Company has formulated and implemented the Energy Conservation Management Measures, continuously improving its energy management system. In addition, to respond to national energy-saving and emissions reduction policies, achieve green development, and improve energy efficiency, the Company has established an Energy Management Team to lead the establishment, refinement, and continuous optimization of its corporate energy management system and to advance the optimization of its energy mix.

To accelerate the green and low-carbon transformation of its industrial structure, during the reporting period, the company conducted a feasibility study on photovoltaic (PV) construction at its Guanghan production base in Sichuan Province, with the main PV project scheduled for completion in 2026. In addition, the Company has completed the phase-out and replacement of all diesel-powered forklifts across its production bases. All forklifts currently in operation are new-energy forklifts.

### Application of Grid-Power Frequency Conversion Technology Achieves Synergistic Improvement in Environmental and Economic Performance

During the reporting period, in response to overseas orders for 60 Hz drilling rigs, the Company abandoned the traditional diesel generator-based power supply method. Instead, it adopted frequency conversion technology to transform the 50 Hz local grid power into 60 Hz, and used transformers to step up the 400 V supply to 600 V for integration into the electrical control system. Once power requirements are met, the rig switches to grid power, achieving synergistic improvements in economic, environmental, and operational performance.

**Key Outcomes**

Under comparable operating conditions, using grid power for commissioning achieves a minimum hourly cost saving: CNY **330**; Total cost reduction in the integrated rig commissioning process: approximately CNY **1.3** million;Environmental benefits: reduced diesel consumption and associated pollutant emissions.



Honghua Group's frequency conversion equipment

### Relocation of Heat Treatment and Forging Processes Drives Energy Savings and Emissions Reduction in High-Consumption Operations

During the reporting period, in response to the high energy consumption of the original heat treatment and forging workshop, the Company has gradually suspended related internal processes and migrated these operations to qualified external suppliers. This initiative not only reduces the use of energy-intensive equipment—improving energy efficiency and lowering carbon emissions—but also leverages suppliers' specialized capabilities to optimize production costs, enhance productivity, and improve product quality.

**Key Outcomes**

Electricity savings compared to 2024: Approximately **3.26** million kWh (corresponding to cost savings of ~CNY **2.73** million)
Natural gas savings compared to 2024: Approximately **420,000** $m^3$ (corresponding to cost savings of ~CNY **1.39** million)



Honghua Group's former high-energy-consumption heat treatment and forging workshop

| Metrics | Unit | FY 2025 |
|---|---|---|
| Direct Energy Consumption | | |
| Gasoline | Litres | 64,756.42 |
| Diesel | Litres | 663,364.29 |
| Natural gas | $Nm^3$ | 1,433,913.00 |
| Total direct energy consumption | kWh | 22,701,948.60 |
| Total direct energy consumption intensity | kWh/CNY 10k revenue | 41.33 |
| Indirect Energy Consumption | | |
| Purchased electricity | kWh | 37,227,505.00 |
| Total indirect energy consumption | kWh | 37,247,194.63 |
| Total indirect energy consumption intensity | kWh/CNY 10k revenue | 67.81 |
| Comprehensive Energy Consumption | | |
| Total comprehensive energy consumption | kWh | 59,949,143.23 |
| Total comprehensive energy consumption intensity | kWh/CNY 10k revenue | 109.14 |

## Water Resource Management

Honghua Group strictly complies with water-related laws and regulations in its operating locations, including the Water Law of the People's Republic of China. The Company systematically standardises water use across all operational stages, continuously implements water-saving measures, and steadily improves water use efficiency. The company assigns dedicated personnel to conduct daily inspections of various utility and energy pipelines, promptly identifying and addressing abnormal conditions such as leaks, overflows, drips, or spills ("leakage incidents"). During the reporting period, the company further advanced water conservation initiatives by completing the installation of sensor-activated faucets at washbasins in the office area of the Guanghan Base and upgrading the shower water systems. In addition, regular leak detection and loss assessment of the water supply network are conducted to effectively reduce water waste and enhance overall water-saving performance.

| Metrics | Unit | FY 2025 |
|---|---|---|
| Fresh water withdrawal | Tonnes | 398,721.00 |
| Recycled water volume | Tonnes | 2,743,500.00 |
| Water recycling rate | % | 87.10 |
| Water consumption | Tonnes | 345,923.90 |
| Water consumption intensity | Tonnes/CNY 10k revenue | 0.63 |

## Packaging Management and Circular Economy

Honghua Group integrates the principle of resource recycling into its production and operations, striving to achieve maximum waste reduction, utilization, and resource recovery.

The Company promotes green packaging practices by using decomposable wood materials for wooden packaging to reduce environmental impact. While meeting project-specific packaging requirements, the company maximizes the reuse of waste and surplus materials. During the reporting period, the company reused 11.45 tonnes of stagnant raw materials and 16.10 tonnes of existing inventory materials, supporting resource circulation and waste minimization across operations.

| Metrics | Unit | FY 2025 |
|---|---|---|
| Total packaging consumption | Tonnes | 1,061.64 |
| Packaging intensity | Tonnes/CNY 10k revenue | 0.002 |
| Total non-hazardous waste recycled and utilised | Tonnes | 13,599.00 |
| Recycling and utilization rate of non-hazardous waste | % | 79.37 |

# Climate Change Response

Climate change has emerged as a global challenge critical to human survival and development, with its far-reaching impacts reshaping the landscape of global economic growth and the trajectory of industrial evolution. The Company deeply recognizes that addressing climate change is not only a responsibility of our times but also a strategic opportunity for high-quality development. We actively explore innovative technologies, improve the environmental performance of our products, promote green development, and steadily advance toward China's carbon peaking and carbon neutrality goals.

## Governance

The Company has established a clear governance structure for addressing climate change, and is continuously consolidating its governance foundation, strengthening management, and improving the effectiveness of climate change response at the implementation level.

It has formed an ESG governance structure spanning the Board of Directors, the Strategic Investment Committee, and the ESG Working Group. To ensure that personnel at the management and execution levels responsible for climate change response possess appropriate skills and capabilities, the Company has engaged external third parties to provide sustainability-related training, enabling them to fully understand the potential impacts and opportunities that climate change may bring to the Company.

| | |
|---|---|
| Board of Directors | • The Company's highest decision-making body for climate action, which identifies material climate-related risks and opportunities;<br>• Oversees and manages the response to identified climate-related risks and opportunities;<br>• Regularly reviews the implementation and achievement of climate-related targets. |
| Strategic Investment Committee | • The Company's management body for climate action, which regularly assesses climate-related risks and opportunities and develops climate action strategies. |
| ESG Working Group | • The Company's body responsible for advancing energy conservation and emission reduction, which carries out carbon inventory, carbon emission reduction, and climate change response measures. |

Honghua Group Climate Change Response Governance Structure

# Strategy

Honghua Group refers to the IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB) and the recommendations and disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD). It uses analytical tools including scenario analysis models to forecast and assess climate change trends and their implications for the Company's operations. On this basis, combined with its own business characteristics, the Company has formulated and implemented a series of targeted risk response and mitigation measures to continuously enhance its adaptive capacity and overall resilience to climate change.

## Selection of Climate-related Physical Scenarios

For the analysis of climate-related physical risks, the Company adopts three scenarios from the Shared Socioeconomic Pathways (SSPs) developed by the Intergovernmental Panel on Climate Change (IPCC): SSP1-2.6, SSP2-4.5, and SSP5-8.5, to evaluate the impacts of physical risks such as extreme weather events and chronic climate changes on the Company. In addition, the Company also uses a low greenhouse gas emission scenario as the narrative scenario for transition risk analysis.

| Scenario Source | Scenario | Characteristics | Rationale |
|---|---|---|---|
| Intergovernmental Panel on Climate Change (IPCC) | IPCC SSP1-2.6<br>Low Greenhouse Gas Emission Scenario | A scenario along a sustainable development pathway, assuming major progress in sustainable development, with a corresponding temperature increase of approximately 1.5°C, consistent with the temperature control target of the Paris Agreement. | The Company selects this scenario primarily because it can effectively help the Company assess its climate-related physical risks, and the scenario data are readily accessible, providing support for the Company to formulate and implement subsequent climate change response measures. |
| | IPCC SSP2-4.5<br>Medium Greenhouse Gas Emission Scenario | This scenario represents the intermediate pathway, assuming the world continues along current trends with limited mitigation efforts and partial implementation of emission reduction policies. Global warming is projected to reach approximately 2.4–2.8°C by 2100, placing it on a medium-to-high emissions trajectory between 2°C and 3°C, reflecting a realistic trend of moderate decarbonization. | |
| | IPCC SSP5-8.5<br>Very High Greenhouse Gas Emission Scenario | A fossil fuel development pathway, assuming that fossil fuels drive socioeconomic development, with a corresponding temperature increase exceeding 4°C. | |

## Climate-related risks, opportunities and impacts

| Risk/Opportunity Type | | Description | Impacts on Business Model/Value Chain | Financial Impact | Time Horizon |
|---|---|---|---|---|---|
| Climate Physical Risks | Acute Risks | Increased probability of acute risks from extreme weather events such as fluvial flood, extreme precipitation, windstorm, wildfire, heatwave and storm surge. | • Global oil and gas producing areas and manufacturing bases face risks of facility damage and supply chain disruptions.<br>• On-site operations of drilling engineering services are suspended, leading to project delivery delays.<br>• Transportation and installation of offshore engineering equipment are disrupted by extreme sea conditions, resulting in increased costs and safety risks. | Increased costs<br>Asset stranding | M L |
| | Chronic Risks | Gradual impact on production efficiency from chronic risks such as drought and heat stress. | • Drought may lead to limited production water supply and fluctuations in manufacturing links.<br>• High temperature and heat stress affect the health of on-site operators and the stability of equipment operation, reducing production and service efficiency. | Decreased revenue | L |
| Climate Transition Risks | Policy & Legal Risks | ESG disclosure rules of the Stock Exchange of Hong Kong Limited (HKEX Environmental, Social and Governance Reporting Rules) impose disclosure requirements on the Company's carbon emissions. | • Failure to comply with regulatory disclosure requirements will result in negative feedback from regulatory authorities. | Increased costs | S M |
| | Technology Risks | Accelerated development of low-carbon alternative technologies poses a risk of obsolescence for traditional oil and gas equipment. | • Demand for low-carbon transition new technologies surges, leading to a significant rise in investment costs.<br>• Failure to deploy low-carbon technologies in a timely manner will result in the loss of market competitiveness in traditional energy sectors. | Decreased revenue<br>Increased costs | M |

## Climate-related risks, opportunities and impacts

| Risk/Opportunity Type | | Description | Impacts on Business Model/Value Chain | Financial Impact | Time Horizon |
|---|---|---|---|---|---|
| Climate Transition Risks | Market Risks | The global energy structure shifts toward low-carbon models, while long-term demand for traditional oil and gas remains constrained; clients are inclined to favor low-carbon solutions. | • Market demand for core products such as land-based drilling rigs and traditional pressure equipment shrinks, limiting revenue growth.<br>• Clients' bargaining power for green and low-carbon services increases, compressing profit margins. | Decreased revenue | M L |
| | Reputational Risks | Failure to meet emission reduction targets will trigger downgrades in ESG ratings and other adverse reactions. | • ESG rating agencies will downgrade the Company's rating, leading to increased financing costs and damage to brand value. | Decreased revenue<br>Increased costs | S M |
| Climate Opportunities | Resource Efficiency | Technologies and solutions that improve equipment energy efficiency and reduce resource consumption can help clients achieve emission reduction and lower operating costs. | • Demand for high-efficiency equipment (e.g., electric mud pumps, intelligent drilling rigs) grows, becoming a new growth point for revenue.<br>• Reduced resource consumption in product use stages optimizes client operations and improves profitability.<br>• Forms differentiated competitive advantages to seize market share in low-carbon equipment. | Decreased costs<br>Increased revenue | S M |
| | Energy Source | Actively adopt clean and low-carbon energy sources to reduce reliance on non-renewable energy and create low-carbon product competitiveness. | • Reduced greenhouse gas emissions and product carbon footprint through the use of clean and low-carbon energy sources. | Decreased costs<br>Increased revenue | S M |
| | Market | Global low-carbon oil and gas development and demand for extreme environment exploration and offshore engineering equipment (e.g., deep-sea/polar regions) continue to expand under the energy transition. | • In the context of energy transition, client demand for integrated low-carbon solutions rises, highlighting the advantages of the Company's equipment and service integration model.<br>• The 15th Five-Year Plan proposals of China emphasize strengthening marine science and technology innovation, fostering new marine industries, and bringing incremental market demand for offshore engineering equipment. | Increased revenue | S |

## Climate Resilience

### Types of Climate-Related Physical Risks

Based on the material impacts of climate-related physical risks on the Company, the physical risk types and key risk drivers covered in this climate scenario analysis include fluvial flood, extreme precipitation, windstorm, wildfire, heatwave, storm surge, drought, and heat stress.

### Analysis Timeframe and Geographic Scope

The Company has determined the analysis timeframe as shown in the table below, considering its infrastructure layout, China's "Dual Carbon" strategy requirements, and the characteristics of climate-related risks. It has selected 12 operating entities across 8 representative global locations to form the scope of this climate risk analysis.

| | | |
|---|---|---|
| S Short-term (S) | M Medium-term (M) | L Long-term (L) |
| From present to 2030 | 2030 to 2050 | 2050 to 2060 |

### Scenario Analysis of Climate-Related Physical Risks

Through climate hazard risk identification and testing at each location, the Company has assessed the potential impacts of climate-related risks on the business under different scenarios. The results indicate that heatwaves, extreme precipitation, and drought are the primary climate risks currently faced by the Company. From a temporal perspective, all types of climate physical risks show a significant upward trend over time, with the most pronounced risk amplification observed under the long-term (2050–2060) high-emission scenario (SSP5-8.5). Heatwave risk peaks in 2060 under the SSP5-8.5 scenario, signaling that the threat of high-temperature exposure to plant equipment, employee health, and production continuity will continue to intensify. Drought and wildfire risks also accumulate gradually over time, posing potential pressure on water-intensive production processes and real estate assets in the medium to long term.

| Climate hazards | 2030 | | | 2050 | | | 2060 | | |
|---|---|---|---|---|---|---|---|---|---|
| | SSP1—2.6 | SSP2—4.5 | SSP5—8.5 | SSP1—2.6 | SSP2—4.5 | SSP5—8.5 | SSP1—2.6 | SSP2—4.5 | SSP5—8.5 |
| Fluvial Flood | | | | | | | | | |
| Extreme Precipitation | | | | | | | | | |
| Windstorm | | | | | | | | | |
| Wildfire | | | | | | | | | |
| Heatwave | | | | | | | | | |
| Storm Surge | | | | | | | | | |
| Drought | | | | | | | | | |
| Heat Stress | | | | | | | | | |

*Darker colors indicate higher levels of climate-related physical risks.

Based on the above assessment results, the Company will further refine its short-, medium- and long-term response measures to physical climate risks, and continuously enhance its adaptive capacity and decision-making flexibility to dynamically adjust its short-, medium- and long-term development strategies and business models in light of changing climate scenarios. Relevant resilience-building requirements will be embedded into the Company's business planning and operations management. Focusing on the high-risk operating sites identified in this assessment, the Company plans to conduct further detailed climate risk assessments for specific operating locations, and formulate targeted climate change response measures taking into account differences in geographical conditions, business characteristics and asset layout, so as to effectively mitigate the impacts of climate change on the Company's strategies and business models. The Company will also advance its emission reduction initiatives in line with China's carbon peaking and carbon neutrality goals, so as to reduce long-term climate risk exposure and enhance business resilience and sustainable development capabilities.

## Risk Management

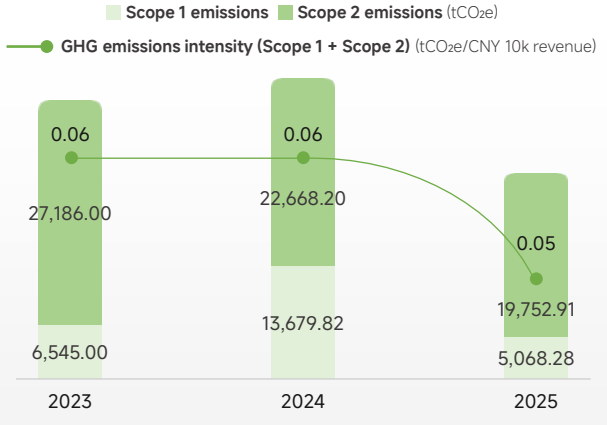
Honghua Group integrates climate risk management into its overall risk management framework. By establishing and improving management mechanisms, it effectively mitigates the potential adverse impacts of climate change on the Company's operations, actively seizes development opportunities in the green transition, and effectively safeguards the Company's long-term stable operation and sustainable development. The key steps in the Company's climate change risk management are as follows:

| | |
|---|---|
| Identify Risks and Opportunities | • Compile a preliminary list of climate risks and opportunities based on relevant policies issued by regulatory authorities, peer benchmarking, interviews with business departments, and external information retrieval.<br>• Conduct interviews and discussions with heads of relevant business departments to further collect feedback and finalize the Company's climate risks and opportunities list, ensuring the comprehensiveness and applicability of climate risk management. |
| Climate Risk Assessment | • Conduct physical risk screening through climate models, analyze and assess the likelihood and severity of physical risks at each operating location under different scenarios and time horizons, and determine the risk level of each listed risk item. |
| Develop Response Measures | • Based on the results of climate risk assessments, relevant departments discuss and formulate targeted response measures. |

Honghua Group Climate Change Risk Management Process

## Metrics and Targets

To effectively implement the Company's climate change strategy, the Company formulates annual "Dual Carbon" management goals, fully implements the national decisions and arrangements for the "Dual Carbon" strategy, deeply integrates the "Dual Carbon" strategic goals into the 15th Five-Year Development Plan, and develops and implements the Honghua Group Limited Carbon Peak Action Plan. The Company ensures that the management process is measurable and traceable through continuous monitoring of target progress, quantitative analysis, and regular reviews. (For details, please refer to the "Resource Utilization" chapter.) On this basis, the Company further establishes systematic management indicator system to dynamically monitor and evaluate sustainability-related performance, providing a scientific basis for setting next-stage targets and driving continuous improvement in the Company's climate action.




In 2025, Honghua Group's total greenhouse gas emissions (Scope1+Scope2) reached 24,821.19 tonnes of carbon dioxide equivalent, representing a decrease of **31.71%** compared with 2024.

# 04 People-Centered, Composing a Growth Masterpiece




## ESG Topics

- Protection of Employee Rights
- Employee Development and Training
- Employee Remuneration and Benefits
- Occupational Health and Safety

United Nations Sustainable Development Goals (SDGs)




Honghua Group regards talent as its most valuable asset. The Company has strengthened mechanisms for employee rights protection, built a diversified system for employee development and training, optimised compensation and benefits, and reinforced the safeguards for occupational health and safety. Through comprehensive initiatives focused on employee care and empowerment, Honghua Group enables personal growth to resonate in sync with high-quality corporate development, fostering strong collective momentum for sustained progress.

# Protection of Employee Rights

Honghua Group strictly complies with laws and regulations related to employee rights, and has established a robust and compliant employment system. The Company actively promotes policies on diversity, equity, and inclusion (DE&I), prohibits employment discrimination in all forms, and fosters a fair and open working environment. The Company is committed to building harmonious and stable labor relations.

## Compliant Employment

Honghua Group strictly complies with laws and regulations in its operating locations, including the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. The Company has established the Management Measures for Recruitment and Employment to standardize recruitment and onboarding processes. The Company firmly prohibits the employment of child labour and forced labour. During recruitment, strict identity verification measures are implemented to eliminate any risk of child labour and to effectively safeguard employees' legitimate rights and interests.

The Company utilizes diverse recruitment channels, including social recruitment and campus hiring, to attract outstanding talent with varied backgrounds and qualities. During the reporting period, in alignment with the development needs of strategic emerging industries, the Company focused its recruitment efforts on technical roles and key management positions, covering areas such as traditional oil & gas equipment R&D, electrical design, and procurement management. Total recruitment expenditure for new employees amounted to CNY 919,000.

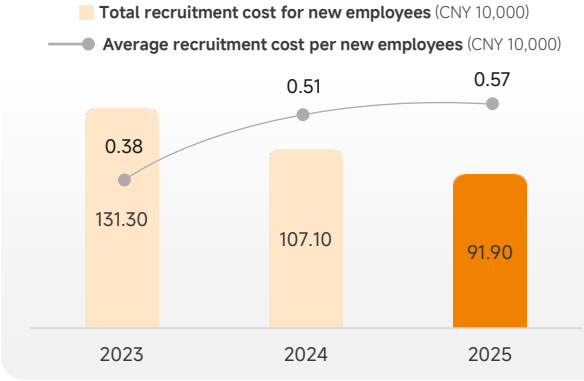
In campus recruitment, the Company held roadshow events at multiple universities across the country, strengthening its talent acquisition from key institutions. A total of 105 fresh graduates were hired during the year, injecting new vitality into the company's growth and development.

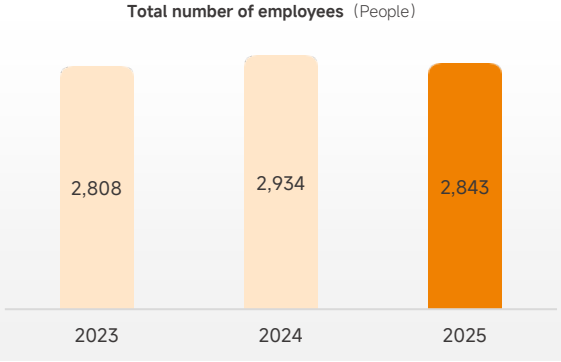


This year, the Company has steadily advanced talent development by jointly cultivating two engineering master's students with the University of Electronic Science and Technology of China and Zhejiang University. The Company has deepened industry-university collaboration by signing strategic cooperation agreements with multiple key comprehensive universities and petroleum-focused institutions across China. It is actively promoting the co-construction of the joint establishment of the Outstanding Engineer College, and expanding order-based training programs for skilled talent with vocational colleges, effectively improving the age structure of its skilled workforce.

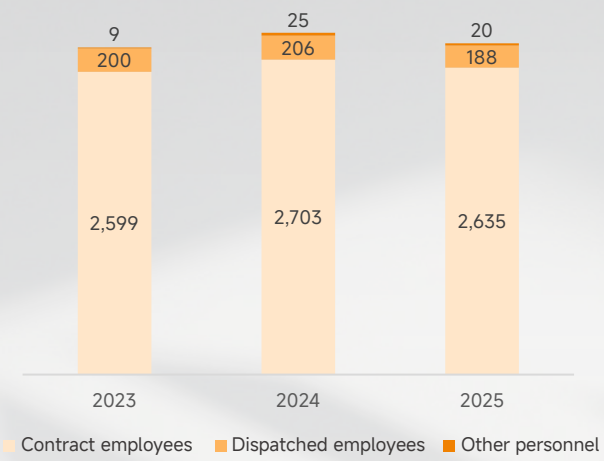


Honghua Group's Industry-University Cooperation Projects (Partial)

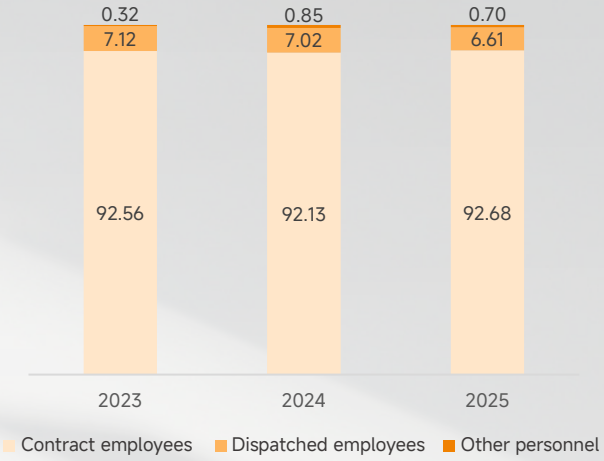


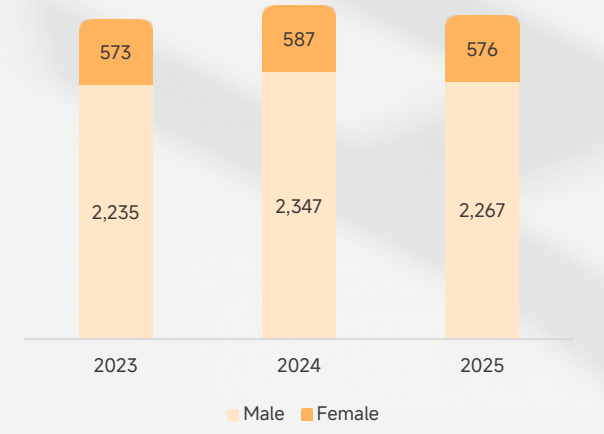
**Employees by employment type** (People)



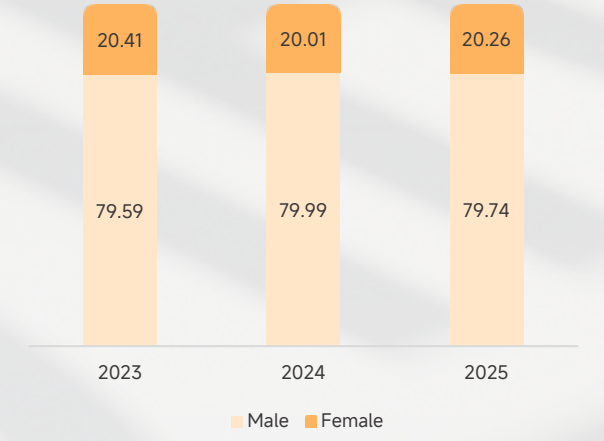

**Proportion of employees by employment type** (%)



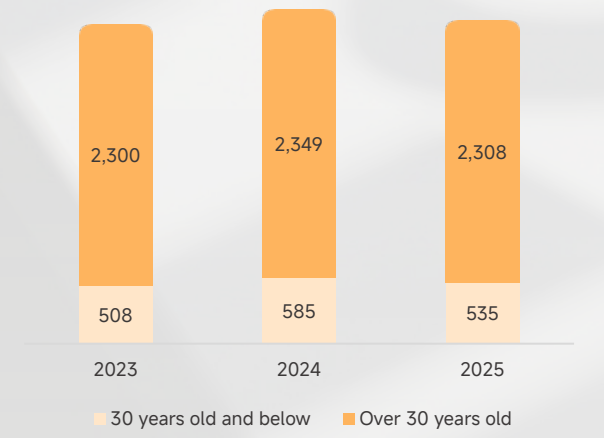

**Number of employees by gender** (People)



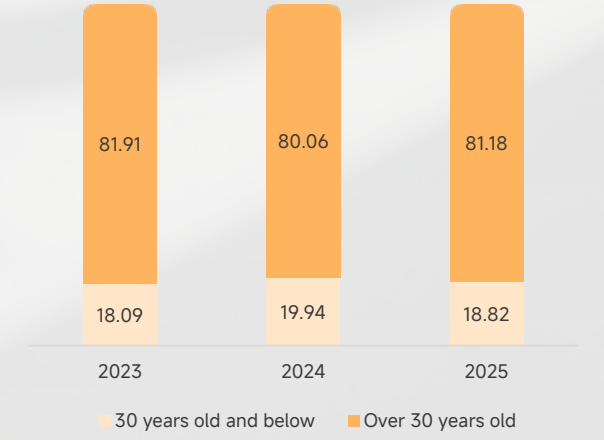

**Percentages of employees by gender** (%)

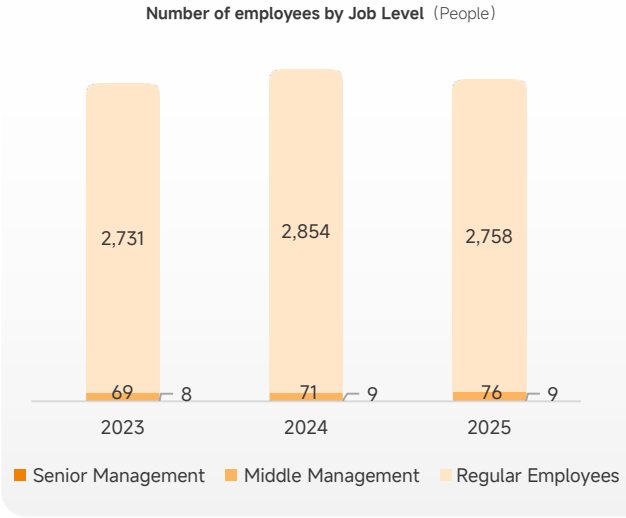


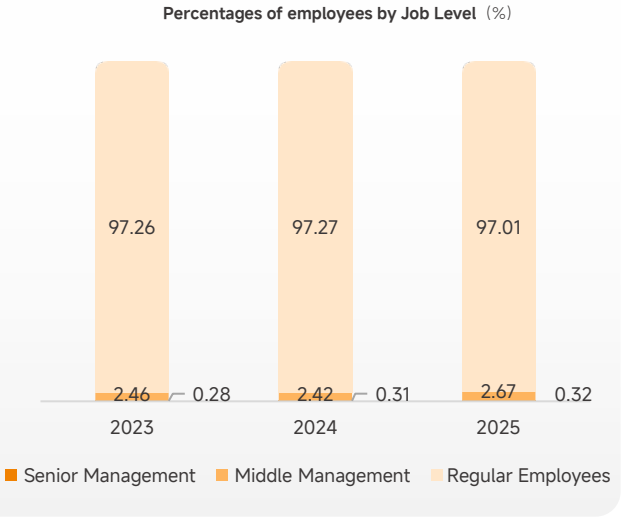

**Number of employees by age** (People)




**Percentages of employees by age** (%)

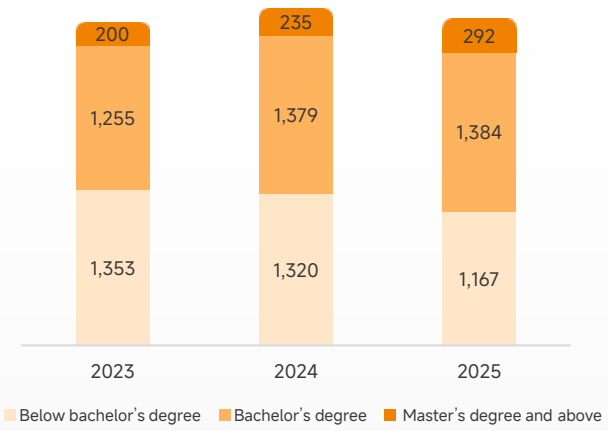




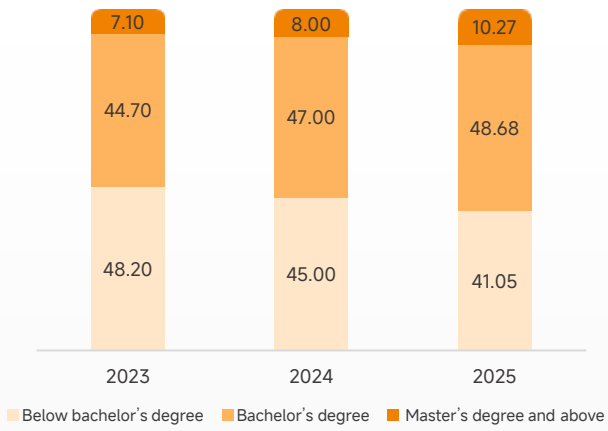




| Employees by region | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| East China | Headcount | 221 | 212 | 191 |
| | % | 7.77 | 7.23 | 6.80 |
| South China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | 0 |
| Central China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | 0 |
| North China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | 0 |
| Northwest China | Headcount | 71 | 105 | 119 |
| | % | 2.50 | 3.58 | 4.24 |
| Southwest China | Headcount | 2,355 | 2,424 | 2,308 |
| | % | 82.84 | 82.62 | 82.19 |
| Northeast China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | 0 |
| Hong Kong SAR, Macao SAR and Taiwan region | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | 0 |
| China (including Hong Kong SAR, Macao SAR and Taiwan region) | Headcount | 2,647 | 2,741 | 2,618 |
| | % | 93.11 | 93.42 | 93.23 |
| Overseas | Headcount | 196 | 193 | 190 |
| | % | 6.89 | 6.58 | 6.77 |

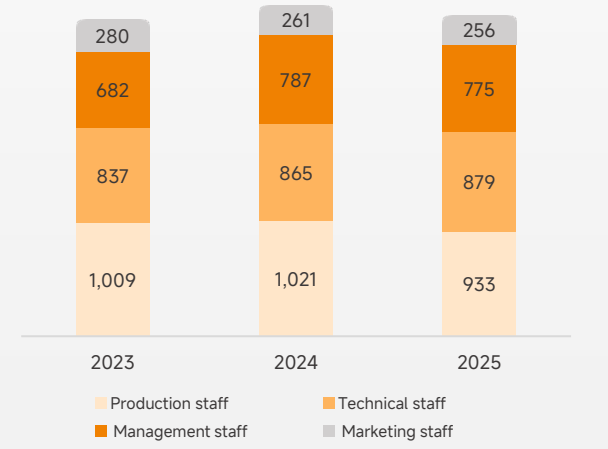
**Number of employees by education level** (People)



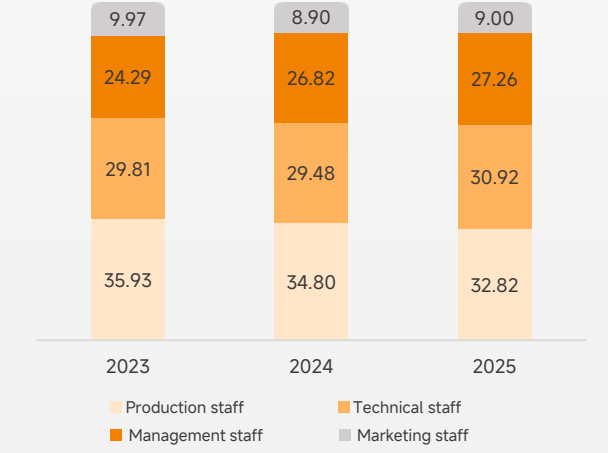

**Percentages of employees by education level** (%)




**Number of employees by function role** (People)




**Percentages of employees by function role** (%)




## Diversity, Equity, and Inclusion

Honghua Group is committed to building a fair, respectful, open, and inclusive work environment. The Company continues to promote workforce diversity and firmly opposes any recruitment discrimination based on race, gender, age, marital status, religion, or disability. All forms of workplace bullying and harassment are strictly prohibited. The Company respects the individual differences and legitimate rights and interests of every employee.

The Company actively supports the professional development of female employees by providing platforms for visibility and clear career advancement pathways. During the reporting period, the Company had 576 female employees, accounting for 20.26% of the total workforce.






**Establishment of the "Women's Innovation Studio"**

The Company has established the "Women's Innovation Studio" and regularly conducts the "Women's Contributions Month" initiative to highlight and leverage the leadership role of female technical professionals. These efforts encourage women to actively contribute in areas such as technological innovation and business expansion.

Honghua Group Annual Award Ceremony for Outstanding Women Employees

The Company actively fulfills its social responsibility by providing fair employment opportunities to vulnerable groups. As of the end of the reporting period, Honghua Group employed 7 employees with disabilities. The Company pays close attention to the rights and career development needs of employees with disabilities. During onboarding or return-to-work processes, it conducts reasonable job placement based on individual health conditions and skill profiles, and provides targeted career development support, helping these employees realize their full potential.

| Metrics | Unit | FY 2025 |
|---|---|---|
| Total number of employees in STEM-related positions | Headcount | 879 |
| Number of female employees in STEM-related positions | Headcount | 113 |
| Proportion of female employees in STEM-related positions | % | 12.86 |
| Number of female employee | Headcount | 576 |
| Percentages of female employee | % | 20.26 |
| Female employees by job level | | |
| Senior management | Headcount | 1 |
| | % | 11.11 |
| Middle management | Headcount | 16 |
| | % | 21.05 |
| Regular Employees | Headcount | 559 |
| | % | 20.27 |
| Employee composition by ethnicity | | |
| Han | Headcount | 2,787 |
| | % | 98.03 |
| Yi | Headcount | 5 |
| | % | 0.18 |
| Tibetan | Headcount | 1 |
| | % | 0.04 |
| Miao | Headcount | 3 |
| | % | 0.11 |
| Hui | Headcount | 6 |
| | % | 0.21 |
| Other ethnic minorities | Headcount | 41 |
| | % | 1.44 |

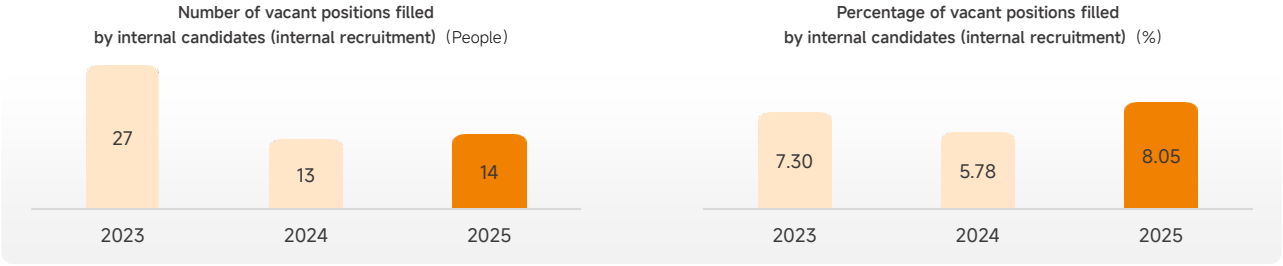
# Employee Development and Training

Honghua Group regards its employees as the most valuable asset of the enterprise and is committed to building a systematic and forward-looking employee development and training framework. Through institutionalized career pathways, diverse development approaches, and continuous learning incentives, the Company empowers employees to grow and achieve a win-win outcome between individual advancement and organizational success.

## Employee Development

Honghua Group has established internal policies such as the Measures for Professional Title Evaluation and the Policy on Vocational Skill Level Assessment, building an H-shaped career development pathway that provides employees with diverse opportunities for vertical promotion and horizontal cross-functional growth. Promotions are primarily based on performance, with comprehensive evaluations of employees' professional competencies and overall qualifications.

The Company actively nominates and cultivates talent to promote broad recognition of diverse professionals. During the reporting period, 2 employees were honored as Outstanding Experts with Significant Contributions at the Dongfang Electric Corporation Group level, 6 were recognized as Top Young Management Talents, 4 as Top Young Skilled Talents, 1 was selected into a municipal-level "Talent Development Program", and 10 received awards in employee skill competitions at the national, provincial, and corporate group levels.




## Employee Training

Honghua Group has formulated and implemented a series of regulations, including the Measures for Training Management, clearly defining the responsibilities, processes, and specific measures for training management. This has established a talent development mechanism that covers the entire career lifecycle of employees, providing solid support and assurance for the continuous enhancement of employee capabilities. During the reporting period, the Company's return on human capital investment reached 94.45%.

| | |
|---|---|
| • Adaptive Training | Including onboarding training, job-specific training, transfer training, and training on policies and regulations. |
| • Qualification Certification Training | Training conducted in accordance with national regulations, industry standards, and company requirements to obtain relevant professional qualifications, including training for special operations (special equipment), equipment operation, and professional qualification certification. |
| • Job-Specific Skills Training | Training designed to enhance on-the-job employees' professional knowledge, technical expertise, and operational skills. |
| • Key Specialized Training | Specialized training programs conducted to support the implementation of corporate strategy, achievement of annual business objectives, and enhancement of management capabilities. |
| • System-Based Training | Training organized in accordance with system documentation requirements, including training on quality management systems, intellectual property management systems, safety production standardization, occupational health and safety management systems, and specialized safety management systems. |
| • Academic Qualification Enhancement Training | Master's and doctoral training programs sponsored and organized by the company for employees. |
| • Mentorship Training Program | The Company has established the Mentorship Management Measures to arrange mentor-guided training for campus recruits and technical personnel during their adaptation period in new positions. |
| • Internal Trainer Team Development | Outstanding employees with strong professional expertise, effective communication skills, and clear logical thinking are selected from various business areas across the company to join the internal trainer pool. They participate in non-periodic specialized training to enhance their capabilities in course development and instructional techniques. |

Honghua Group Training System

## Training Program on Foreign Language Proficiency Enhancement

To support the expansion of international operations, the Company partnered with Chengdu University of Technology to deliver a foreign language proficiency enhancement program, training 60 employees. Focused on high-frequency overseas work scenarios and cross-cultural competencies, the program significantly improved participants' communication skills in international settings.



Honghua Group Foreign Language Proficiency Enhancement Training

## Conduct training to enhance the capabilities of frontline managers

To strengthen the professional capabilities of the frontline management team, the ompany collaborated with the Party School of Dongfang Electric Group to conduct a capacity-building training program for frontline managers. The program covered 25 core personnel from fields such as technology and marketing, centering on the key themes of "team building, management enhancement, and innovative practice". Through methods including specialized lectures and action learning, participants systematically studied topics such as role cognition, problem analysis and resolution, and Excellence & Lean team development, effectively enhancing team execution and workgroup management effectiveness.


Honghua Group Frontline Management Capability Enhancement Training

## Capacity Building and Development for Honghua Group's Overseas Employees



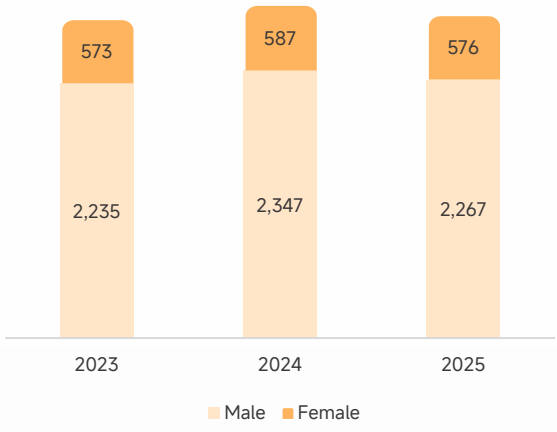

The Company attaches great importance to the career growth and capability improvement of local overseas employees. During the reporting period, the Company organised overseas employees to travel to China for specialised training and held a results report symposium, providing a platform for staff to enhance professional skills and share experience. Through systematic training and cross-cultural exchanges, the Company helps improve the professional competence and comprehensive capabilities of overseas employees, demonstrating the enterprise's commitment to the development of global talents, and promoting the in-depth integration of localised operation and sustainable development.

Symposium for Honghua Group's Overseas Employees' Training in China

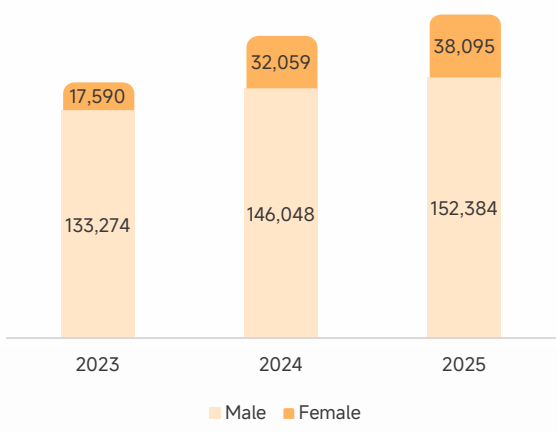
**FY 2025**

| | | |
|---|---|---|
| **Return on human capital investment**<br>**94.45%** | **Total investment in employee training**<br>**469.00 CNY 10,000** | **Total number of training sessions conducted**<br>**484** |
| **Total training hours completed by employees**<br>**19.05 Ten Thousand Hours** | **Number of training participations**<br>**14,520 Person-times** | **Average training hours per employee**<br>**72.29 Hours** |

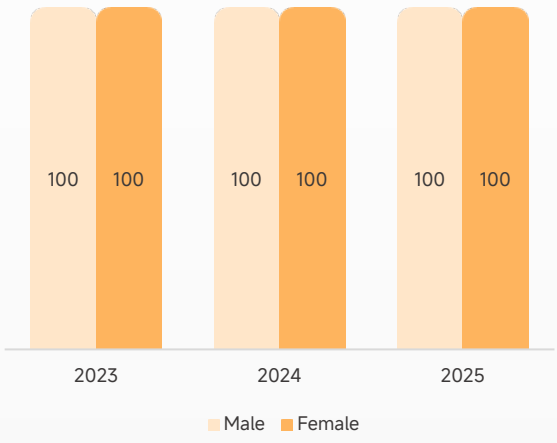
**Number of trainees by gender** (People)



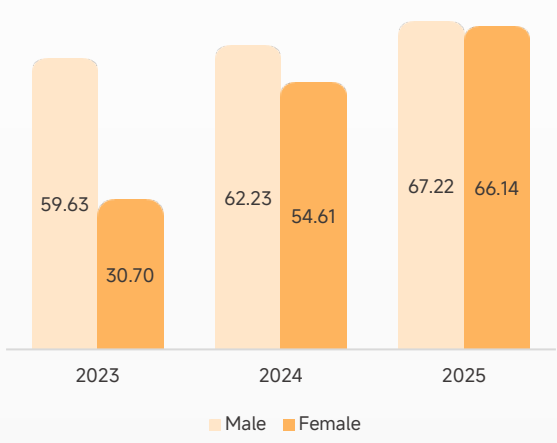

**Number of training hours by gender** (Hours)



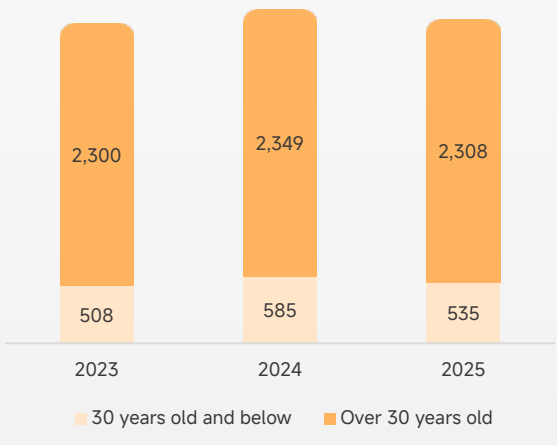

**Percentage of employees trained by gender** (%)



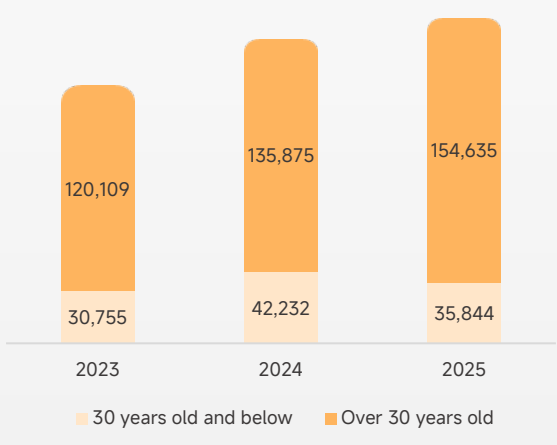

**Average training hours by gender** (Hours per employee)



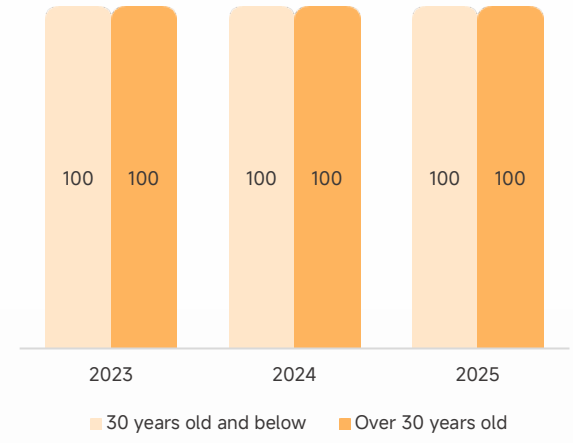

**Number of trainees by age** (People)



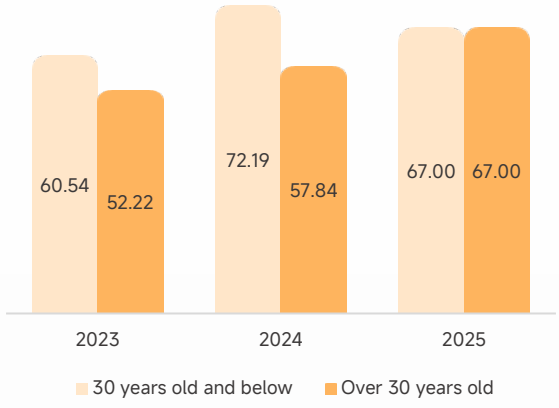

**Number of training hours by age** (Hours)



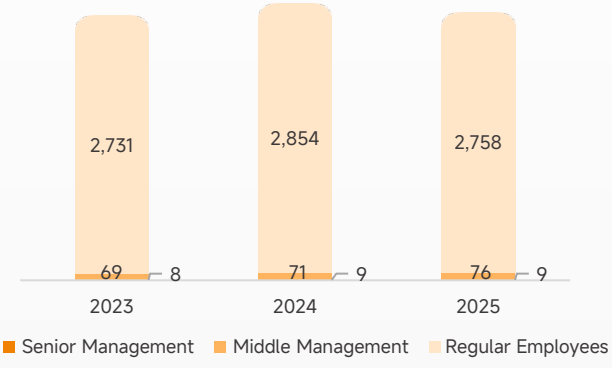
**Percentage of employees trained by age** (%)



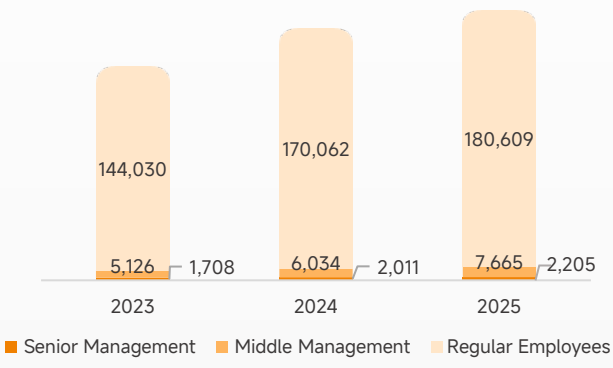

**Average training hours by age** (Hours per employee)



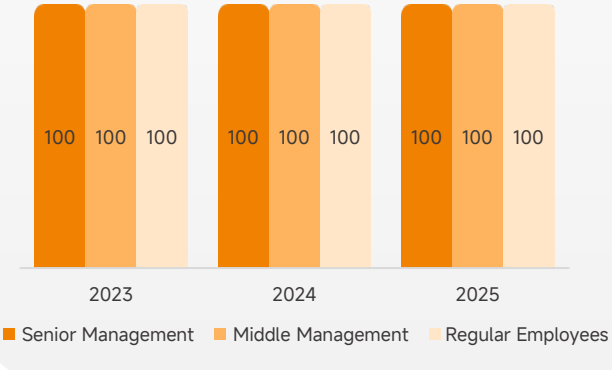

**Number of trainees by job level** (People)



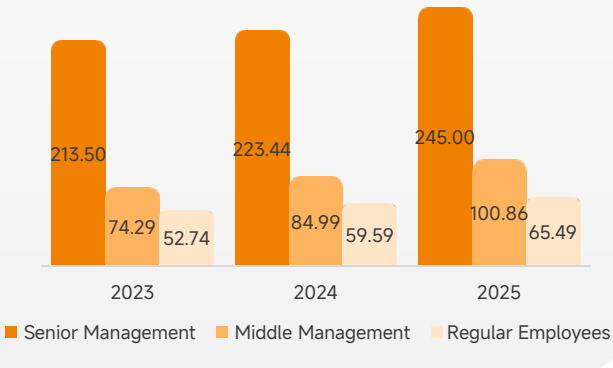

**Number of training hours by job level** (Hours)




**Percentage of employees trained by employment type** (%)




**Average training hours by employment type** (Hours per employee)




## Employee Continuing Education

To encourage employees' initiative in self-directed learning and personal development, and to continuously enhance their professional skills and competencies, the Company has established the Reward and Management Measures for Self-Education Achievement. This policy provides incentives in various categories, including academic qualification advancement, foreign language proficiency improvement, and obtaining professional certifications. During the reporting period, a total of 864 employees received company support for academic qualifications and professional credentials.

# Employee Remuneration and Benefits

Honghua Group, grounded in a people-centred philosophy, is committed to building a comprehensive employee support system. By offering competitive compensation and benefits, establishing open channels for democratic participation, and implementing thoughtful care initiatives, the Company provides all-round support for employee growth and development, continuously enhancing employees' sense of belonging and job satisfaction.

## Remuneration and Benefits

Honghua Group places great importance on employee rights protection and growth motivation, and has established a diversified talent incentive system that integrates both material and spiritual incentives, as well as short-term and long-term incentives. By offering market-competitive remuneration and human-centered benefits, the company attracts, retains, and motivates talent, enabling synergistic development and shared growth between employees and the organization.

Regarding employee compensation, the Company has established the Policy on Employee Remuneration Management, and implemented a scientific compensation evaluation system that is performance-driven and capability-based, ensuring fairness, impartiality, and motivational effectiveness in pay distribution. Through a standardized annual performance appraisal process linked to salary adjustments, appraisal outcomes are directly tied to compensation increases, realizing the principles of "higher rewards for greater contributions" and "premium pay for superior performance." Additionally, the Company has established special performance bonuses for key positions to precisely incentivize core talent in fulfilling their responsibilities. During the reporting period, the Company further enhanced its long-term incentive mechanisms. Building upon existing short-term incentives such as performance bonuses, it piloted and expanded the application of medium- and long-term incentive tools, aligning individual employee interests with the Company's long-term development goals.

The Company has established a systematic and multi-dimensional performance management system, closely linking performance outcomes to compensation incentives, career development, and talent cultivation, thereby creating a closed-loop management process that drives continuous improvement.

### Performance Evaluation Dimensions and Content

The performance evaluation adopts a quantitative indicator system, comprehensively incorporating key sustainability indicators in areas such as quality, safety and environmental protection, while focusing on operational performance and team collaboration. This includes quality metrics such as product pass rate and customer satisfaction, safety metrics such as the hazard rectification rate and number of accident-free days, as well as environmental metrics such as energy consumption control and compliance with pollutant discharge standards.

### Performance Review Cycle and Application

The Company implements a review frequency design of "monthly tracking, quarterly evaluation, and annual comprehensive assessment." Performance outcomes are directly applied to salary adjustments, position promotions, and medium- to long-term incentives, and also serve as key inputs for training and development initiatives, thereby achieving the management objective of driving development through performance.

Honghua Group Performance Appraisal

The Company has established a comprehensive performance feedback and appeal mechanism, committed to ensuring open and timely two-way communication during the appraisal process, and providing employees with a fair channel to express their opinions.

### Performance Feedback

A feedback mechanism centered on "real-time communication and precise empowerment" has been established. Through monthly work review meetings and similar formats, progress is promptly shared, deviations are corrected in a timely manner, and improvement suggestions are provided.

### Appeal Channel

If employees have objections to their performance appraisal results, they may submit a written appeal within 5 working days of receiving the result, through standardized channels such as the OA system, offline submission, or a designated email address. The Performance Committee will review and process the appeal, and if the concern is substantiated, a re-evaluation will be organized. All communication records throughout the appeal process are retained for documentation.

Honghua Group Performance Feedback Mechanism

In terms of employee benefits, the Company has established a comprehensive welfare security system, strictly adhering to national laws and regulations to fully implement statutory benefits. At the same time, it addresses employees' diverse needs by offering flexible, self-directed benefit programs, effectively combining basic protection with personalized care.

### Statutory Benefits

The Company fully contributes to the five social insurance schemes—pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance—and housing provident fund for all employees.

The Company strictly ensures employees' legal entitlement to various types of leave, including national statutory holidays, paid annual leave, marriage leave, maternity leave, paternity leave, and sick leave.

### Flexible Benefits

Healthcare Support: Annual health checkups are organized, and supplementary medical insurance is provided.

Daily Life Assistance: Meal allowances, transportation and communication subsidies, as well as festival care packages, are provided

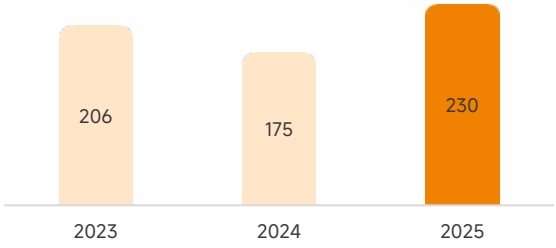
Career Development: Systematic internal and external training, support for professional skill certification, and financial assistance for academic advancement are offered.

Union Benefits: The trade union provides inclusive welfare benefits such as wellness retreats and fitness programs.

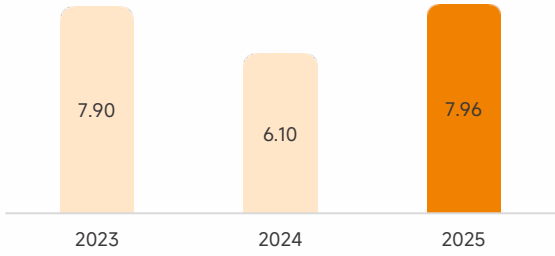
Honghua Group Benefits System

## Employee leavers

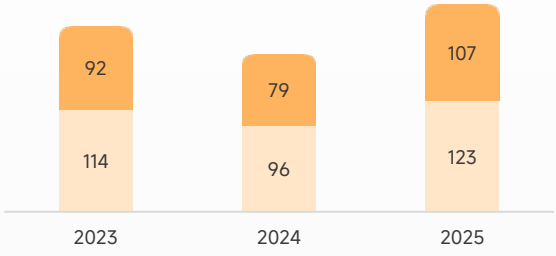
**Total number of employee leavers** (People)



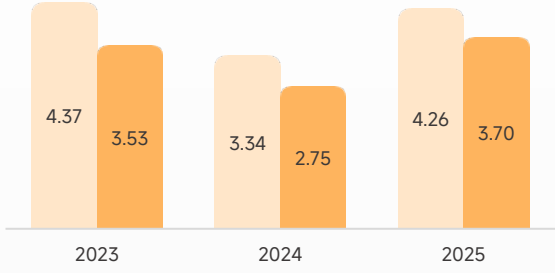

**Total turnover rate** (%)



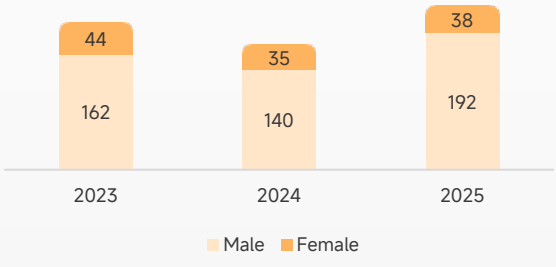

**Number of voluntary leavers** (People)
**Number of involuntary leavers** (People)



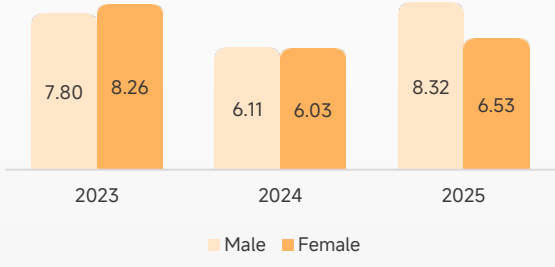

**Voluntary turnover rate** (%)
**Involuntary turnover rate** (%)



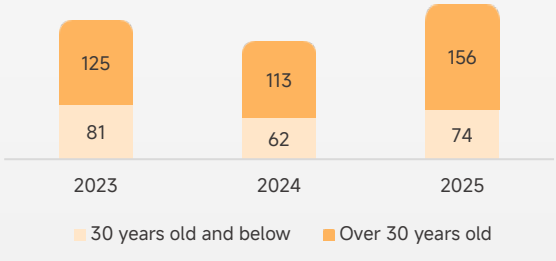

**Number of employee leavers by gender** (People)



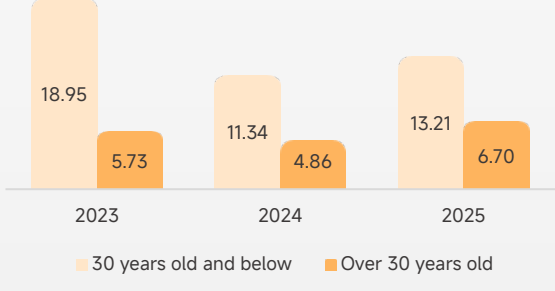

**Employee turnover rate by gender** (%)




**Number of employee leavers by age group** (People)




**Employee turnover rate by age group** (%)



| Number of employee leavers by region | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| East China | Headcount | 22 | 11 | 12 |
| | % | 10.16 | 5.46 | / |
| South China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |
| Central China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |
| North China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |
| Northwest China | Headcount | 34 | 10 | 13 |
| | % | 38.64 | 8.93 | / |
| Southwest China | Headcount | 174 | 154 | 181 |
| | % | 7.28 | 6.51 | / |
| Northeast China | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |
| Hong Kong SAR, Macao SAR and Taiwan region | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |
| China (including Hong Kong SAR, Macao SAR and Taiwan region) | Headcount | 230 | 175 | 206 |
| | % | 8.54 | 6.53 | / |
| Overseas | Headcount | 0 | 0 | 0 |
| | % | 0 | 0 | / |

# Employee Communication and Care

Honghua Group has established open and effective communication channels with employees, regularly convening Workers' Congresses to widely collect employee opinions and concerns through worker representatives. After review, the Company compiles an annual "Action Plan for Employees' Well-being" based on these inputs. A closed-loop management mechanism—"collection, review, implementation, and feedback"—is in place, with project progress tracked quarterly. For initiatives falling behind schedule, a supervision and follow-up mechanism is activated to ensure timely completion, continuously enhancing employees' sense of belonging. During the reporting period, the Company conducted an employee satisfaction survey, achieving 100% satisfaction for three consecutive years.

Honghua Group places strong emphasis on employees' well-being and physical health, actively organizing diverse care initiatives to enrich both professional and personal life.

### Care for Female Employees

Established "Mommy Baby Rooms" (nursing rooms) for female employees, equipped with refrigerators, sofas, privacy curtains, and other facilities.

Female employees during the breastfeeding period are allowed to bring their children to the workplace for care and may leave work early to return home.




### Family Support Initiatives

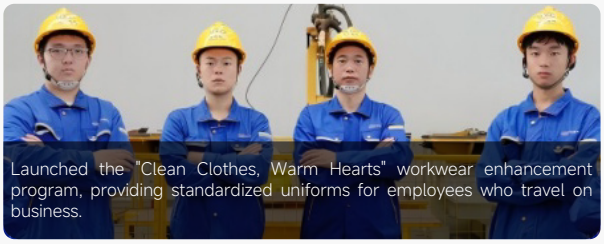
Provides summer childcare services for employees' children aged 12 and under. The company partners with multiple kindergartens and training institutions and subsidizes childcare fees for employees, effectively alleviating their family-related concerns.

Organizes Family Open Day events, inviting employees' families to visit the company, experience corporate culture, and strengthen communication between employees and their families—enhancing employee well-being and sense of belonging.

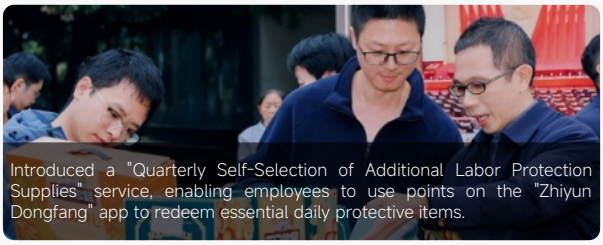


Honghua Group Family Support Initiatives

## Optimization of Office and Living Conditions



Launched the "Clean Clothes, Warm Hearts" workwear enhancement program, providing standardized uniforms for employees who travel on business.



Introduced a "Quarterly Self-Selection of Additional Labor Protection Supplies" service, enabling employees to use points on the "Zhiyun Dongfang" app to redeem essential daily protective items.




Implemented a drinking water quality improvement project, introducing a dual-track supply system of "direct-to-use water + bottled water" at the Chengdu and Guanghan bases. Water quality has been monitored and brands carefully selected to ensure improved drinking water standards.



Completed the renovation of the Chengdu base canteen, enhancing the dining environment through expanded seating areas and scientifically optimized layout planning.

Honghua Group's Initiatives to Optimize Office and Living Conditions

## Mental and Physical Well-being Care

Conducts mental health seminars: A total of 4 sessions were held this year, targeting groups such as female employees, frontline team leaders, and young staff, with over 200 cumulative participants.

Offers online one-on-one psychological counseling services, delivering 12 professional counseling sessions. Through continuous and professional intervention, these services effectively help alleviate employees' psychological stress.

For employees who are injured or unwell, the company has established a dedicated care mechanism, providing ongoing material and emotional support through home visits, regular follow-ups on family circumstances, and dedicated communication groups—conveying the warmth and care of the organization.




Honghua Group Mental Health Seminars

## Cross-Cultural Integration for Honghua Group's Overseas Employees

The Company actively upholds the philosophy of diversity, inclusion and humanistic care. During the reporting period, the Company organised Mid-Autumn Festival cultural exchange activities in its overseas locations, inviting local employees to taste mooncakes and experience traditional Chinese festival culture, building a bridge for cross-cultural communication. By respecting cultural differences and integrating local customs, the Company effectively enhances the sense of belonging and cohesion of overseas employees, demonstrates its commitment to global staff, and supports the achievement of sustainable development goals.




Mid-Autumn Festival Exchange Activities for Honghua Group Overseas Employees

## Innovative Practices at Grassroots Units

- Honghua Electric upgraded the restrooms in the Round Building, earning positive feedback from employees for its clean and tidy environment.
- Honghua International has implemented a "One Region, One Policy" care approach for overseas employees—providing heat relief supplies in the Middle East, winter warming materials in the Eurasia region, and upgrading office chairs to enhance workplace comfort.
- Honghua Oil & Gas Engineering Services is committed to upgrading field working conditions, ensuring that employees feel warmth and convenience even in challenging environments.
- Honghua Offshore has installed the "Smart Eye" visual monitoring system in electric vehicle parking areas, effectively safeguarding employees' property security.
- Han Zheng Testing has established a "Mind Corner," providing employees with a dedicated space to relieve stress and find inner peace.

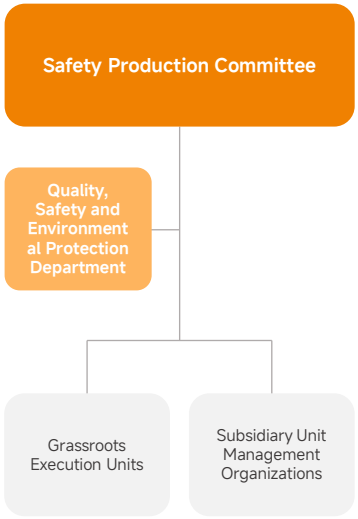
# Occupational Health and Safety

Honghua Group has established a systematic occupational health and safety management system by strengthening safety risk control and emergency response capabilities, and implementing comprehensive occupational disease prevention measures covering all employees. This creates a holistic protective network that spans from risk prevention to health protection.

## Occupational Health and Safety Management System

Honghua Group complies with local laws and regulations such as the Law of the People's Republic of China on Work Safety and the Law the People's Republic of China on the Prevention and Control of Occupational Diseases. In accordance with these, the Company has formulated internal regulations including the Work Safety Management Policy and the Safety Responsibility Accountability Management Policy, continuously improving its occupational health and safety management system. During the year, the Group introduced the Management Measures for Evaluation of Safety Production Processes, which applies to all subordinate units and establishes a systematic mechanism combining "outcome-based assessment" with "process evaluation." This promotes a shift in safety management from post-incident response to proactive prevention and real-time control.

The Company has established a comprehensive occupational health and safety management structure. At the management level, the Safety Production Committee serves as the highest supervisory and decision-making body, responsible for reviewing key strategies, objectives, and major risk matters, as well as ensuring adequate resource allocation. Under the committee, the Quality, Safety and Environmental Protection Department acts as the dedicated management unit, responsible for system development, daily supervision, performance evaluation, and the implementation of safety training programs. At the operational level, each subsidiary has established its own Safety Production Committee and dedicated safety and environmental protection management department to ensure effective adoption and execution of Group-wide requirements. At the grassroots level—including business units, workshops, and teams—designated safety officers are appointed to ensure that management measures are fully implemented at the front line.




Occupational Health and Safety Management Structure

The Company has established a safety performance evaluation mechanism covering all employees, rigidly linking safety responsibilities to both individual and organizational performance appraisals.

| Goal Deployment and Evaluation Mechanism | Strengthening the Restrictive Mechanism | Application of Evaluation Results |
|---|---|---|
| Set annual HSE objectives and targets, and refine the detailed evaluation criteria for each indicator.<br>Establish a systematic evaluation mechanism covering daily, monthly, and annual cycles. | Implement a safety "one-vote veto" system by establishing non-negotiable "safety red lines." If any red line is crossed, the annual performance of the responsible team and its leader will be directly rated as unsatisfactory.<br>Establish a "combination of rewards and penalties" HSE evaluation mechanism, through the development and implementation of specialized assessment criteria for managerial and behavioral violations, to effectively regulate employee conduct. | Implement a personal safety points system, effectively linking assessment outcomes to individual performance.<br>Evaluation results are directly tied to employees' annual performance bonuses, salary adjustments, position promotions, and eligibility for honors and recognition |

The Company regularly advances the renewal and recertification of its occupational health and safety management system each year. As of the end of the reporting period, 100% of Honghua Group's production and operational sites have obtained ISO 45001 certification.




ISO 45001 Occupational Health and Safety Management System Certification of Honghua Group

**The company has established six "Zero Occurrence" objectives for occupational health and safety management, all of which have been successfully achieved in 2025.**

- Zero work-related fatal accidents
- Zero work-related serious injury accidents
- Zero fire accidents causing significant property damage
- Zero major occupational disease incidents
- Zero safety and environmental non-compliance incidents
- Zero administrative penalties or public notifications as a typical violation by regulatory authorities

# Occupational Disease Prevention

Honghua Group strictly complies with the Law the People's Republic of China on the Prevention and Control of Occupational Diseases and other applicable laws and regulations at its operating locations. Adhering to the principle of "prevention first, integration of prevention and control," the Company systematically establishes an occupational health protection system covering all employees and relevant parties.

The Company conducts routine occupational health risk assessments and monitors hazardous factors in the workplace, with monitoring points covering noise, dust, chemical substances, and more. During the reporting period, the compliance rate of monitoring points reached 98.49%. For locations where noise levels exceeded standards, the Company immediately implemented engineering controls and enhanced individual protective measures. Meanwhile, the Company strictly enforces the national Measures for Heatstroke Prevention and Cooling , providing high-temperature allowances to employees working in hot environments during the reporting period. A total of 621 employees benefited, with payments amounting to CNY 450,000, ensuring health protection in special working conditions.

The Company has established the Occupational Health Examination Management Measures , creating a systematic occupational health surveillance process that clearly defines examination cycles, procedures, and requirements for handling abnormal findings. During the reporting period, the company achieved a 100% coverage rate for occupational health examinations and established individual occupational health surveillance records for all employees. Through occupational hazard notice boards and signed confirmation of examination reports, the Company transparently informs employees of workplace hazards and their personal health results, safeguarding their right to know. For employees identified with suspected occupational diseases or occupational contraindications during examinations, the Company strictly enforces job reassignment and legally protects their employment rights during diagnosis and observation periods. During the reporting period, no cases of occupational diseases or occupational contraindications were detected among employees.

The Company also fully incorporates personnel from outsourced contractors who are engaged in positions involving occupational health hazards (such as welders, spray painters, etc.) into its unified occupational health management system. It mandates that these personnel complete occupational health examinations prior to commencing work, and requires verification of their medical examination reports as a prerequisite for participation in tiered safety training and site access. In addition, the Company requires outsourcing units to implement regular health check-ups during employment. The Company conducts regular special inspections on the use of personal protective equipment (PPE) and strictly addresses any non-compliant behaviors to ensure the effective implementation of protective measures.

FY 2025

| Occupational disease incidence rate | Compliance rate of occupational health hazard site testing | Employee health examination coverage rate |
|---|---|---|
| 0% | 92.05% | 100% |

# Safety Production

Honghua Group fully implements the principle of “safety first, prevention-oriented, and comprehensive management,” and has established a strategic goal of “zero safety incidents,” committing to providing robust health and safety protection for all employees, contractors, and related parties. During the reporting period, the Company’s rate of work-related minor injury accidents declined by 25% compared to 2024, successfully achieving its annual control target.

The Company has established and continuously improved a dual prevention mechanism for workplace safety, systematically conducting hazard identification and risk assessment, and strengthening control over key areas such as major hazards and high-risk operations.

The Company has developed and implemented a system for the identification and rectification of potential hazards in production safety. It has clearly defined hazard classification criteria, conducts regular safety inspections, promptly identifies potential hazards, and supervises their timely rectification, thereby achieving closed-loop management of hazard control.

In addition, in response to potential production safety emergencies and natural disasters, the Company has developed and continuously enhanced its emergency response mechanisms to effectively improve emergency preparedness and response capabilities. During the reporting period, the rectification rate for potential hazards reached 100%.

The Company is committed to fostering a safety culture of "everyone responsible, everyone involved," promoting national work safety policies, laws and regulations, and safety knowledge through diverse channels to continuously enhance employees' safety awareness. It organizes and conducts educational campaigns such as National "Safety Production Month," traffic safety, and fire safety initiatives to strengthen employees' understanding of rules and regulations and their adherence to safe operating procedures, ensuring that employees possess the necessary knowledge and skills for safe production.

**During the reporting period**

**The Company delivered a total of**
**2,593**
**safety training sessions**

**Reaching**
**57,538**
**person-times**

**Achieving a**
**100%**
**safety training coverage rate**

## Contractor Safety Management

The Company strictly enforces the contractor access qualification review system, signing a dedicated safety production management agreement with all contracting units, or clearly defining the safety responsibilities of all parties in the contract, and regularly organizing on-site hazard inspections at the worksites of related parties.During the reporting period, the Company systematically revised the safety management agreements for related parties, covering four dimensions: business outsourcing, external support units, leased units, and cross-operation activities, further clarifying the allocation of rights and responsibilities, breach assessment criteria, and accident liability mechanisms through formal legal documents.

To eliminate differences in management standards, the Company fully integrates personnel from all business outsourcing units into its integrated safety management system, implements mandatory and systematic training, and ensures that they are fully familiar with the Company's safety policy, safety prohibitions, reporting procedures, and risk control measures, equipping them with the same level of safety awareness and emergency response capability as internal employees.

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Total number of work-related injury incidents | No. | 5 | 5 | 0 |
| Number of work-related fatalities | People | 0 | 0 | 0 |
| Total number of lost workdays due to work-related injuries | Days | 495 | 349 | 18 |
| Work-related fatality rate | % | 0 | 0 | 0 |
| Work-related major injury rate | % | 0 | 0 | 0 |
| Work-related injury incidence rate | % | 0.0018 | 0.0017 | 0 |
| Injury accident rate per 200,000 working hours | % | 0.00000087 | 0.00000059 | / |
| Lost-time injury frequency rate (LTIFR) per million hours | % | 0.00000000022 | 0.00000000021 | / |
| Number of safety inspections conducted | No. | 670 | 209 | / |
| Number of potential safety hazards identified | No. | 6,441 | 2,311 | / |
| Safety hazard rectification rate | % | 100 | 100 | 100 |
| Number of safety production training sessions | No. | 2,593 | 4,154 | 1,134 |
| Number of employee participations in safety training | Person-times | 57,538 | 76,462 | 66,087 |
| Safety training coverage rate | % | 100 | 100 | 100 |
| New employee safety training completion rate | % | 100 | 100 | 100 |
| Number of safety / emergency drills conducted | No. | 1,196 | 1,366 | 1,776 |
| Number of employee participations in safety drills | Person-times | 12,484 | 24,919 | 18,247 |
| Number of fire drills conducted | No. | 178 | 194 | 23 |
| Cumulative number of employee participations in fire drills | Person-times | 2,114 | 4,585 | 1,108 |

# 05 Accountable Commitment, Creating Shared Social Value



ESG Topics

- Responsible Supply Chain
- Social Contribution
- Rural Revitalization

United Nations Sustainable Development Goals (SDGs)




Honghua Group deeply understands that corporate sustainable development is closely linked to social progress, and is committed to working hand-in-hand with all stakeholders to co-create social value. Through rigorous supplier management and capacity-building initiatives, the company comprehensively drives sustainable development across its supply chain and strengthens collaborative partnerships across industries. At the same time, the company actively responds to the national rural revitalization strategy, leveraging its professional capabilities and resource advantages to engage in public welfare initiatives, conveying the warmth and care of Honghua to society.

# Responsible Supply Chain

Honghua Group is committed to building a full-cycle supplier management system that covers the entire chain—from initial access screening and dynamic performance evaluation to exit mechanisms—using rigorous performance assessments to continuously drive supplier capability improvement. On this foundation, the company deeply integrates ESG principles into every stage of supply chain operations, strengthens collaboration and synergistic value creation with partners, and ultimately builds a strategic, value-aligned, and mutually thriving supply chain ecosystem.

## Supplier Management System

To standardize and strengthen supplier management, and to establish a safe and stable supply chain, Honghua Group has developed and implemented internal regulations such as the Procurement Management Rules , which provide standardized guidance and a solid basis for supplier management. The company systematically carries out key management activities including supplier access, review, and evaluation, carefully selecting qualified suppliers who meet required qualifications.

### Supplier Access

Honghua Group regards supplier access as a key priority in supplier management, in order to fully ensure the stability and sustainability of its supply chain. The company has formulated and implemented a supplier access system, including the Supplier Management Measure . At the access stage, the company comprehensively evaluates suppliers across multiple dimensions, including product quality, cost control, on-time delivery performance, and technical capabilities. The company also conducts multi-dimensional risk assessments on suppliers through a risk evaluation process prior to the invitation to tender. In addition, the company pays close attention to suppliers' business ethics performance, strictly controlling the basic thresholds and requirements for supplier access.

To establish a market ecosystem characterized by fair competition and mutual benefit, Honghua Group consistently adheres to the principles of fairness, impartiality, and transparency in its cooperation with small and medium-sized enterprises (SMEs), providing SMEs with equal business opportunities and respect compared to large enterprises.

### Supplier Audit and Evaluation

Honghua Group is committed to building a comprehensive full-cycle supplier management system and regularly conducts supplier audit activities. Based on suppliers' quality performance and the criticality level of supplied materials, the company conducts targeted quality assurance audits. The company provides feedback to suppliers based on audit findings and offers corresponding improvement recommendations to underperforming suppliers, urging them to implement corrective actions in a timely manner. During the reporting period, the company conducted a total of 21 quality assurance audits and, as a result, removed 1 supplier that failed the audit, effectively safeguarding supply chain quality and stability.

In terms of performance evaluation, the company has formulated and implemented the Supplier Performance Evaluation Guidelines , establishing a dynamic incentive and penalty mechanism covering "notification letters, work stoppage orders, and continuous improvement requirements," to enable scientific assessment of supplier performance. The company regularly conducts stratified performance reviews by supplier category.

**Performance Highlights**

Invested **1,860** man-days in on-site inspection activities annually

Promoted a **26.58%** year-on-year decrease in supplier NCR

Conducted quality handover meetings with **69** suppliers

Pre-startup inspections for **37** suppliers

And routine patrols for **113** suppliers

Through supply chain-related party building initiatives, nurtured **22** suppliers

And completed specialized training for **51** inspectors

### Quality Improvement Training Workshop for the Oil and Gas Equipment Industry Chain in Guanghan City

Honghua Group actively fulfills its role as a leading enterprise in the industrial chain, striving to promote unified quality awareness, standardized control processes, and enhanced collaboration efficiency across upstream and downstream partners. During the reporting period, the company organized the Quality Improvement Training Workshop for the Oil and Gas Equipment Industry Chain in Guanghan City, **delivering specialized quality capability training to 29 suppliers in the surrounding region.** The training focused on in-depth analysis of typical quality cases and the standard requirements for supply chain collaboration at Honghua Group, with special emphasis on the importance of integrity and compliance in supply chain partnerships. Through this initiative, the company further strengthened quality consensus with regional suppliers and promoted the coordinated enhancement of overall quality management capabilities across the industrial chain.



Quality Improvement Training Workshop for the Oil and Gas Equipment Industry Chain in Guanghan City

### Supplier Management Performance Table

| Total no. of suppliers | No. of suppliers in Sichuan Province | No. of suppliers outside of Sichuan Province |
|---|---|---|
| 3,544 | 1,019 | 2,525 |

| No. of new suppliers added | No. of suppliers audited | No. of suppliers subject to penalties | Supplier corrective action closure rate |
|---|---|---|---|
| 1,024 | 3,544 | 62 | 100% |

## Sustainable Supply Chain

Honghua Group continues to deepen its sustainable supply chain management, committed to fully integrating ESG requirements into supplier access, performance evaluation, and capacity-building systems, thereby strengthening the supply chain's overall capability in ESG risk management.

In the areas of access and compliance management, the company strictly requires suppliers to sign the Supplier Integrity Commitment Letter , and clearly stipulates that violations will result in disqualification and inclusion in the company's "blacklist" as part of compliance controls. Meanwhile, the company proactively conducts investigations into supplier affiliated relationships and potential hidden interests, and prohibits access for suppliers found to have affiliated relationships or conflict-of-interest risks, systematically preventing fraud and compliance risks.

In supplier capacity building, for suppliers that do not yet meet procurement standards but demonstrate potential for collaboration, the company provides targeted capacity-building support to help them continuously improve and ultimately meet Honghua Group's procurement and sustainable development requirements.

| Metrics | Unit | FY 2025 |
|---|---|---|
| No. of suppliers that signed integrity commitment agreements | No. | 3,133 |
| Supplier integrity commitment signing rate | % | 88.40 |

Sustainable Supply Chain Performance Table

# Social Contribution and Rural Revitalization

Honghua Group, while achieving stable business growth, deeply recognizes the importance of community support and shared development. The company actively responds to the national rural revitalization strategy, proactively aligns with societal needs, and leverages its professional expertise and resource capabilities to organize and carry out a series of socially valuable public welfare and charitable activities, demonstrating corporate warmth through concrete actions and giving back to society.

## Social Contribution

Honghua Group fully understands that corporate development is inseparable from social progress, and consistently integrates business achievements with social responsibility. During the reporting period, the company continued its involvement in public welfare initiatives such as educational assistance and volunteer services, committed to empowering regional development and improving local people's livelihoods. At the same time, the company mobilized employees to engage in community volunteer services, with focused attention on vulnerable groups, delivering care and compassion, and fulfilling its responsibilities and commitments as a responsible corporate citizen.


Lake Circuit Waste Cleanup Volunteer Activity


Nursing Home Volunteer Activity



River Cleaning Volunteer Activity



Green Touchpoint Renovation Volunteer Activity

| Metrics | Unit | FY 2025 |
|---|---|---|
| Total hours of social public welfare activities | Hours | 210 |
| No. of participants in social public welfare activities | Person-times | 100 |

Social Contribution Performance Table

## Rural Revitalization

Honghua Group has incorporated support for rural revitalization and the consolidation and expansion of poverty alleviation achievements into its corporate strategic planning, clearly defining the company's responsibilities and mission in this national initiative. The company has established specific action plans and targets, integrating rural revitalization efforts with its core business development to achieve mutual benefit and win-win outcomes. During the reporting period, the company actively promoted the procurement of agricultural products from assisted regions. Through sustained support and collaboration, it effectively increased income for farming households in previously impoverished areas and contributed to improving the living standards of local residents.

| Metrics | Unit | FY 2025 |
|---|---|---|
| Total investment in rural revitalization | CNY 10,000 | 127.84 |

Rural Revitalization Performance Table

# Appendix I: ESG Performance

## Governance Metrics

### Corporate Governance

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| No. of shareholders' meetings held | No. | 1 | 3 | 2 |
| No. of board meetings held | No. | 8 | 10 | 10 |
| No. of Audit Committee meetings held | No. | 5 | 4 | 3 |
| No. of Remuneration Committee meetings held | No. | 1 | 1 | 1 |
| No. of Nomination Committee meetings held | No. | 1 | 1 | 0 |
| No. of Strategy and Investment Committee meetings held | No. | 4 | 1 | 1 |
| No. of board members | No. | 7 | 8 | 8 |
| No. of executive directors | No. | 3 | 3 | 2 |
| No. of non-executive directors | No. | 1 | 2 | 1 |
| No. of independent non-executive directors | No. | 3 | 3 | 5 |
| No. of female directors | No. | 1 | 1 | 1 |
| No. of investor communication activities conducted | No. | 152 | 71 | / |
| No. of on-site investor research visits hosted | No. | 13 | 2 | / |
| No. of external engagement activities | No. | 176 | 69 | / |
| No. of public disclosures made through official channels | No. | 36 | 63 | 54 |

### Risk Management

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| No. of training sessions on risk and compliance management[1] | No. | 133 | 31 | 23 |
| Training attendances on risk and compliance management | Person-times | 7,274 | / | / |
| Total training hours on risk and compliance management | Hours | 334.10 | / | / |

[1] In 2024, training data was limited to compliance, risk management, and legal training organized by the Legal and Risk Control Department at the Honghua Group headquarters only. In 2025, the scope of data collection was expanded to include affiliated companies within the Honghua Group, resulting in a significant increase in reported figures.

## Business Ethics

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Director and senior management business ethics training coverage rate | % | 100 | 100 | / |
| Employee business ethics training coverage rate | % | 28.56 | 27.50 | / |
| No. of business ethics training sessions conducted | No. | 12 | 10 | 9 |
| No. of employees trained on business ethics | No. | 812 | 742 | 740 |
| Total hours of business ethics training | Hours | 40 | 40 | / |
| No. of corruption-related litigation cases | No. | 0 | 3 | / |
| No. of concluded corruption-related litigation cases | No. | 0 | 3 | / |
| No. of accountability incidents | No. | 0 | / | / |
| No. of individuals held accountable | No. | 0 | / | / |

## Information Security and Privacy Protection

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| No. of information security inspections conducted | No. | 1 | 1 | / |
| No. of employee trained on data security and privacy | No. | 42 | 61 | / |
| No. of training sessions on data security and privacy | No. | 1 | 1 | / |
| No. of information security incidents | No. | 0 | 0 | / |
| Total No. of people affected by information security incidents | No. | 0 | / | / |
| No. of verified complaints related to customer privacy breaches or loss of customer data | No. | 0 | / | / |
| No. of cybersecurity incidents | No. | 0 | 0 | / |
| No. of information security inspections conducted | No. | 0 | / | / |
| No. of employee trained on data security and privacy | No. | 2,401 | 2,318 | / |
| No. of training sessions on data security and privacy | No. | 1 | 1 | / |

# Social Metrics

## Innovation and R&D

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| R&D expenditure | CNY 100 million | 2.87 | 2.57 | 2.27 |
| % of R&D expenditure to revenue | % | 5.22 | 4.56 | 4.18 |
| No. of R&D personnel | No. | 493 | 504 | 534 |
| R&D personnel ratio | % | 17.34 | 17.18 | 19.02 |
| Total no. of valid patents | No. | 882 | 850 | 803 |
| No. of valid invention patents | No. | 416 | 392 | 315 |
| Proportion of invention patents among valid patents | % | 47.17 | 46.12 | 39.23 |
| No. of newly granted patents | No. | 71 | 138 | 72 |
| No. of newly granted invention patents | No. | 37 | 83 | 45 |

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| No. of newly overseas patent applications filed | No. | 2 | 2 | 8 |
| No. of newly overseas patents granted | No. | 4 | 4 | 1 |
| Total no. of trademarks owned by the company | No. | 53 | / | / |
| Total no. of copyrights held by the company | No. | 74 | / | / |
| No. of industry exchange events participated in | No. | 81 | / | / |
| No. of national standards led or participated in developing or revising | No. | 6 | / | / |
| No. of industry standards led or participated in developing or revising | No. | 3 | / | / |
| No. of local standards led or participated in developing or revising | No. | 1 | / | / |
| No. of group (association) standards led or participated in developing or revising | No. | 2 | / | / |

## Product Quality and Safety

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| ISO 9001 coverage rate | % | 100 | / | / |
| Product pass rate | % | 99.48 | 99.48 | 99.33 |
| No. of products sold or shipped | No. | 134 | / | / |
| No. of products recalled due to quality, safety, or health issues | No. | 0 | / | / |
| Product recall rate due to quality, safety, and health concerns | % | 0 | / | / |
| YoY decrease rate of NCR per 10,000 CNY output value | % | 34.15 | 75.15 | 45.15 |

## Customer Relations

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| No. of complaints related to products and services | No. | 0 | 0 | 0 |
| Customer satisfaction score[2] | % | 99.60 | 99.65 | 98.78 |
| No. of incidents involving non-compliant product or service information | No. | 0 | / | / |
| Total financial loss from legal proceedings related to product information violations | CNY 10,000 | 0 | / | / |
| No. of incidents involving non-compliant marketing and communication practices | No. | 0 | / | / |
| Total financial loss from legal proceedings related to false or misleading marketing | CNY 10,000 | 0 | / | / |
| No. of responsible marketing training sessions conducted | No. | 22 | / | / |
| No. of employees participating in responsible marketing training | No. | 317 | / | / |
| Total training hours for responsible marketing programs | Hours | 303 | / | / |

[2] Only includes the customer satisfaction of Sichuan Honghua.

## Protection of Employee Rights

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Total number of employees | | People | 2,843 | 2,934 | 2,808 |
| Number of employees by employment type | Contract employees | People | 2,635 | 2,703 | 2,599 |
| | Dispatched employees | People | 188 | 206 | 200 |
| | Other personnel | People | 20 | 25 | 9 |
| Proportion of employees by employment type | Contract-based employees | % | 92.68 | 92.13 | 92.56 |
| | Dispatched employees | % | 6.61 | 7.02 | 7.12 |
| | Other personnel | % | 0.70 | 0.85 | 0.32 |
| Number of employees by gender | Male | People | 2,267 | 2,347 | 2,235 |
| | Female | People | 576 | 587 | 573 |
| Number of employees by gender | Male | % | 79.74 | 79.99 | 79.59 |
| | Female | % | 20.26 | 20.01 | 20.41 |
| Percentages of employees by age | 30 years old and below | People | 535 | 585 | 508 |
| | Over 30 years old | People | 2,308 | 2,349 | 2,300 |
| Percentages of employees by age | 30 years old and below | % | 18.82 | 19.94 | 18.09 |
| | Over 30 years old | % | 81.18 | 80.06 | 81.91 |
| Number of Employees by Job Level | Senior Management | People | 9 | 9 | 8 |
| | Middle Management | People | 76 | 71 | 69 |
| | Regular Employees | People | 2,758 | 2,854 | 2,731 |
| Percentages of employees by Job Level | Senior Management | % | 0.32 | 0.31 | 0.28 |
| | Middle Management | % | 2.67 | 2.42 | 2.46 |
| | Regular Employees | % | 97.01 | 97.27 | 97.26 |
| Number of Employees by region | East China (Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai) | People | 221 | 212 | 191 |
| | South China (Guangdong, Guangxi, Hainan) | People | 0 | 0 | 0 |
| | Central China (Hubei, Hunan, Jiangxi) | People | 0 | 0 | 0 |
| | North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia) | People | 0 | 0 | 0 |
| | Northwest China (Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu) | People | 71 | 105 | 119 |
| | Southwest China (Sichuan, Yunnan, Guizhou, Tibet, Chongqing) | People | 2,355 | 2,424 | 2,308 |
| | Northeast China (Liaoning, Jilin, Heilongjiang) | People | 0 | 0 | 0 |
| | Hong Kong SAR, Macao SAR and Taiwan region | People | 0 | 0 | 0 |
| | China (including Hong Kong SAR, Macao SAR and Taiwan region) | People | 2,647 | 2,741 | 2,618 |
| | Overseas | People | 196 | 193 | 190 |
| Percentages of employees by region | East China (Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai) | % | 7.77 | 7.23 | 6.80 |
| | South China (Guangdong, Guangxi, Hainan) | % | 0 | 0 | 0 |

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Percentages of employees by region | Central China (Hubei, Hunan, Jiangxi) | % | 0 | 0 | 0 |
| | North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia) | % | 0 | 0 | 0 |
| | Northwest China (Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu) | % | 2.50 | 3.58 | 4.24 |
| | Southwest China (Sichuan, Yunnan, Guizhou, Tibet, Chongqing) | % | 82.84 | 82.62 | 82.19 |
| | Northeast China (Liaoning, Jilin, Heilongjiang) | % | 0 | 0 | 0 |
| | Hong Kong SAR, Macao SAR and Taiwan region | % | 0 | 0 | 0 |
| | China (including Hong Kong SAR, Macao SAR and Taiwan region) | % | 93.11 | 93.42 | 93.23 |
| | Overseas | % | 6.89 | 6.58 | 6.77 |
| Number of Employees by ethnicity | Han Chinese | People | 2,787 | / | / |
| | Yi | People | 5 | | |
| | Tibetan | People | 1 | | |
| | Miao | People | 3 | | |
| | Hui | People | 6 | | |
| | Other ethnic minorities | People | 41 | | |
| Percentages of employees by ethnicity | Han Chinese | % | 98.03 | 98.00 | 98.40 |
| | Yi | % | 0.18 | / | / |
| | Tibetan | % | 0.04 | / | / |
| | Miao | % | 0.11 | / | / |
| | Hui | % | 0.21 | / | / |
| | Other ethnic minorities | % | 1.44 | 2.00 | 1.60 |
| Number of Employees by education level | Below bachelor's degree | People | 1,167 | 1,320 | 1,353 |
| | Bachelor's degree | People | 1,384 | 1,379 | 1,255 |
| | Master's degree and above | People | 292 | 235 | 200 |
| Percentages of employees by education level | Below bachelor's degree | % | 41.05 | 45.00 | 48.20 |
| | Bachelor's degree | % | 48.68 | 47.00 | 44.70 |
| | Master's degree and above | % | 10.27 | 8.00 | 7.10 |
| Number of Employees by function role | Production staff | People | 933 | 1,021 | 1,009 |
| | Technical staff | People | 879 | 865 | 837 |
| | Management staff | People | 775 | 787 | 682 |
| | Marketing staff | People | 256 | 261 | 280 |
| Percentages of employees by function role | Production staff | % | 32.82 | 34.80 | 35.93 |
| | Technical staff | % | 30.92 | 29.48 | 29.81 |
| | Management staff | % | 27.26 | 26.82 | 24.29 |
| | Marketing staff | % | 9.00 | 8.90 | 9.97 |
| Total number of new full-time employees hired | | People | 160 | 212 | 343 |
| Total recruitment cost for new employees | | CNY 10,000 | 91.9 | 107.1 | 131.3 |

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Average recruitment cost per new employees | CNY 10,000 | 0.57 | 0.51 | 0.38 |
| Total number of employees in STEM-related positions | People | 879 | 865 | 837 |
| Number of female employees in STEM-related positions | People | 113 | 110 | 106 |
| Proportion of female employees in STEM-related positions | % | 12.86 | 12.72 | 12.66 |
| Employee Labor Contract signing rate | % | 100 | 100 | 100 |
| Social insurance coverage rate | % | 100 | 100 | 100 |
| Illegal employment Incidents | No. | 0 | 0 | / |

## Employee Development and Training

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Number of vacant positions filled by internal candidates (internal recruitment) | | People | 14 | 13 | 27 |
| Percentage of vacant positions filled by internal candidates (internal recruitment) | | % | 8.05 | 5.78 | 7.30 |
| Return on human capital investment[3] | | % | 94.45 | / | / |
| Total investment in employee training | | CNY 10,000 | 469.00 | 437.43 | 298.00 |
| Total number of training sessions conducted | | No. | 484 | 483 | 225 |
| Total training hours completed by employees | | Hours | 190,479.00 | 178,107.00 | 150,864.00 |
| Number of training participations | | Person-times | 14,520 | 13,925 | 17,257 |
| Average training hours per employee | | Hours | 72.29 | 65.89 | 58.05 |
| Total number of employees trained | | People | 2,843 | 2,934 | 2,808 |
| Proportion of employees trained | | % | 100 | 100 | 100 |
| Number of trainees by gender | Male | People | 2,267 | 2,347 | 2,235 |
| | Female | People | 576 | 587 | 573 |
| Number of training hours by gender | Male | Hours | 152,384 | 146,048 | 133,274 |
| | Female | Hours | 38,095 | 32,059 | 17,590 |
| Percentage of employees trained by gender | Male | % | 100 | 100 | 100 |
| | Female | % | 100 | 100 | 100 |
| Average training hours by gender | Male | Hours per employee | 67.22 | 62.23 | 59.63 |
| | Female | Hours per employee | 66.14 | 54.61 | 30.70 |
| Number of trainees by age | 30 years old and below | People | 535 | 585 | 508 |
| | Over 30 years old | People | 2,308 | 2,349 | 2,300 |
| Number of training hours by age | 30 years old and below | Hours | 35,844 | 42,232 | 30,755 |
| | Over 30 years old | Hours | 154,635 | 135,875 | 120,109 |
| Percentage of employees trained by age | 30 years old and below | % | 100 | 100 | 100 |
| | Over 30 years old | % | 100 | 100 | 100 |
| Average training hours by age | 30 years old and below | Hours per employee | 67.00 | 72.19 | 60.54 |
| | Over 30 years old | Hours per employee | 67.00 | 57.84 | 52.22 |

[3] Return on Human Capital Investment = (Operating Revenue – (Total Operating Expenses – Total Labor Costs)) / Total Labor Costs

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Number of trainees by job level | Senior Management | People | 9 | 9 | 8 |
| | Middle Management | People | 76 | 71 | 69 |
| | Regular Employees | People | 2,758 | 2,854 | 2,731 |
| Number of training hours by job level | Senior Management | Hours | 2,205 | 2,011 | 1,708 |
| | Middle Management | Hours | 7,665 | 6,034 | 5,126 |
| | Regular Employees | Hours | 180,609.00 | 170,062.00 | 144,030 |
| Percentage of employees trained by job level | Senior Management | % | 100 | 100 | 100 |
| | Middle Management | % | 100 | 100 | 100 |
| | Regular Employees | % | 100 | 100 | 100 |
| Average training hours by job level | Senior Management | Hours per employee | 245.00 | 223.44 | 213.50 |
| | Middle Management | Hours per employee | 100.86 | 84.99 | 74.29 |
| | Regular Employees | Hours per employee | 65.49 | 59.59 | 52.74 |
| Number of employees supported in academic advancement and professional certification | | People | 864 | / | / |

## Employee Remuneration and Benefits

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Number of voluntary leavers | | People | 123 | 96 | 114 |
| Voluntary turnover rate | | % | 4.26 | 3.34 | 4.37 |
| Number of involuntary leavers | | People | 107 | 79 | 92 |
| Involuntary turnover rate | | % | 3.70 | 2.75 | 3.53 |
| Total number of employee leavers | | People | 230 | 175 | 206 |
| Total turnover rate | | % | 7.96 | 6.10 | 7.90 |
| Number of employee leavers by gender | Male | People | 192 | 140 | 162 |
| | Female | People | 38 | 35 | 44 |
| Employee turnover rate by gender | Male | % | 8.32 | 6.11 | 7.80 |
| | Female | % | 6.53 | 6.03 | 8.26 |
| Number of employee leavers by age group | 30 years old and below | People | 74 | 62 | 81 |
| | Over 30 years old | People | 156 | 113 | 125 |
| Employee turnover rate by age group | 30 years old and below | % | 13.21 | 11.34 | 18.95 |
| | Over 30 years old | % | 6.70 | 4.86 | 5.73 |
| Number of employee leavers by region | East China (Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai) | People | 22 | 11 | 12 |
| | South China (Guangdong, Guangxi, Hainan) | People | 0 | 0 | 0 |
| | Central China (Hubei, Hunan, Jiangxi) | People | 0 | 0 | 0 |
| | North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia) | People | 0 | 0 | 0 |
| | Northwest China (Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu) | People | 34 | 10 | 13 |

| Metrics | | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|---|
| Number of employee leavers by region | Southwest China (Sichuan, Yunnan, Guizhou, Tibet, Chongqing) | People | 174 | 154 | 181 |
| | Northeast China (Liaoning, Jilin, Heilongjiang) | People | 0 | 0 | 0 |
| | Hong Kong SAR, Macao SAR and Taiwan region | People | 0 | 0 | 0 |
| | China (including Hong Kong SAR, Macao SAR and Taiwan region) | People | 230 | 175 | 206 |
| | Overseas | People | 0 | 0 | 0 |
| Employee turnover rate by region | East China (Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai) | % | 10.16 | 5.46 | / |
| | South China (Guangdong, Guangxi, Hainan) | % | 0.00 | 0.00 | / |
| | Central China (Hubei, Hunan, Jiangxi) | % | 0.00 | 0.00 | / |
| | North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia) | % | 0.00 | 0.00 | / |
| | Northwest China (Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu) | % | 38.64 | 8.93 | / |
| | Southwest China (Sichuan, Yunnan, Guizhou, Tibet, Chongqing) | % | 7.28 | 6.51 | / |
| | Northeast China (Liaoning, Jilin, Heilongjiang) | % | 0.00 | 0.00 | / |
| | Hong Kong SAR, Macao SAR and Taiwan region | % | 0.00 | 0.00 | / |
| | China (including Hong Kong SAR, Macao SAR and Taiwan region) | % | 8.54 | 6.53 | / |
| | Overseas | % | 0.00 | 0.00 | / |
| Employee Satisfaction | | % | 100 | 100 | 100 |

## Occupational Health and Safety

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Safety production expenditure | CNY 10,000 | 1,651.17 | 2,034.96 | 2,012.27 |
| Number of facilities certified under ISO 45001 | No. | 6 | 4 | / |
| Total number of work-related injury incidents | No. | 5 | 5 | 0 |
| Number of work-related fatalities | People | 0 | 0 | 0 |
| Total number of lost workdays due to work-related injuries | Days | 495 | 349 | 18 |
| Work-related fatality rate | % | 0 | 0 | 0 |
| Work-related major injury rate | % | 0 | 0 | 0 |
| Work-related injury incidence rate | % | 0.0018 | 0.0017 | 0 |
| Injury accident rate per 200,000 working hours | % | 0.00000087 | 0.00000059 | / |
| Lost-time injury frequency rate (LTIFR) per million hours | % | 0.00000000022 | 0.00000000021 | / |
| Number of safety inspections conducted | No. | 670 | 209 | / |

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Number of potential safety hazards identified | No. | 6,441 | 2,311 | / |
| Number of major potential safety hazards identified | No. | 0 | 0 | / |
| Safety hazard rectification rate | % | 100 | 100 | 100 |
| Occupational disease incidence rate | % | 0 | 0 | 0 |
| Compliance rate of occupational health hazard site testing | % | 92.05 | 100 | / |
| Employee health examination coverage rate | % | 100 | 100 | 100 |
| Number of safety production training sessions | No. | 2,593 | 4,154 | 1,134 |
| Number of employee participations in safety training | Person-times | 57,538 | 76,462 | 66,087 |
| Safety training coverage rate | % | 100 | 100 | 100 |
| New employee safety training completion rate | % | 100 | 100 | 100 |
| Number of safety / emergency drills conducted | No. | 1,196 | 1,366 | 1,776 |
| Number of employee participations in safety drills | Person-times | 12,484 | 24,919 | 18,247 |
| Number of fire drills conducted | No. | 178 | 194 | 23 |
| Cumulative number of employee participations in fire drills | Person-times | 2,114 | 4,585 | 1,108 |

## Responsible Supply Chain

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Total no. of suppliers | No. | 3,544 | 3,186 | 526 |
| Within Sichuan Province | No. | 1,019 | 1,091 | 221 |
| Outside Sichuan Province | No. | 2,525 | 2,095 | 305 |
| No. of new suppliers added | No. | 1,024 | / | / |
| No. of suppliers audited | No. | 3,544 | / | / |
| No. of suppliers subject to penalties | No. | 62 | / | 245 |
| Supplier corrective action closure rate | % | 100 | / | 100 |
| No. of suppliers that signed integrity commitment agreements | No. | 3,133 | 2,770 | / |
| Supplier integrity commitment signing rate | % | 88.40 | 86.94 | 0.00 |

## Social Contribution and Rural Revitalization

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Total hours of social public welfare activities | Hours | 210 | / | / |
| No. of participants in social public welfare activities | No. | 100 | / | / |
| Total investment in rural revitalization | CNY | 1,278,400 | / | 505,266 |

# Environmental Metrics

## Environmental Management

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Environmental protection expenditure[4] | CNY 10,000 | 336.57 | 1,615.28 | 1210.70 |
| Number of employees participating in environmental protection training | Person-times | 70 | 1,234 | / |
| Number of environmental training sessions | No. | 4 | 11 | / |
| Total environmental training hours | Hours | 120.00 | 12.20 | / |
| Total number of facilities | No. | 4 | 4 | / |
| Number of facilities certified under ISO 14001 | No. | 4 | 4 | / |
| Number of facilities with other environmental management system certifications | No. | 1 | 1 | / |
| Number of facilities recognized as Provincial Green Factories | No. | 1 | 1 | / |
| Number of environmental penalties issued | No. | 0 | / | / |
| Total amount of environmental penalties | CNY 10,000 | 0 | / | / |

## Waste and Emissions Management

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Air pollutant emissions | | | | |
| Nitrogen oxides (NOx)[5] | kg | 0 | 771.60 | / |
| Sulfur oxides (SOx)[6] | kg | 0 | 48.03 | 620.00 |
| Particulate matter (PM)[7] | kg | 2,799.42 | 4,200.05 | 3,120.00 |
| Volatile organic compounds (VOCs) | kg | 3,016.30 | 2,604.37 | 2,100.00 |
| Wastewater discharge | | | | |
| Total wastewater discharge[8] | Tonnes | 52,797.10 | 130,600.00 | 89,700.00 |
| Ammonia nitrogen ($NH_3$-N) emissions | Tonnes | 0.27 | 0.17 | / |
| Chemical oxygen demand (COD) emissions[9] | Tonnes | 2.04 | 0.36 | / |
| Hazardous waste | | | | |
| Total hazardous waste generated | Tonnes | 3,231.78 | 3,235.67 | 9,500.00 |
| Hazardous waste intensity | Tonnes/CNY 10k revenue | 0.01 | 0.01 | 0.02 |
| Non-hazardous waste | | | | |
| Total non-hazardous waste generated[10] | Tonnes | 17,132.60 | 10,544.82 | 23,500.00 |
| Non-hazardous waste intensity | Tonnes/CNY 10k revenue | 0.03 | 0.02 | 0.04 |
| Total non-hazardous waste recycled and rutilised | Tonnes | 13,599.00 | 9,831.82 | / |
| Recycling and utilisation rate of non-hazardous waste | % | 79.37 | 93.24 | / |

[4] Environmental protection expenditures in 2024 included approximately CNY 14 million for the construction of exhaust treatment facilities for paint booths in the old and new North Zones. The expenditure was a one-time capital outlay, which explains the significant year-on-year reduction in environmental spending in 2025.

[5] Sichuan Honghua's heat treatment and forging workshop has ceased operations, and Honghua Group and its other subsidiaries have no other nitrogen oxides (NOx) emission sources.

[6] Sichuan Honghua's heat treatment and forging workshop has ceased operations, and Honghua Group and its other subsidiaries have no other sulfur oxides (SOx) emission sources.

[7] Production halt at Sichuan Honghua's heat treatment and forging workshop caused a sharp decrease in particulate matter (PM) emissions.

[8] Water consumption for commissioning activities in Honghua Group's Assembly and Commissioning Department has decreased, resulting in a reduction in total wastewater discharge and, consequently, lower levels of water pollutants.

[9] COD emissions in this reporting period increased compared to the previous period. The main reason is that during the 2025 re-examination of the discharge permit, the company added one industrial wastewater discharge outlet. Additionally, industrial wastewater sampling and testing now follow the latest applicable standards. As industrial wastewater inherently contains higher COD concentrations than domestic sewage, the overall reported emission levels have correspondingly increased.

[10] The increase in non-hazardous waste generation at Honghua Offshore has led to a rise in the total non-hazardous waste volume for Honghua Group as a whole.

## Energy Utilization

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Energy Consumption | | | | |
| Gasoline | Litres | 64,756.42 | 55,235.41 | 37,005.00 |
| Diesel[11] | Litres | 663,364.29 | 833,219.52 | 1,239,504.00 |
| Natural gas[12] | $Nm^3$ | 1,433,913.00 | 2,113,539.00 | 1,453,900.00 |
| Total direct energy consumption | KWh | 22,701,948.60 | / | / |
| Total direct energy consumption intensity | kWh/CNY 10k revenue | 41.33 | / | / |
| Purchased electricity | kWh | 37,227,505.00 | 39,015,818.00 | 47,669,600.00 |
| Total indirect energy consumption | kWh | 37,247,194.63 | / | / |
| Total indirect energy consumption intensity | kWh/CNY 10k revenue | 67.81 | / | / |
| Total comprehensive energy consumption | kWh | 59,949,143.23 | / | / |
| Total comprehensive energy consumption intensity | kWh/CNY 10k revenue | 109.14 | / | / |
| Water Resources Management | | | | |
| Fresh water withdrawal | tonnes | 398,721.00 | 486,651.00 | 389,500.00 |
| Water reuse volume | tonnes | 2,743,500.00 | 3,040,280.00 | 1,576,700.00 |
| Water recycling rate | % | 87.10 | 86.20 | / |
| Water consumption[13] | tonnes | 345,923.90 | 356,051.00 | 299,800.00 |
| Water consumption intensity | tonnes/CNY 10k revenue | 0.63 | 0.86 | 3.59 |
| Packaging | | | | |
| Total quantity of packaging | tonnes | 1,061.64 | 979.70 | 1,077.00 |
| Packaging intensity | tonnes/CNY 10k revenue | 0.002 | 0.0017 | 0.0019 |

## Climate Change Response

| Metrics | Unit | FY 2025 | FY 2024 | FY 2023 |
|---|---|---|---|---|
| Total GHG emissions (Scope 1 + Scope 2) | $tCO_2e$ | 24,821.19 | 36,348.02 | 34,582.00 |
| GHG emissions intensity (Scope 1 + Scope 2) | $tCO_2e$/CNY 10k revenue | 0.05 | 0.06 | 0.06 |
| Scope 1 emissions[14] | $tCO_2e$ | 5,068.28 | 13,679.82 | 6,545.00 |
| Scope 2 emissions[15] | $tCO_2e$ | 19,752.91 | 22,668.20 | 27,186.00 |

[11] The decrease in diesel consumption during this reporting period compared with the previous period was primarily due to the full replacement of forklifts with electric models in 2025. Additionally, cranes used within the Company's facilities are mainly sourced through leasing arrangements, which has further reduced the company's direct diesel consumption.

[12] The decrease in natural gas consumption during this reporting period compared with the previous period was primarily due to the discontinuation of most natural gas-fired furnaces in the forging and heat treatment processes in 2025, resulting in lower natural gas usage.

[13] Total water consumption = Freshwater withdrawal – Wastewater discharge

[14] Diesel and natural gas consumption decreased significantly compared to 2024, resulting in a substantial reduction in Scope 1 greenhouse gas emissions. Scope 1 greenhouse gas emissions are calculated with reference to the GHG Protocol issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as the 2006 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC). The mass balance method is adopted for calculation, and the consolidation approach is the operational control approach.

[15] Scope 2 greenhouse gas emissions refer to the indirect greenhouse gas emissions generated by the enterprise during its operations due to the consumption of purchased electricity. They are calculated using the mass balance method, with the operational control approach adopted for consolidation. The emission factor data are sourced from the Announcement on Issuing the 2023 Power Sector Carbon Dioxide Emission Factors released by the Ministry of Ecology and Environment of the People's Republic of China.

# Appendix II: Index of the HKEX ESG Reporting Code

| Indicator | Chapter |
|---|---|
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| Governance Structure | ESG Governance- ESG Governance Structure |
| Reporting Principles | About This Report- Reporting Principles |
| Reporting Boundary | About This Report- Report Boundary |
| **Part C: "Comply or explain" Provisions** | |
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| KPI A1.1 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Waste and Emissions Management |
| KPI A1.2 | [Repealed 1 January 2025] |
| KPI A1.3 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Waste and Emissions Management |
| KPI A1.4 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Waste and Emissions Management |
| KPI A1.5 | The Company has established and continuously improved its governance system for environmental indicators, and is currently conducting an internal feasibility assessment of quantitative environmental targets. Based on the assessment results, the Company expects to disclose relevant targets in the next reporting period. |
| KPI A1.6 | The Company has established and continuously improved its governance system for environmental indicators, and is currently conducting an internal feasibility assessment of quantitative environmental targets. Based on the assessment results, the Company expects to disclose relevant targets in the next reporting period. |
| Aspect A2: Use of Resources | |
| General Disclosure | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Energy Utilization |
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| KPI A2.2 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Energy Utilization |
| KPI A2.3 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Energy Utilization |
| KPI A2.4 | The Company has established and continuously improved its governance system for environmental indicators, and is currently conducting an internal feasibility assessment of quantitative environmental targets. Based on the assessment results, the Company expects to disclose relevant targets in the next reporting period. |
| KPI A2.5 | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Energy Utilization |
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| Indicator | Chapter |
|---|---|
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| **Part D: Climate-related Disclosures** | |
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| (II)Strategy | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Climate Change Response |
| (III)Risk Management | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Climate Change Response |
| (IV)Metrics and Targets | Green and Low-Carbon, Co-Drawing an Ecological Blueprint- Climate Change Response |

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