

Honghua Group Limited 2024 ESG Report

Honghua Group Limited

ADDRESS: 99 East Road, Information Park, Jinniu District, Chengdu, Sichuan, PRC

TEL: +86 28-6817-6436

WEBSITE: <https://www.hh-gtld.com>



Contents

Introduction

● About this Report	01
● Management Speech	02
● Statement by the Board of Directors	05
● ESG Performance Highlights in 2024	06

01

Company Overview

About Us	08
ESG Management	11

02

Growing Steadily Long into the Future and Strengthening the Foundations of Governance

Strengthening Party-building Guidance	20
Optimizing Corporate Governance	22
Operating in Compliance with Laws	24
Conducting Comprehensive Risk Management	28
Adhering to Business Ethics	30

03

Prioritizing Environmental Protection and Establishing a Strong Foundation of Green Initiatives

Mitigating Climate Change	33
Responding to the Carbon Peaking and Carbon Neutrality Strategy	35
Managing Environmental Compliance	39
Coordinating Resource Utilization	42
Strictly Regulating Polluting Discharge	43

04

Pursuing Excellence and Focusing on Long-term Development

Strengthening Innovation Drive	47
Practising Stringent Quality Management	53
Providing Excellent Customer Service	58
Driving Transformation Towards Digitalization and Intelligence	59

05

Partnering to Enable a Win-Win Situation for All

Establishing Platform for Growth	62
Building Strong Safety Standard	73
Building Responsible Supply Chain	79
Empowering Industry Development	81
Enhance Social Welfare	83

Appendix

ESG Performance Data	85
ESG Indicator Index	87
Feedback	97

About this Report

Introduction to the Report

The 2024 Environmental, Social and Governance Report of Honghua Group Limited is the ninth ESG report issued by Honghua Group Limited (hereinafter referred to as "Honghua Group" or "the Company"). It aims to transparently disclose the policies, strategies and performance related to key sustainability issues, as well as the Company's responsible practices towards key stakeholders including shareholders, clients, employees, partners, the environment and communities. To enable readers to gain a comprehensive understanding of the Company's ESG performance, this report should be read in conjunction with the Corporate Governance Report section of the 2024 Annual Report. This report has been reviewed and approved by the Company's Board of Directors.

Reporting Entity

This report pertains to Honghua Group Limited and its subsidiaries, aligning with the scope of the consolidated financial statements. For detailed information regarding the Company's business development and comprehensive financial statements, please refer to the 2024 Annual Report.

Time Frame

This report covers the period from January 1, 2024, to December 31, 2024 (the "Reporting Period"). To enhance the comparative and forward-looking nature of this report, certain sections appropriately reference previous years or include forward-looking descriptions. This report is published annually, in alignment with the financial year.

Reference

This report is informed by the *Environmental, Social and Governance Reporting Code set out in Appendix C2 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited* (referred to hereinafter as "HKEX"). Additionally, this report addresses and aligns with the United Nations Sustainable Development Goals (SDGs), the Global Reporting Initiative's *Sustainable Development Reporting Standards 2021* (GRI Standards 2021), the Sustainable Accounting Standards Board's (SASB) Standards for the Oil and Gas Service Industry, the *International Financial Reporting Sustainability Disclosure Standard No. 1—General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)*, the *International Financial Reporting Sustainability Disclosure Standard No. 2—Climate-related Disclosures (IFRS S2)*, and the General Office of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC)'s *Reference of ESG Indicators System for ESG Reports of Listed Companies Controlled by Central Enterprises*.

Reporting Principle

This report has been prepared in accordance with the reporting principles of materiality, quantitative, balance, and consistency as outlined in the *Environmental, Social and Governance Reporting Code*.

- Materiality: The Company conducted a materiality assessment in accordance with the *Environmental, Social and Governance Reporting Code* to identify issues relevant to the Company and its stakeholders during the reporting period. The identified material issues have been reviewed by the Board of Directors and serve as the focal points for disclosure in this report.
- Quantitative: This report includes relevant data obtained through calculations, along with the standards, methods, assumptions, and calculation tools employed to ensure, to the greatest extent possible, the accuracy of the information presented.
- Balance: The contents of this report reflect objective facts and provide an unbiased presentation of both positive and negative information regarding the Company, without undue modification.
- Consistency: Unless otherwise specified, the data disclosed in this report are compiled according to the standardized information collection processes and mechanisms established by the Company, ensuring that the data remain comparable from year to year.

Source of Data

All information and data presented in this report are sourced from the Company's official documents, statistical reports, and financial statements, as well as environmental, social, and governance information that has been collected, summarized, and audited by the Company. Unless otherwise specified, all currencies in this report are reported in RMB.

Reliability Assurance

The Board of Directors and all the directors of Honghua Group ensure no false record, misleading statement or major omission in this report, and are individually and severally liable for the authenticity, accuracy and integrity of the contents of this report.

Review and Publication

This report has been unanimously approved by the Group's Board of Directors and is published in electronic formats. The electronic version can be accessed and downloaded from the Hong Kong Stock Exchange and the Company's websites. This report is prepared and published in multiple languages; in the event of any discrepancies in interpretation, the Traditional Chinese version shall prevail.

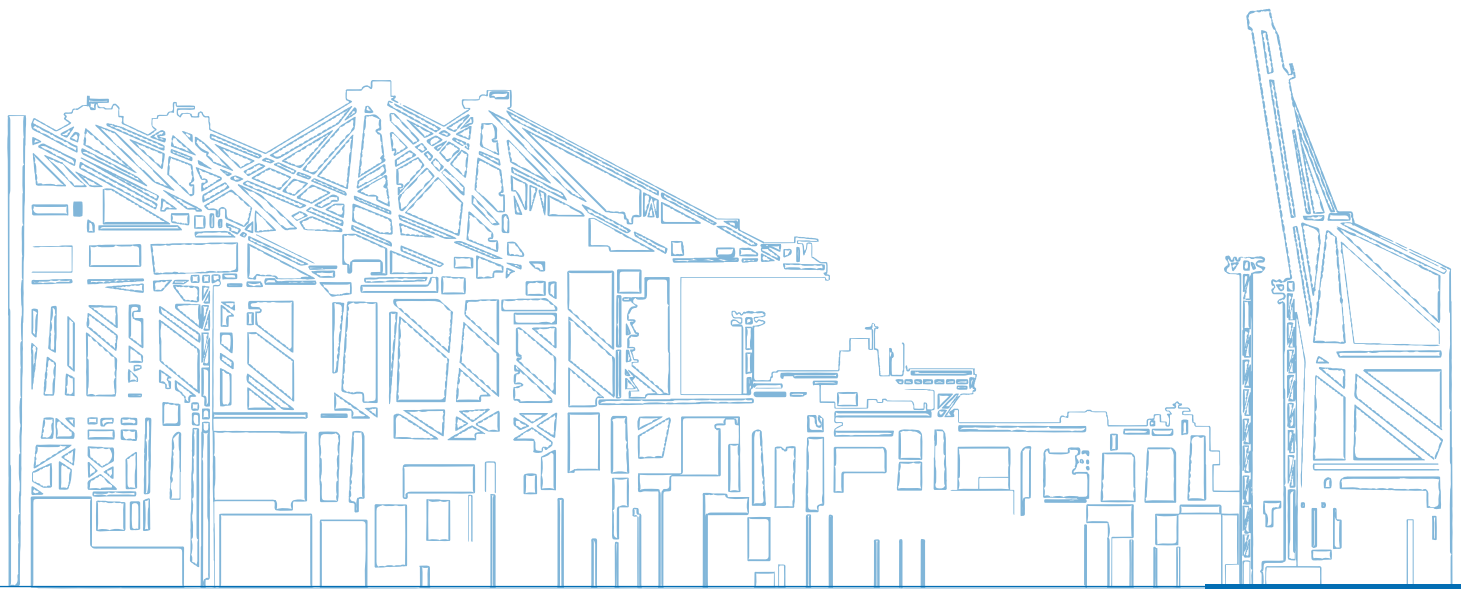
Important Legal Statements

This report may contain forward-looking statements. All statements, other than statements of historical fact, that may or will occur in the future (including, without limitation, statements of premise, objectives, estimates, business plans and strategies) are forward-looking statements. These forward-looking statements are based on information, assumptions and projections currently available to the Company and may be subject to a variety of risks, uncertainties and external factors and, accordingly, actual results or trends may differ from those in such statements. Forward-looking statements should not be construed as promises or predictions regarding the Company's results, financial condition or business development in any future year. The forward-looking statements in this report are made as of April 2025, and the Company undertakes no obligation to update or revise these forward-looking statements, except as required by applicable law or regulatory authorities.

Management Speech

Dear all the stakeholders and all the friends caring about Honghua Group:

“The year 2024 was the time to secure a decisive victory in the implementation of the “14th Five-Year Plan” and to commence the “15th Five-Year Plan” with a positive development trajectory. As an international firm specializing in oil and gas exploration, development equipment manufacturing, and drilling engineering services, Honghua Group adheres to new concepts of innovative, coordinated, green, open and inclusive development to fully promote the execution of sustainability goals. The company adheres to the strategic layout of "equipment + service + related diversification", committing to the establishment of a green manufacturing system while vigorously advancing strategic emerging industries such as wind power, grid infrastructure, energy storage, and gas power generation. These efforts promote the oil and gas equipment sector in an environmentally friendly and low-carbon manner. Over the past year, the Company successfully secured market orders by leveraging its established global market network and stable long-term customer relationships. Concurrently, the Company optimized cost management and enhanced operational efficiencies, resulting in new peaks across various operational metrics.”



In 2024, Honghua Group further solidified its corporate governance framework and advanced sustainable operations.The Company continued to refine its operational management, deeply uphold the rule of law and compliance, fortify comprehensive risk management and audit oversight, foster a business ethics management system, and improve operational mechanisms to enhance the efficiency and regulation of the Board of Directors and management. On such a basis, a robust ESG governance structure has been instituted, with the Board of Directors serving as the highest authority. ESG principles have been integrated into all facets of the Company's operations, ensuring comprehensive disclosure of information regarding the social responsibilities of state-owned enterprises. This approach transparently presents the outcomes of the Company's ESG initiatives to stakeholders and further drives sustainable societal and environmental development.

In 2024, Honghua Group intensified its green commitment and actively endorsed low-carbon initiatives.The Company implements the national Dual Carbon strategy, mitigates climate change, promotes green and low-carbon transformations, and concentrates on the development of new energy technologies and green products. Additionally, the Company has already enhanced its environmental compliance management system, decreased resource and energy consumption and actively promoted pollution control, thereby facilitating the Company's sustainable growth. During the reporting period, total investment in environmental protection reached RMB 16.15 million, with no significant environmental pollution incidents reported, underscoring the Company's commitment and effective management of environmental protection.

In 2024, Honghua Group further emphasized innovation-driven and long-term development.The Company has consistently increased its focus on research and development, accelerated the industrialization of critical scientific and technological achievements, and bolstered its technological and human resource capacity. This commitment to new quality productive forces was exemplified by the induction of Mengxiang, the Dream, the first offshore drilling vessel independently developed by China, into the fleet. As one of the project's three major supporting units, It has shown unwavering commitment to guiding the development of the Dream, covering aspects from the vessel's functional positioning and project application to the undertaking of national scientific research initiatives and the construction of the vessel. Furthermore, the Company has established a core business philosophy centered on quality-based development, implemented rigorous quality management practices, and continuously improved customer service through constant optimization to deliver quality service to customers. During the reporting period, the Company invested RMB150 million in R&D, with 138 newly authorized patents and a customer satisfaction rate of 99.5%.

In 2024, Honghua Group reinforced safety initiatives and maintained a rigorous approach to prevention.The Company regards zero accidents, zero occupational diseases, and zero injuries as its long-term safety objectives. This commitment to safety is supported by a comprehensive safety management system designed to prevent safety risks and enhance intrinsic safety levels through technological optimization, engineering safeguards, and management upgrades. During the reporting period, a total of RMB 20.35 million was invested in workplace safety, with 4,154 safety training activities conducted for 76,462 participants.

In 2024, Honghua Group further collaborated with its partners to realize mutually beneficial outcomes. The Company acknowledges that talent is a key driver of innovation and development. To foster employees' sense of achievement and belonging, the Company is committed to safeguarding their rights and interests, enhancing employee management practices, and providing physical and mental support. By optimizing supplier lifecycle management, the Company actively implements responsible purchasing principles and empowers suppliers to build a more resilient and sustainable supply chain. Furthermore, the Company integrates economic benefits with social responsibilities, assisting in rural revitalization and engaging in various social welfare initiatives to strengthen business-community relationships. During the reporting period, the Company invested RMB 4.37 million in employee training, with a total of 13,925 employees trained and an average staff training time of 65 hours.

Honghua Group sets sail with determination to follow dreams and makes use of collective forces to draft a grand blueprint.Looking ahead, Honghua Group will persist in embodying the spirit of excellence, positioning sustainable development as a core strategy for growth. Centered on the three dimensions of environmental, social, and governance (ESG) factors, we will continue to explore innovative practices, enhance collaboration with stakeholders, and advance along the path of high-quality sustainable development, thereby contributing to a better future for all.

Statement by the Board of Directors

“

Honghua Group Limited adheres to the Hong Kong Stock Exchange's Environmental, Social, and Governance (ESG) Reporting Code, continuously enhancing its ESG governance framework and committed to strengthening the efforts of the Board of Directors' supervision and involvement in ESG-related matters.

As the highest decision-making body for ESG-related issues within the Company, the Board of Directors is responsible for overseeing the review and supervision of ESG goals, strategies, and management policies. This includes assessing annual materiality reports and ESG reports, regularly discussing and adjusting the Company's business plans, risk management procedures, annual budgets, and action plans to effectively identify and understand strategic opportunities and risk challenges arising from various internal and external factors. Additionally, the Company has established a Workplace Safety Committee, chaired by the chairman of the Board of Directors, to set environmental objectives aimed at reducing emissions and optimizing resource use. The Committee convenes regularly to evaluate, supervise, and review progress toward achieving its annual goals.

This report objectively, consistently, transparently, and comprehensively discloses the advancements and accomplishments of Honghua Group's ESG-related activities in 2024, with the goal of enhancing communication and cooperation with all stakeholders. Moving forward, the Company will continue to embrace the principles of sustainable development, giving equal importance to environmental protection, social responsibility, corporate governance, and corporate development, thus effectively promoting sustainable, stable, and healthy development.

”

ESG Performance Highlights in 2024

Social Data

- ◇ The Company is deeply involved in the Meng Xiang (the “Dream”) ocean drilling vessel project to promote the construction of a strong oceanic nation
- ◇ R&D investment for the year amounted to RMB **150** million, accounting for **2.67**% of the main business revenue
- ◇ The NCR (Non-Conformance Report) rate per 10,000 yuan of output value decreased by **76.63**% year-on-year
- ◇ Customer satisfaction reached **99.5**%, with a total of **19** customer commendation letters received
- ◇ Employee training covered **13,925** participations, with an average of **65** training hours per employee
- ◇ Total number of suppliers signing integrity pledge agreements reaches **2,770**

Environmental Data

- ◇ The Company has set dual carbon targets for 2025 and 2030 to steadily push forward the green and low-carbon transformation of energy
- ◇ Of the energy consumed during the year, **87.33**% came from cleaner natural gas and grid electricity
- ◇ Total environmental investment amounted to RMB **16.1528** million, representing an increase of **33.42**% over the same period last year
- ◇ Total emissions of non-hazardous waste and hazardous waste decreased by **55.13**% and **65.94**% respectively compared with the same period last year

Governance Data

- ◇ The Board of Directors consists of **3** independent non-executive directors, representing **37.5**% of the total board seats
- ◇ Conducted **71** investor communication events and **69** external engagement sessions
- ◇ Conducted **31** compliance training sessions with **2,974** participants
- ◇ Achieved **100**% coverage in business ethics training for directors, supervisors and senior management, with **40** training hours on business ethics (including anti-corruption) company-wide

Honghua Group aims to become a world-class integrated solution provider for energy development, striving to deliver competitive, safe, and reliable products and services in the oil and gas and green energy sectors. Through the continuous integration of industrial resources and the expansion of market boundaries, the Company has established a synergistic development model that encompasses equipment, services, and diversified business ventures. Additionally, the Company has built an extensive global sales and service network.

In its commitment to a high-quality development model, Honghua Group places significant emphasis on Environmental, Social, and Governance (ESG) management. The Company continually enhances its management system, integrating sustainable development principles into its corporate strategy and operational activities. Through a systematic and rigorous materiality assessment process, the Company identifies and prioritizes the most critical issues for itself and its stakeholders. This approach informs the formulation of sustainable development strategies and information disclosure, fostering mutual progress for both the Company and society.

SDGs Addressed:

16

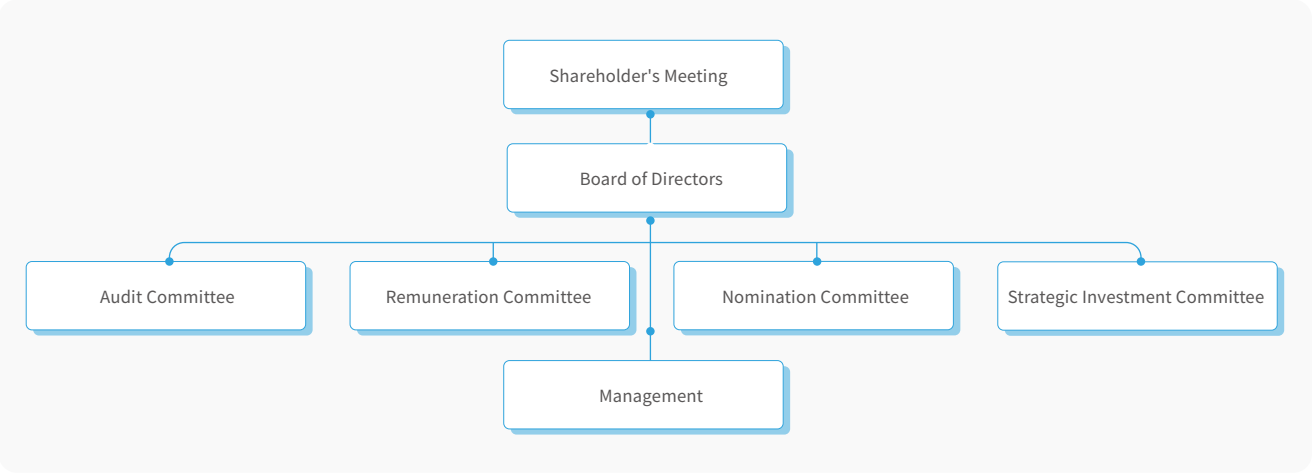
PEACE, JUSTICE
AND STRONG
INSTITUTIONS

17

PARTNERSHIPS
FOR THE GOALS

Company Overview 01

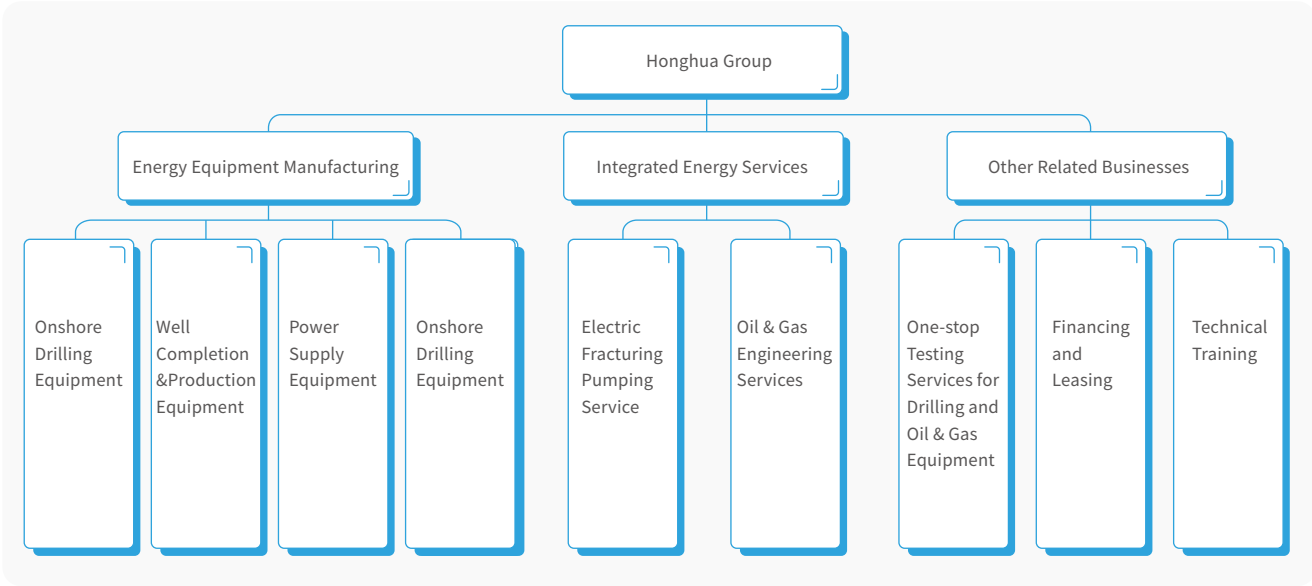
- Corporate Governance
- ESG Governance



Governance structure of Honghua Group

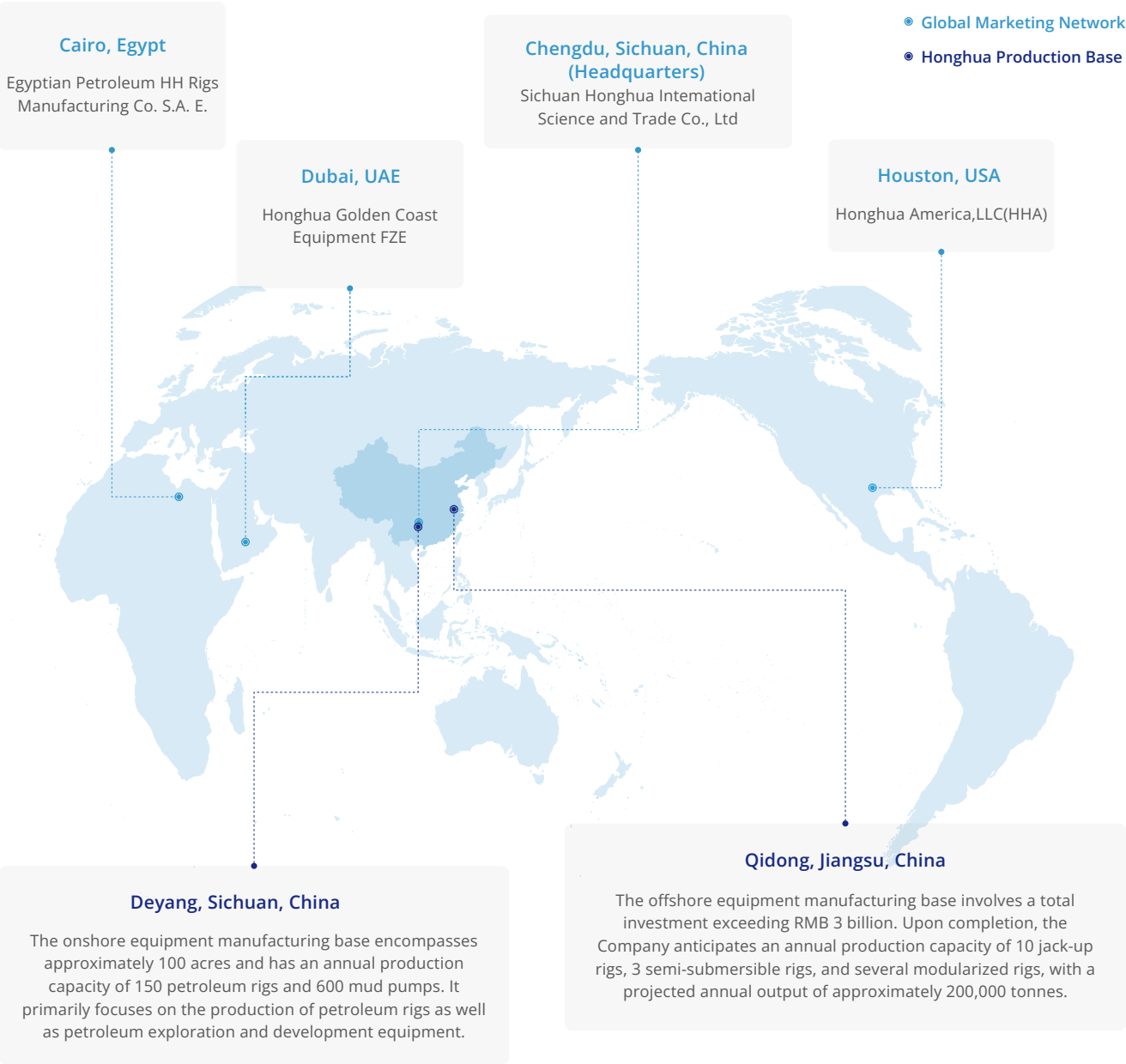
About Us

Honghua Group, listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) in 2008, is an international enterprise specializing in manufacturing of oil and gas exploitation equipment and providing drilling engineering services. Honghua Group is always dedicated to building a world-class integrated energy development solution supplier and providing its customers with competitive, safe and reliable products in the fields of oil, gas and green energy. The Company upholds the concept of “focus on the main business, and diversified development”, keeps a foothold in the oil and gas industry, and firmly promotes the development of “platform industry” and “manufacturing service”, constantly integrates the industrial resources, expands the market boundary and establishes a development pattern based on oil and gas equipment, integrated service and related diversified business. After more than two decades of development, the Company has established a global presence across major oil and gas producing regions, building a diversified product portfolio that includes land drilling rigs, electric fracturing equipment and field services, core components for drilling and completion equipment, drilling engineering services, digital solutions for drilling and completion, offshore wind power jacket foundations, specialized vessels, and specialized power systems providing comprehensive energy development products and technologies to meet our clients' full-spectrum needs.



Honghua Group's business presence

The Group is headquartered in Chengdu, Sichuan Province, China, and maintains two manufacturing bases for onshore drilling equipment in Deyang, Sichuan Province, as well as one for offshore engineering equipment in Qidong, Jiangsu Province. Additionally, the Company operates factories and sales and service bases in multiple countries worldwide. Backed up by its diversified global marketing network, the Group conducts product sales through several domestic and overseas subsidiaries in Chengdu (China), Houston (USA) and Dubai (UAE), a joint venture in Cairo (Egypt), as well as offices across multiple regions including Bolivia, Uzbekistan, Azerbaijan, Colombia and Venezuela, with products mainly flowing to oil-producing areas such as the Middle East, North America, South America, India and Africa. The Group's products are primarily exported to oil-rich regions, including the Middle East, North America, South America, India, and Africa. With strong research and development capabilities, high-quality production facilities, and a well-established international sales network, approximately 50% of the Group's products are supplied to leading companies worldwide. Currently, nearly 1,000 Honghua drilling rigs are deployed globally to provide customers with exceptional services.



Honghua Group's production bases and global marketing network

Classification by Business Segment

Business Segment	Revenue (RMB million)	Percentage
Land drilling rigs	1,951.3	34.6%
Parts and others	1,662.2	29.5%
Drilling engineering services	337.0	6.0%
Offshore engineering	859.8	15.3%
Fracturing services	823.1	14.6%

Classification by Geographical Distribution

Geographical Distribution	Revenue (RMB million)	Percentage
China market	2,618.1	46.5%
Overseas market	3,015.3	53.5%
- Middle East	1,881.8	33.4%
- Others	1,133.6	20.1%

Honghua Group's Revenue Distribution by Region and Business in 2024

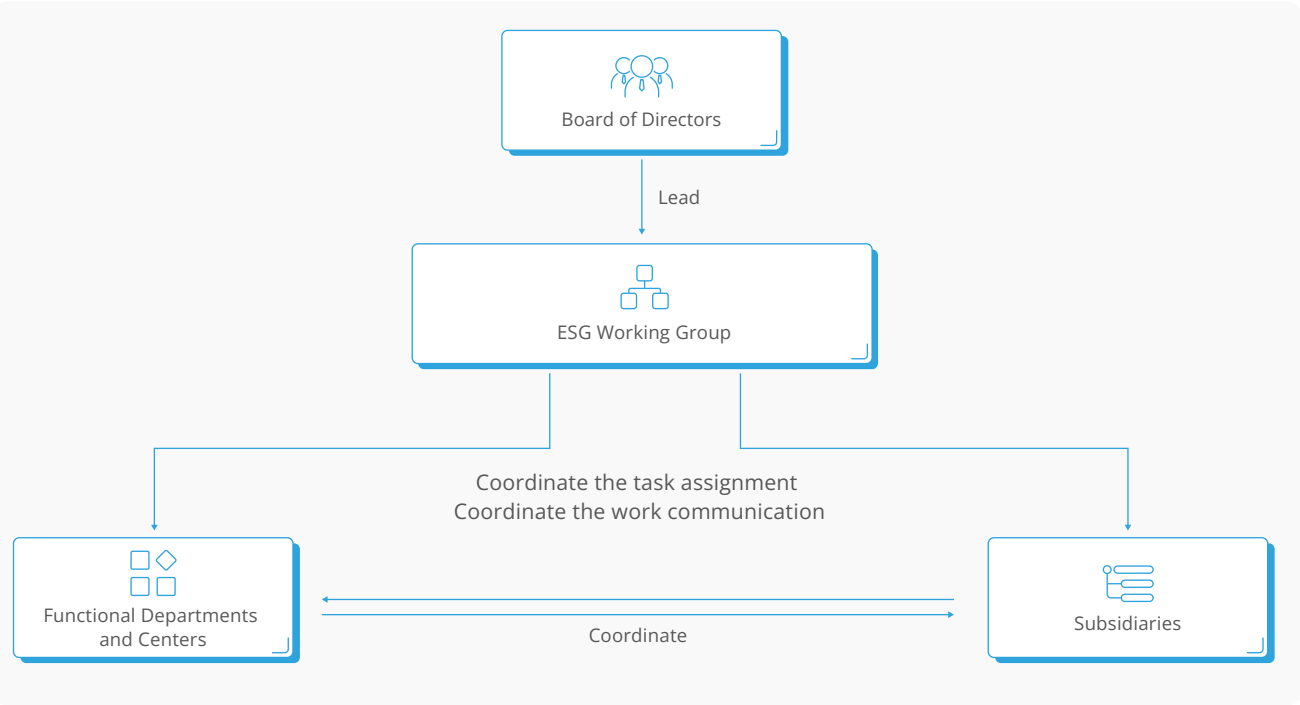


ESG Management

The Group is committed to fully promoting sustainable development goals by implementing a new development concept in a complete, accurate, and comprehensive manner. Furthermore, the Company continuously improves its ESG management mechanism, shares the benefits of development with all stakeholders, and makes steadfast efforts to establish a new paradigm for sustainable business and long-term value creation.

ESG Governance Structure

The Company recognizes sustainable development as a crucial aspect of its operations and has established an ESG governance structure that includes the Board of Directors, management, functional departments, and subsidiaries. The Board of Directors serves as the primary authority on the Company's ESG efforts, responsible for formulating strategic ESG objectives and overseeing their implementation. Under the Board's leadership, the Company has formed an ESG working group tasked with coordinating ESG initiatives across departments, centers, and subsidiaries. This group is also responsible for organizing regular ESG communication meetings to objectively assess the prioritization of ESG-related issues and the effectiveness of ESG initiatives implementation, thereby continuously enhancing the governance of sustainable development.



ESG governance structure at Honghua Group

ESG Strategy

In 2024, the Company focused on continuous ESG management in alignment with its ESG strategy. This involved actively implementing social responsibility and executing the new development concept and service in a complete, accurate, and comprehensive manner while integrating it into the new development pattern. The Board of Directors remains informed about latest ESG trends and developments, the Company's major ESG issues, and management progress through thematic reports and director training. The Board office has established an ESG metrics system, tracking performance metrics and benchmarking against mainstream domestic and international sustainability disclosure standards and rating systems. Additionally, the Company actively initiated communication with external stakeholders to enhance the Company's influence on sustainable development. The Company fulfilled its social responsibility by embedding these principles and requirements into its corporate development strategy. It adhered to green and low-carbon development practices, undertaking comprehensive efforts in energy saving, emissions reduction, and consumption minimization. Furthermore, the Company ensured the transparent disclosure of state-owned enterprises' social responsibility by regularly releasing ESG reports that showcase the results of its ESG initiatives to stakeholders.



ESG strategy model at Honghua Group

Stakeholder Communication

Effective stakeholder communication is the parameter for Honghua Group's ESG target management and the creation of shared value. The Company has established a diversified and seamless communication mechanism with various stakeholder groups. Through regular, two-way, and continuous dialogue, the Company gains a comprehensive understanding of stakeholders' concerns and expectations while conveying the latest development trends. This information is dynamically integrated into the Company's strategic planning and management framework for sustainable development.

Stakeholders	 Government and Regulatory Authorities	 Shareholders and Investors	 Customers
Issues of concern	<ul style="list-style-type: none">Compliant operationsBusiness ethics and anti-corruptionEnvironmental managementResource managementCompliant employmentOccupational health and safety	<ul style="list-style-type: none">Corporate governanceRisk managementBusiness ethics and anti-corruptionInvestor relations and shareholder rightsProduct quality and safetySudden/public Events emergency management	<ul style="list-style-type: none">Product quality and safetyCustomer relationship managementData security and privacy protectionInnovation and intellectual propertyBusiness ethics and anti-corruption
Channels of communication	<ul style="list-style-type: none">Regular communicationCorrespondenceWorking meetingWork inspectionInformation reporting	<ul style="list-style-type: none">Shareholders' meetingInvestor conferenceFinancial reportsCorporate WebsiteHotlineOfficial WeChat accountOnline interaction platform	<ul style="list-style-type: none">Service hotlineRegular communication and seminarsRegular visitsCustomer satisfaction survey
Actions by Honghua Group	<ul style="list-style-type: none">Fulfilling state-owned enterprise mandatesRegulating governanceAdhering to ComplianceTransitioning to green developmentProtecting employee rights and benefitsManaging risks	<ul style="list-style-type: none">Regulating governanceConducting stable operationEnsuring operational transparencyManaging risksDisclosing information regularly	<ul style="list-style-type: none">Ensuring product qualityDiversifying product offeringEnsuring quality and convenienceActively engaging in R&D and innovationEnhancing privacy and security

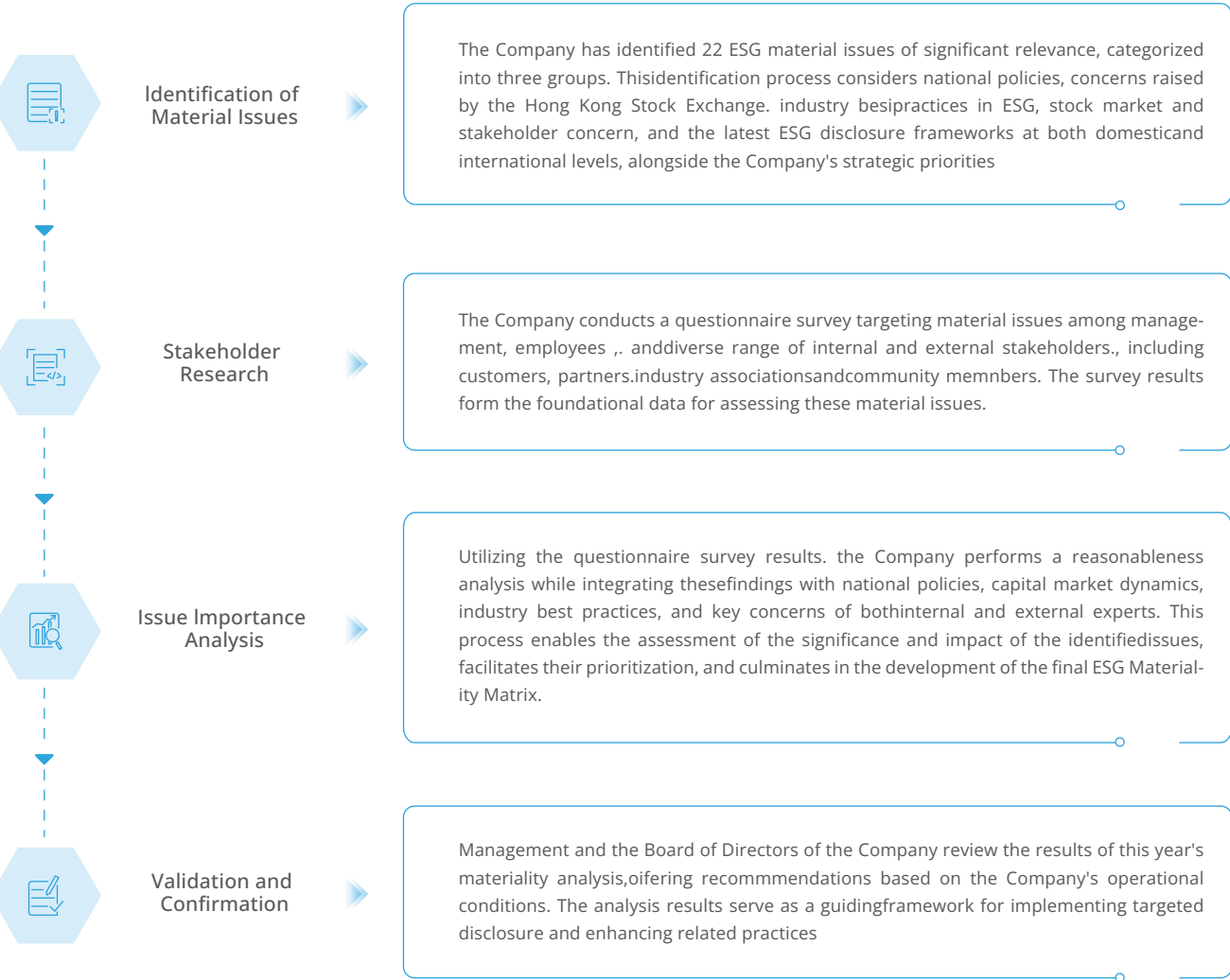
 Suppliers and Partners	 Employees	 Community and the Public
<ul style="list-style-type: none">Sustainable supply chainCollaboration with business partnersProduct quality and safetyData security and privacyBusiness ethics and anti-corruption	<ul style="list-style-type: none">Compliant employmentEmployee compensation and benefitsTalent cultivation and developmentOccupational health and safety	<ul style="list-style-type: none">Community engagementSocial engagementCharityPromotion of job opportunities
<ul style="list-style-type: none">Supplier conferenceSupplier trainingDiscussion on industry seminarDaily business communication and visits	<ul style="list-style-type: none">Trade unionEmployee seminarInternal communication platformEmployee satisfaction surveyEmployee activities and training	<ul style="list-style-type: none">Communication with communityPublic welfare programsVolunteer serviceRural revitalization program
<ul style="list-style-type: none">Procuring sustainablySharing experienceKeep transparencyKeep integrity	<ul style="list-style-type: none">Protecting rightsCompensation and benefitsDeveloping cultureTraining programsManaging risks	<ul style="list-style-type: none">Supporting community buildingOrganizing public welfare activitiesSupporting rural revitalization initiativesPrioritizing local hiring

Materiality Management

The implementation of structured materiality management is a vital tool for Honghua Group in executing its ESG strategic planning, as well as its risk and opportunity management and information disclosure processes. In response to changes in corporate development and the external environment, the Company has systematically and rigorously assessed its actual and potential impacts on the economy, environment, and society through its operations and business relationships. During the review year, the Company conducted a materiality analysis for internal and external stakeholders via a survey questionnaire, aimed at accurately identifying stakeholder needs and clarifying the focus of its ESG initiatives. A total of 86 questionnaires were distributed and collected, providing substantial data support for the subsequent identification of material issues and ensuring the scientific validity and reliability of the analysis results.

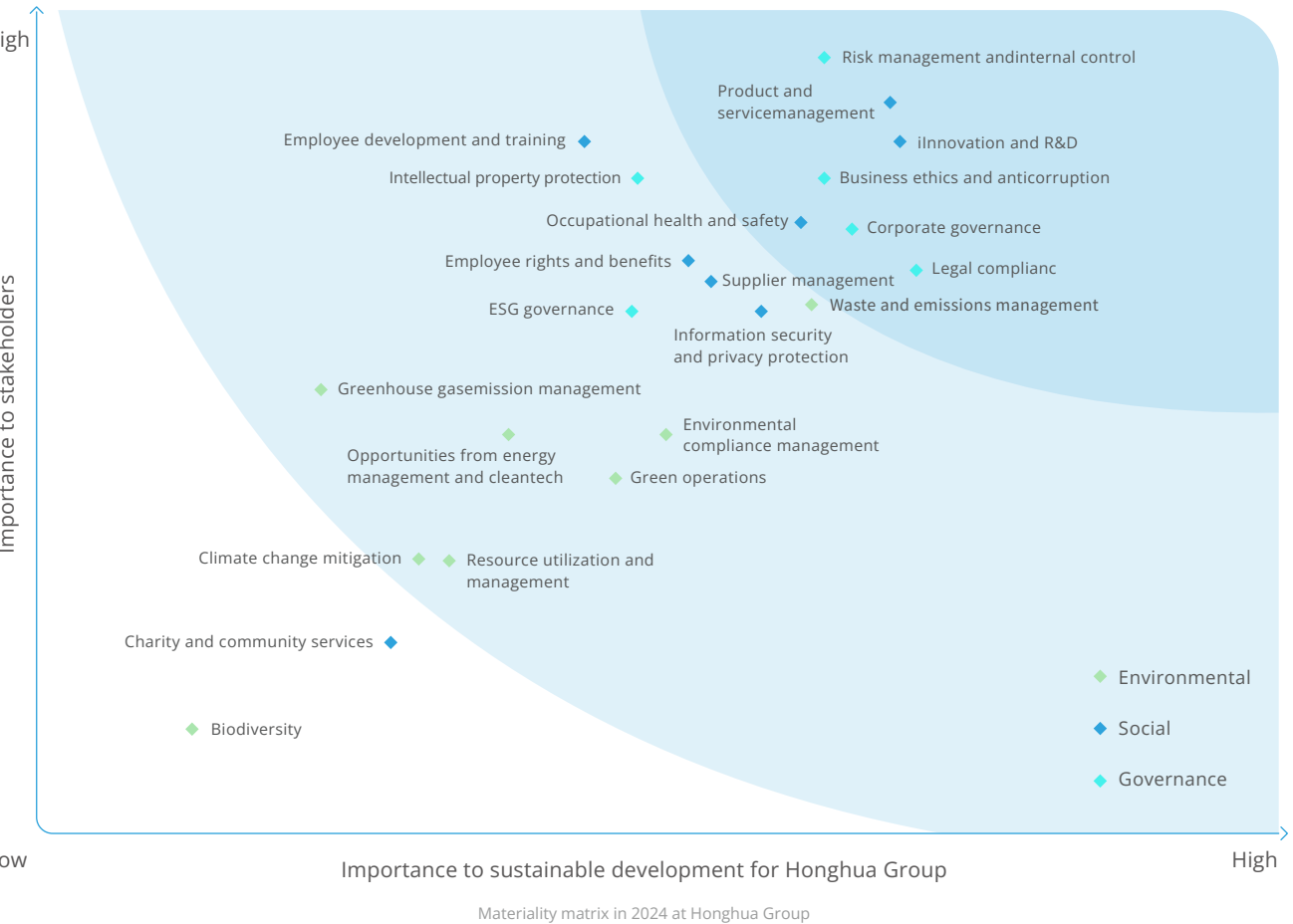
Materiality Identification Process

In 2024, the Group implemented a four-step process to conduct stakeholder research, performed a materiality analysis for each issue, and developed a materiality matrix for the year.



Materiality Issue Identification Results

Through a materiality analysis, the Company has identified a total of 8 issues of high materiality, 12 issues of medium materiality, and 2 issues of low materiality, from which a materiality matrix for the year has been developed. This report is also structured around these identified material issues.












Importance		ESG issues			
High	Risk management and internal control	Corporate governance	Product and service management	Occupational health and safety	
	Innovation and R&D	Legal compliance	Business ethics and anti-corruption	Waste and emissions management	
Medium	Employee development and training	Greenhouse gas emission management	Intellectual property protection	Opportunities from energy management and cleantech	
	Employee rights and benefits	Environmental compliance management	Supplier management	Green operations	
	Information security and privacy protection	Resource utilization and management	ESG governance	Climate change mitigation	
Low	Charity and community services			Biodiversity	

Results of Honghua Group's materiality analysis in 2024












Analysis Results to Guide Disclosure Practice

>>>

The results of the materiality assessment will serve as a crucial reference for the Company's ESG strategy formulation and information disclosure. For issues of high and medium materiality, the Company will emphasize disclosing relevant management practices in the table below and will continue to enhance the overall management of each issue. This approach aims to capitalize on potential opportunities while effectively managing risks to achieve sustainable long-term development.

Dimension	Material issues ¹	Scope of impact			SDGs addressed	Corresponding chapters
		Upstream	Internal	Downstream		
Environment	Waste and emissions management*		✓	✓		Strictly Regulating Polluting Discharge
	Greenhouse gas emission management	✓	✓	✓		Responding to the Carbon Peaking and Carbon Neutrality Strategy
	Opportunities from energy management and cleantech		✓	✓		Coordinating Resource Utilization
	Environmental compliance management	✓	✓	✓		Managing Environmental Compliance
	Green operations		✓			Mitigating Climate Change
	Resource utilization and management	✓	✓			Coordinating Resource Utilization
	Climate change mitigation	✓	✓	✓		Mitigating Climate Change
Social	Product and service management*		✓	✓		Practising Stringent Quality Management Providing Excellent Customer Service
	Innovation and R&D*		✓	✓		Strengthening Innovation Drive

¹ Issues marked with * in this column are issues of high importance.

Dimension	Material issues ¹	Scope of impact			SDGs addressed	Corresponding chapters
		Upstream	Internal	Downstream		
Social	Occupational health and safety*	✓	✓	✓	 	Building Strong Safety Standard
	Employee development and training		✓		 	Establishing Platform for Growth
	Employee rights and benefits		✓		  	Establishing Platform for Growth
	Supplier management	✓	✓		 	Building Responsible Supply Chain
	Information security and privacy protection	✓	✓	✓		Providing Excellent Customer Service
Governance	Risk management and internal control*	✓	✓	✓		Conducting Comprehensive Risk Management
	Business ethics and anti-corruption*	✓	✓	✓		Performing Business Ethics
	Corporate governance*	✓	✓	✓		Optimizing Corporate Governance
	Legal compliance*	✓	✓	✓		Operating in Compliance with Laws
	Intellectual property protection		✓	✓	 	Strengthening Innovation Drive
	ESG governance	✓	✓	✓		ESG governance

A robust corporate governance system is the bedrock of the high-quality development in an enterprise and serves as a critical condition for modern corporate management and enhanced corporate competitiveness. Honghua Group strictly adheres to the requirements set forth in the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and other relevant laws, regulations, and regulatory documents. The Group has established a comprehensive internal governance framework, including the Articles of Association and a corporate governance structure composed of the General Meeting of Shareholders, the Board of Directors, and Management. This structure fosters a corporate governance mechanism characterized by effective checks and balances and informed decision-making. Furthermore, the Company is committed to integrating enhanced Party leadership with improved corporate governance, strengthening compliance and risk control systems, maintaining a transparent and disciplined business environment, and implementing various measures to safeguard shareholders' rights and interests and to ensure the Company's long-term stability and growth.

SDGs Addressed:



Growing Steadily Long into the Future and Strengthening the Foundations of Governance

02

Corporate governance

Legal compliance

Risk management and internal control

Business ethics and anti-corruption

Strengthening Party-building Guidance

Honghua Group consistently implants party building efforts into all facets of its production and operations, fully implementing the overarching objectives for Party building in the new era. The Group emphasizes high-quality party building as a driver for high-quality development and promotes the confirmation and execution of the legal status of the Party organization within the corporate governance structure, ensuring that the Party's leadership is both unified and seamlessly integrated with the Company's governance.

The year 2024 is pivotal for Honghua Group, marking the full implementation of the spirit of the 20th National Congress of the Party and designated as the Year of Empowerment and Enhancement for the Company's Party building initiatives. The Party Committee of Honghua Group adheres to the guidance of Xi Jinping's "thought on Socialism with Chinese Characteristics for a New Era" and thoroughly implements the principles articulated in the 20th National Congress and the 3rd Plenary Session of the 20th CPC Central Committee. The Company closely aligns with the general requirements for Party building and the Party's organizational strategy in the new era, focusing on the Company's "11256" development strategy and its leadership strategy. Additionally, the Company establishes the "11256" Party building objectives, with the "Heart of the Orient" branding as a guiding principle. The Committee strives to harness the Party's leadership in direction planning and ensure its implementation. The Company facilitates the successful implementation of the "Ten Effective" quality enhancement actions. This initiative aims to achieve comprehensive standards among grassroots Party branches while striving towards excellence and exemplary performance within branches that meet these standards. The Company is committed to executing thematic and practical activities that promote excellence in its central work while pursuing the "Double Integration and Double Enhancement" of Party building and business operations. These efforts will actively contribute to the national Belt and Road Initiative and the strategic goals of deep-sea and deep-earth exploration, thereby advancing the Company's sustainable, high-quality development in the new era and enhancing full and strict governance over the Party.

Strengthen foundations and foster allegiance to make state-owned enterprises' Party identity more prominent

- Learning and implementing the spirit of the Third Plenary Session of the 20th Central Committee of CPC
- Conducting enduring theoretical engagement
- Fostering education regarding Party discipline
- Initiating renewed efforts via the upcoming general election

Consolidating strength to reinforce the quality and effectiveness of party building

- Strengthening foundational responsibilities and align orientations
- Cultivating grassroots examples
- Promoting integration and develop distinctive characteristics
- Enhancing team competencies and capabilities
- Improving quality through international collaboration

Cultural empowerment for fostering convincing co-integration through shared initiatives

- Building consensus and correcting public opinion
- Empowering development to unite forces
- Enhancing the image through Hong Voice

Co-create and share, with greater synergy in development

- Enhancing happiness through community engagement
- Building a lean class structure to create a positive image for class groups
- Supporting youth initiatives to foster personal and professional growth
- Leveraging advantages to form a cohesive concentric circle for united front work

Yielding significant results in departmental construction via a rigorous and pragmatic approach

- Underscoring strict work ethic and effective image building

Party building priorities in 2024 at a glance

Empowering Party Team Building

The Company launched the initial phase of the “two pools” initiative, aimed at developing highly qualified “successors” within the Party affairs team. This included the establishment and implementation of the “two pools,” which focuses on promoting “selection, training, utilization, and retention” of talents, along with dynamic adjustments. During the reporting period, approximately 20 individuals were added to the “Reserve Party Building Leaders Pool,” prioritized for selection based on the outcomes of the annual Party building assessment, implementation of key Party building tasks, and recommendations from various organizations. Additionally, about 160 individuals were included in the “Versatile Party Building Talent Pool.” The initiative seeks to enhance both the political quality and business capabilities of staff within this pool through multidirectional cultivation, multilevel training, and multidimensional incentives.

Key Performance

20

During the reporting period, approximately 20 individuals were added to the “Reserve Party Building Leaders Pool ”

160

about 160 individuals were included in the “Versatile Party Building Talent Pool.”

Full Coverage of Disciplinary Education

The Company has made substantial progress in implementing the “Four Articles” and has effectively conducted education on Party discipline. During the reporting period, the Company established a three-tiered joint working mechanism, with the Party Committee assuming overall responsibility, the Leadership Team coordinating and promoting activities, and a task force executing specific efforts. This framework has systematically advanced the key tasks outlined by the “16+9” at both the Party Committee and grassroots levels. Furthermore, the “four-study” approach—encompassing “learning by example from above,” “learning through disciplinary Party classes,” “learning from key minorities,” and “learning via systematic study”—has been widely adopted by Party members to broaden the target audience, diversify educational platforms, and enhance the practical impact of the learning process. The Company has engaged 3,270 individuals through warning education, “Three Views and One Record,” and other initiatives to leverage personal narratives for education and reinforce the deterrent effects of warnings. Additionally, the Company continues to focus on areas such as unity and integrity, cultural co-construction, and ongoing rectification of the “Four Habits.” These efforts are organically integrated with the “Four Ones” of discipline education for all staff and mission education, effectively converting the results of the Party’s disciplinary learning into tangible outcomes that contribute to building an “Integrity in Honghua.”

Key Performance

3,270

The Company has engaged 3,270 individuals through warning education.

Facilitating Special Party Building Actions

The Company’s “Party Building Container” initiative has demonstrated steady progress, and the “HH” brand has been further enhanced through the “Hong Voice” initiative. During the reporting period, the Company issued the “Implementation Plan for Honghua Group Container (HHGC)’s Party Building Carriers,” which established the “Three Brights, Three Comparisons, and Four Platforms” framework, along with 23 menu-type services, facilitating the phased development of four pilot carriers at domestic and international project sites. Simultaneously, the Company has strengthened “Hong Voice” by publicizing the delivery of the 12,000-meter Deep Intelligent Rig, which garnered significant attention from mainstream media, including People’s Daily, Xinhua News Agency, and News of the State-owned Assets Supervision and Administration Commission, collectively reaching over 2 million views. Moreover, the Company has amplified “Hong Voice” through a partnership with Orient International, publishing 39 articles related to the Group on various international media matrix platforms, achieving a total viewership of more than 2.23 million. Additionally, Honghua Group has focused on pivotal moments by planning initiatives such as “In Honghua, Every Effort You Make Will Be Seen,” “HongClass,” and “Five-Star Red Flag Flies at Honghua Group,” along with videos and other meaningful integrated media products. These efforts innovatively promote the Party-building initiatives of state-owned enterprises in the new era.

Optimizing Corporate Governance

Effective corporate governance is the cornerstone of the Company’s philosophy of sustainable development. Honghua Group adheres to the laws, regulations, and regulatory requirements of the countries and regions in which it operates, continually enhancing its modern corporate system and the operational mechanisms of its Board of Directors. Simultaneously, the Company maintains effective communication with investors through transparent dialogue and voluntary disclosures, ensuring the proper safeguarding of the legitimate rights and interests of all stakeholders.

Governance Structure and Mechanisms

In strict compliance with the Cayman Companies Act, the Listing Rules, and other relevant regulations, Honghua Group has established a Board of Directors and several Board Committees, as well as convened Shareholder’s Meetings. This structure has created a modern corporate governance mechanism characterized by transparent powers and responsibilities, along with effective checks and balances. As the highest decision-making body of the Company, the Shareholder’s Meeting is primarily responsible for reviewing and approving significant issues, such as amendments to the Articles of Association, the declaration and approval of dividends, the review of the annual report, and the appointment of auditors. The Board of Directors, in accordance with the Company’s Articles of Association and the Rules of Procedure of the Board of Directors, addresses important decisions beyond the scope of the Shareholder’s Meeting and collectively manages and oversees the Company’s affairs to promote its success. Additionally, the Board of Directors has established four committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Investment Committee, each of which performs its duties according to the Committee Terms of Reference to oversee specific facets of the Company’s operations.

Board Composition and Operation

The Board of Directors is responsible for the leadership and control of the Company, overseeing its business activities, strategic decisions, and performance. It provides direct and indirect leadership and guidance to management regarding the implementation of strategies and monitors their execution through its committees. As of the end of the reporting period, the Company’s Board of Directors consisted of eight members, including three Executive Directors, two Non-Executive Directors, and three Independent Non-Executive Directors. To enhance the supervisory function and strengthen management capabilities, the Board of Directors has appointed several committees to carry out its duties. Each committee is equipped with sufficient resources to perform its specific functions and to exercise its powers according to the organizational protocols established for governance, ensuring clear lines of authority and responsibility as well as synergy and efficiency in governance activities.

For further information, stakeholders may download the “Memorandum and Articles of Association of Honghua Group Limited” and the terms of reference of each committee from the website of the Hong Kong Stock Exchange or the Company’s official website.

Board Independence

Key Performance

As of the end of the reporting period the Board of Directors included

3

independent non-executive directors,

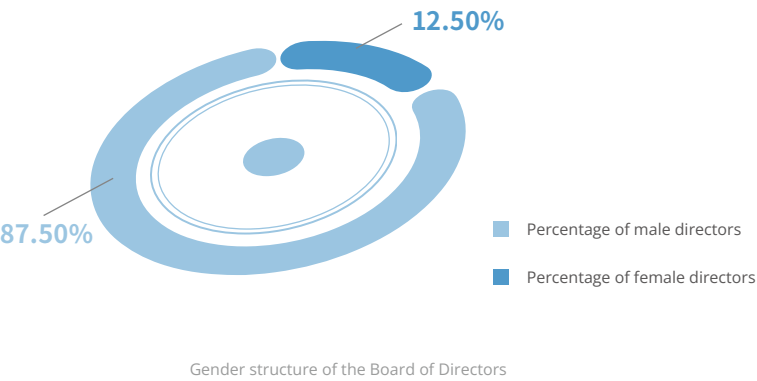
37.5

representing 37.5% of the total number of directors

The independent directors of the Company leverage their professional expertise to advise on significant matters, including the Company’s strategy, operational standards, management, compliance, and risk control during Shareholder’s Meetings, Board Meetings, and board committee sessions. This collaboration enhances the quality of the Board’s decision-making and the effectiveness of its oversight of management. As of the end of the reporting period, the Board of Directors comprised three independent non-executive directors, representing 37.5% of the total number of directors. Among the four committees under the Board, the Audit Committee and the Remuneration Committee are chaired by independent directors.

Board Diversity

The Company has adopted a Board Diversity Policy that underscores the significance of diversity in sustaining a competitive advantage. This policy mandates that the Nomination Committee periodically reviews the structure, size, and composition of the Board of Directors to ensure that its members possess the expertise, skills, and experience necessary to address the Company's business needs, while also prioritizing diversity in terms of gender, age, culture, and educational background. The Company is dedicated to maintaining a balance of diverse perspectives at all organizational levels and to considering candidates from various fields.



Management of Directors' Remuneration

The remuneration of directors is determined by several factors, including their competence, knowledge, experience level, work engagement, job responsibilities, and prevailing market conditions. The Company conducts regular evaluations and adjustments of the remuneration policy in accordance with relevant regulations to ensure that the remuneration system is equitable and aligns with the Company's overall interests and long-term development objectives.

Communication with Investors

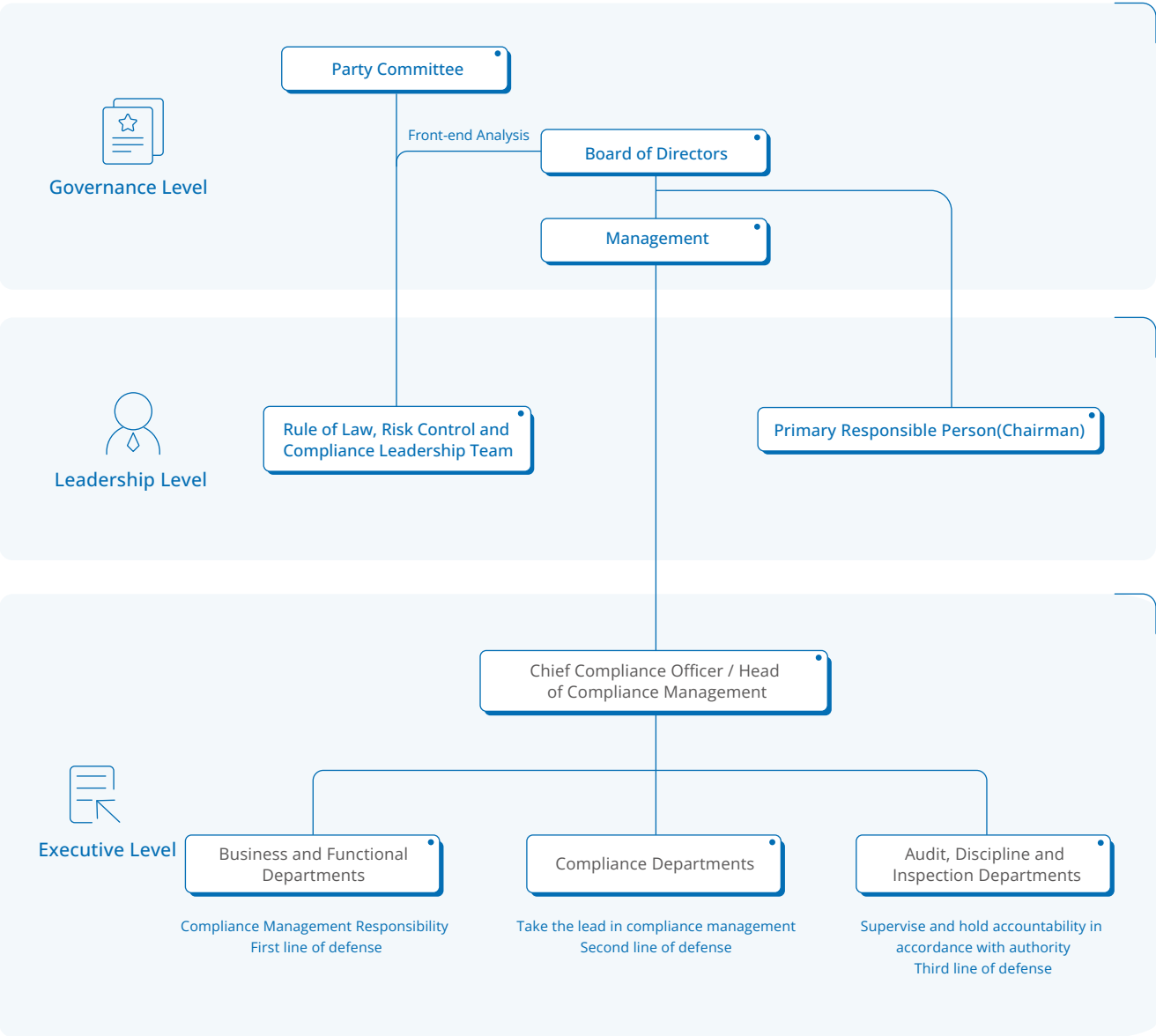
The Company is dedicated to ensuring a reasonable return on shareholders' investments while safeguarding their rights and interests. To this end, the Company has established the Shareholders Communication Policy, which aims to provide shareholders with timely access to comprehensive, accurate, and up-to-date information about the Company, including its financial results, strategic objectives, significant developments, corporate governance, risk profile, and activities. The Company disseminates information to investors through the Hong Kong Stock Exchange, its website, press releases, financial reports, general meetings, newsletters, and other corporate publications, as well as through analysts' meetings, investor conferences, and roadshows. The investor relations section of the Company's website is regularly updated with information and financial data on its business operations, corporate governance practices, and other details for public inquiry.

Key Performance

During the reporting period, the Company held a total of **3** shareholders' meetings, **71** investor communication activities, **69** external communication activities, and disclosed **63** items of information through public channels.

Operating in Compliance with Laws

In alignment with the four principles of “upholding party leadership, comprehensive coverage, clear authority and responsibility, and pragmatism and efficiency,” Honghua Group has consistently enhanced its compliance management system and has adhered to compliant operations. The Company has established a standardized, scientific, and robust compliance management organizational structure and implemented a “three lines of defense” model for compliance management. This model allows each department to leverage its strengths and collaborate effectively, thereby ensuring the successful execution of various compliance management tasks.





The "Three Lines of Defense" Compliance Management Model of Honghua Group

In 2024, the Company emphasized "Four Focuses" initiatives to enhance compliance management: ensuring that compliance personnel fulfill their responsibilities, integrating compliance management into organizational processes and systems, strengthening compliance system development in key areas outside of China, and fostering a culture of corporate compliance, to further compliance management.

Focusing on enhancing the duty performance of compliance management personnel

- Firstly, ensuring the Chief Compliance Officer's performance of duties by formulating the Guidelines for the Duty Performance of Compliance Management Personnel of Honghua Group, which details and clarifies the approval matters, procedures, and requirements for the Chief Compliance Officer, supporting their comprehensive and effective leadership in advancing compliance management. As of now, the Company has appointed **7** Chief Compliance Officers or compliance management leads across all levels.
- Secondly, to enhance the capacity-building for compliance commissioners, the Company improves the appointment criteria and performance standards for compliance commissioners. Various departments have been organized to re-select and recommend compliance commissioners in accordance with the established criteria and procedures. Additionally, the Company facilitates the participation of **6** compliance commissioners in the second phase of the Group's training program, aimed at cultivating high-quality legal, risk control, and compliance talent. So far, the Company has appointed a total of **87** compliance commissioners at all levels.

Focusing on integrating compliance management into business processes

- The Company launches the business process control checklist for key areas, organizes relevant business units around **6** key areas such as contract management, investment management, asset management, financial management, procurement management, overseas business, etc., develops **12** business process control checklists, sorts out **191** compliance review points, **187** control measures, **43** key control points, and embeds **35** control points into the business information system to realize early identification and control of business risks.

Focusing on fostering corporate compliance culture

- Firstly, the Company digs deep into the culture of compliance and organizes the compilation of compliance stories, which was successfully selected as the compilation of stories of Dongqi Spirit of the Group Company, and won the Excellent Case Award in recognition of the "Year of Compliance and Enhancement" of the Group Company.
- Secondly, the Company has formulated and updated the compliance discipline and job compliance responsibility lists, focusing on areas where compliance risks frequently occur. The Company has summarized **120** items of compliance discipline across **13** business areas and updated the job compliance responsibility lists, which include **17** departments, **126** specific positions, and 855 compliance responsibilities. Additionally, the Company has organized centralized learning sessions on compliance discipline and job compliance responsibilities for all employees, as well as themed party day activities. Over **1,300** people have been trained, and nearly **1,600** compliance commitment letters have been signed throughout the year.
- Thirdly, the Company organizes various types of compliance training, including **20** training sessions for about **2,200** participants on topics such as risk prevention of foreign-related control lists, the new Company Law, contract management, intellectual property rights, EPC general contracting, etc.
- Fourthly, the Company launches compliance culture publicity in various ways, compiles a compliance handbook for employees, and incorporates the basic concepts of compliance, compliance management system, compliance discipline and other contents into the handbook for publicity, so as to provide the Company with fundamental compliance guidelines and guidance for all the employees; sets up a special column on compliance on the Company's intranet, and updates the guidelines on overseas compliance management, cases of legal literacy, training materials, and policy updates from time to time, and organizes a compliance knowledge competition about overseas anti-corruption compliance knowledge for more than **870** people at all levels.

Focusing on strengthening the compliance system development in key areas abroad

- To enhance the compliance management system for overseas marketing, the Company conducts a thorough analysis of the current state of overseas business development. This assessment identifies weak links and leads to the formulation of a Compliance Management Plan for Dongfang Honghua's Overseas Marketing Business. The plan outlines **20** tasks across **3** key areas: system development, establishment of compliance mechanisms, and human resources development to progressively strengthen the compliance management capacity of Honghua Group's overseas marketing operations. As of now, **11** tasks have been completed, with **5** completed ahead of schedule, while the remaining **9** tasks are progressing systematically in line with the plan.

"Four Focuses" on promoting compliance management

Case Legal Affairs and Risk Control Department launched training on legal risk control compliance system

To understand and implement Xi Jinping's vision of the rule of law and the "four-in-one" management mechanism for the Company's internal control and risk compliance, the Legal Affairs and Risk Control Department organized the inaugural session of Honghua Group's Rule of Law and Risk Control Compliance Lecture in February 2024. This training focused on the Company's overarching system of rule of law and risk control compliance. Over 50 participants attended, including mid-level managers from various business and functional departments, compliance management personnel from subsidiaries, and both full-time and part-time legal risk control and compliance administrators.



Lecture on the rule of law and risk control compliance

Case Organized training on the new Company Law and risk control compliance.

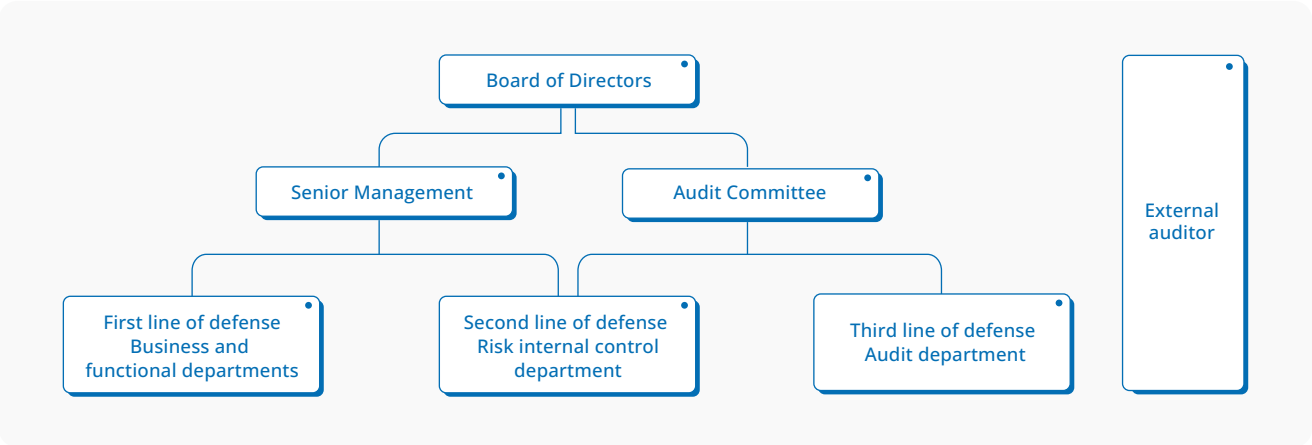
In order to learn and implement the contents of the new company law, to enhance the ability of the middle management and risk control and compliance management personnel of the Company to perform their duties, and to protect the Company's operation in accordance with the law, the Company organized the third session of the "Rule of Law Risk Control and Compliance Seminar" in August 2024, with the theme of "Compliance Management of State-owned Enterprises under the Perspective of the New Company Law". Through the explanation of professional lecturers, the trainees mastered the key points of risk control and compliance management under the new company law and the knowledge of risk control and compliance management of state-owned enterprises. The training was conducted in a combination of online and offline, with a total of 150 participants.



Training on the new Company Law and risk control compliance.

Conducting Comprehensive Risk Management

Honghua Group has set up a risk management and internal control system characterized by a clear division of labor and effective oversight. The Risk Internal Control Department and the Audit Department support the Board and the Audit Committee in continuously reviewing the efficacy of the Company's risk management and internal control framework. Management, aided by the Risk Internal Control Department, the Audit Department, and other supervisory divisions, is tasked with designing, implementing, and monitoring this system while also submitting regular reports on its effectiveness to the Board. Additionally, the Board, through the Audit Committee, is regularly updated by management regarding significant risks that may impact the Company's performance.



Risk Management and Internal Control Framework at Honghua Group

The Company has built a "three lines of defense" risk management framework featuring clearly defined responsibilities and effective reporting procedures. It actively engages in risk prevention, identification, assessment, and response to continuously enhance its capacity to manage risks.

First line of defense

Consisting of every business management and internal monitoring department and every subsidiary. As the first unit in contact with risks, they actively collect the initial information about risks, identify the risks, carry out the risk response plan, participate in the risk management-culture construction, and receive the guidance and supervision of the risk internal control department.

Second line of defense

Consisting of the risk internal control department and the legal construction and risk control compliance leading group. They are mainly responsible for planning, constructing, maintaining and improving the risk management and internal control system, reviewing and evaluating the normalization, rationality and risk control of the Company and its subsidiaries and establishing the risk control and internal control system and management measures. It reports to the management and Review Committee.

Third line of defense

Consisting of the audit committee and the audit department. They are mainly responsible for the post-event examination audit and supervision of the work of the first and second lines of defense and the reporting to the Board of Directors.

"Three lines of defense" risk management mode of Honghua Group

In 2024, regarding the normalized control of risks in key areas, the Company formulated an annual key risk management plan targeting the 10 major risk categories identified this year, outlining 18 specific risk incidents and factors, and implementing 46 risk control measures, with quarterly monitoring and dynamic evaluation of emerging risks and control effectiveness. In addressing historical risk resolution, the Company further strengthened the "tiered classification" and "one-project-one-strategy" management mechanism for historical risks, achieving integrated management of 6 operational risks and 4 special risks. Progress was tracked monthly, and the leadership team held quarterly meetings to address challenges and accelerate the resolution of legacy risks, with significant progress made in 5 historical risk cases. Additionally, the Company prioritized risk culture development by actively conducting knowledge training in risk management to enhance employees' risk awareness.

Adhering to Business Ethics

Honghua Group, guided by the principles of honesty, integrity, and fairness, consistently adheres to the philosophy of “maintaining integrity with one heart and one mind, and ensuring integrity over the long term.” The Company adopts a zero-tolerance policy towards any form of corruption and promotes an approach that ensures officials dare not, can not and will not be corrupt. Furthermore, the Company enhances its anti-corruption systems and risk prevention and control measures, while actively deepening integrity education to strengthen all employees' awareness of business ethics, integrity, and discipline.

Code of Business Ethics

Honghua Group strictly adheres to the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Anti-Trust Law of the People's Republic of China*, along with other relevant laws and regulations. The Company resolutely opposes any form of unethical or unlawful business practices. Through the enhancement of management systems, the development of systematic documentation, effective risk prevention and control measures, and the implementation of comprehensive training and best practices, these efforts contribute to creating a clean and honest atmosphere in both internal management and external partnerships.

Business Ethics Management System

Honghua Group strictly adheres to relevant laws and regulations, has established a robust business ethics management system, and is committed to maintaining a fair, just, and transparent business environment.

The Secretary of the Party Committee and the Chairman of the Board of Directors actively fulfill their responsibilities as the primary responsible person for the full and strict governance over the Party by personally arranging critical initiatives, overseeing major issues, coordinating key activities in different links, and supervising significant cases. They lead their team in implementing necessary measures and support, guide, and supervise other leadership members and secretaries of subordinate Party organizations in fulfilling their governance responsibilities, while also providing timely reminders for any identified issues requiring rectification.

The team members and directors, adhere to the principle of “one post, two responsibilities,” by focusing not only on the business operations within their purview but also on fostering party integrity and ethical conduct in their respective departments and areas. They engage in synchronized research, planning, implementation, inspection, assessment, and accountability between anti-corruption and case prevention to effectively integrate these efforts. This dual approach ensures that the work related to party integrity and anti-corruption will consistently uphold the strength they deserve.

Furthermore, the Company has established a Discipline Inspection Office that is fully responsible for supervising and enforcing discipline, investigating and resolving misconduct, and overseeing and guiding lower-level discipline and inspection organizations.

Business Ethics Risk Prevention and Control

The Company has developed an all-level risk prevention and control system for managing business ethic and moral risks. This system emphasizes integrity risk points in critical areas—such as finance management, procurement management, and sales management—where power is concentrated, capital is intensive, and resources are abundant. It specifically addresses six major areas of concern: personnel, finance, assets, procurement, sales, and approval rights. To implement this system, the Company has engaged various departments and subsidiaries to systematically identify key integrity risk points within essential business processes and conducted risk assessments. They have developed targeted, practical and feasible operational measures in accordance with applicable laws, regulations, integrity requirements, job responsibilities, and work standards to establish a thorough integrity risk prevention and control framework across all levels of the organization.

Business Ethics System Document

The Company has established a comprehensive set of systems and policy documents related to business ethics, which include the *Working Rules of the Disciplinary Committee*, *Working Rules of the Party Integrity Building and Anti-Corruption Coordination Group*, *Regulations on Employees' Integrity Practices*, and *Regulations on Integrity-Related Talks*. These documents apply to all procedures within business operations, encompassing procurement, manufacturing, marketing, and communication.

In 2024, the Company revised two key system documents. The first document is the publication of the *List of Supervision Responsibility on Three Lines of Defense Between Functions for Honghua (China) Investment Limited*, which specifies that the Company's functional departments uphold system authority and enhance management effectiveness by refining and perfecting the system, supervising its implementation, and promptly addressing irregularities. The second document is the *List of Supervision Responsibility on Three Lines of Defense Between Business Departments for Honghua (China) Investment Limited*, which clarifies how business departments will adhere to the system and comply with established rules.

Business Ethics Training Practices

The Company places significant emphasis on the development of business ethics and has consistently provided training sessions on ethical principles for both management and employees to enhance their understanding and awareness. During the reporting period, the Company conducted ten training sessions, which engaged 742 participants for a total of 40 hours. The Company achieved a 100% coverage rate for business ethics training among directors and supervisors.

Case Honghua Group convened the Work Conference on Party Building, Party Integrity, and Anti-Corruption 2024

On January 30, 2024, Honghua Group convened the Work Conference on Party Building, Party Integrity, and Anti-Corruption 2024. The meeting was guided by Xi Jinping's thoughts on Socialism with Chinese Characteristics in the New Era and fully implemented the spirit of the 20th National Congress of the Party, the 2nd Plenary Session of the 20th Central Committee of the Communist Party of China, and the 3rd Plenary Session of the 20th Central Committee of the Discipline Inspection Commission. Additionally, the conference addressed the requirements set forth by the Group's Party Building, Party Integrity, and Anti-Corruption Conference 2024, systematically summarizing the Company's achievements in these areas from 2023 and outlining key tasks for 2024.



Wang Xu, Party Secretary and Chairman of Honghua Group, delivered a speech

Channels for Reporting and Complaints

Honghua Group has formed a channel for reporting and complaint on business ethics, enabling both internal and external stakeholders to report fraud, corruption, and other malpractices to the Discipline Inspection Office via email (jubao.hhgp@hhcp.com.cn), a hotline (028-68176829), or a designated report mailbox. Once the reported clues have been verified, they will be processed in accordance with the relevant laws and regulations. Additionally, the Company has built a whistleblower protection system in which a designated individual is responsible for receiving and registering whistleblower information and this information is kept strictly confidential during the investigation to safeguard against any retaliatory actions.

During the reporting period, the Company initiated two corruption litigation cases, and two cases were concluded, with the involved employees being addressed by judicial authorities in accordance with the law.

Honghua Group has firmly embraced the principle that Lucid waters and lush mountains are invaluable assets. It actively responds to the national Dual Carbon strategy by prioritizing clean energy, promoting pollution and carbon reduction, and integrating sustainable green development into all production and operational processes. The Company accelerates the transition to a green and low-carbon economy, significantly contributing to the creation of a clean and beautiful world.

SDGs Addressed:



Prioritizing Environmental Protection and Establishing a Strong Foundation of Green Initiatives

03





Climate change mitigation	Greenhouse gas emission management	Opportunities from energy management and cleantech	Environmental compliance management	Waste and emissions management
Resource utilization and management	Biodiversity	Green operations		

Mitigating Climate Change

Extreme weather events induced by climate change, along with the policy and market risks stemming from the global transition to a low-carbon economy, have the potential to impact corporate assets, operations, employees, and supply chains. In light of the significant challenges presented by global climate change, Honghua Group has been implementing the national strategy of carbon peaking and carbon neutrality while actively exploring the economic opportunities and challenges that climate change presents for the Company. Simultaneously, the Company has adopted various measures to adapt to and mitigate the risks associated with climate change and has seized this opportunity to promote green transformation, enhance competitiveness, and achieve sustainable development.

Climate Risk Assessment

In accordance with the *International Financial Reporting Sustainability Disclosure Standard No. 2—Climate-related Disclosures* (IFRS S2) issued by the International Sustainability Standards Board (ISSB), and considering the industry attributes as well as our specific business sectors, the Company has thoroughly identified and assessed the risks and opportunities presented by climate change. Consequently, the Company has formulated and implemented relevant strategies to enhance the Company's resilience against the adverse impacts of climate change.

Transformation Risk	 Policy and Regulatory Risk	The implementation of more stringent government policies and regulations aimed at mitigating climate change may intensify the Company's compliance obligations and heighten the risk of potential litigation. The Company's products exported to foreign markets may soon encounter requirements and restrictions related to carbon tariffs, carbon footprints, and other relevant environmental policies.	The Company tracks changes in international and domestic environmental and carbon-related laws, regulations, and policies. The Company timely accounts for carbon emissions and assesses compliance costs. The Company enhances internal management practices, controls additional costs and minimizes the potential for negative environmental incidents.
	 Technology Risk	Failure to timely develop and implement energy-saving technologies could result in rapid increases in energy consumption and costs.	The Company innovates energy-saving and low-carbon technologies while developing green and low-carbon products. Attention is directed towards training R&D personnel to strengthen and enhance the Company's research and development capabilities.
	 Market Risk	The restructuring of oilfield customers' businesses and reduced investments in conventional oil and gas exploration may lead to a decline in the Company's revenue.	Investments are made in the new energy and related equipment manufacturing sector, with active participation in the comprehensive integration of oil, gas, and new energy development in major domestic and international oilfields.
	 Reputational Risk	Inadequate performance regarding climate change and sustainability initiatives may generate negative feedback from stakeholders.	The Company also actively addresses stakeholders' concerns through Environmental, Social, and Governance (ESG) reports and information disclosures on its website.

Seizing the Climate-related Opportunities

To effectively navigate the global transformation of energy structures, Honghua Group has, following internal discussions and market research, clearly defined its development direction for new energy ventures within the oil and gas sector. The Company has formulated a development strategy centered on "integrated equipment + all-in-one service." Guided by the concept of an "internal + external energy" integration model, Honghua Group has invested in wind power, grid power, energy storage, gas power generation, and other related businesses. By leveraging its international advantages, the Company aims to expand and achieve breakthroughs in international markets. In 2024, the Company successfully sold a 1,000 HP geothermal rig to Japan and installed three energy storage systems for rigs in the United Arab Emirates.

Additionally, the Company actively responds to the demands of both domestic and international oilfield customers regarding energy conservation, emission reduction, and green retrofitting and takes into account the local availability of natural resources, such as wind and solar energy, as well as the operational conditions of oilfield equipment to facilitate the green transformation of traditional oil assets, yielding significant application results.

- »»
- The fully automated, low-noise intelligent rigs developed by the Company can save **10-20%** in fuel usage during operation, significantly enhancing energy utilization efficiency. These rigs were recognized as a best practice for "small but meaningful" international cooperation on energy at the "Belt and Road" Energy Ministerial Conference in October 2024.
 - The Company participated in China's first demonstration project on a fully electrically driven fracturing platform, which utilizes a domestic modular gas-fired power generation unit to power electrically driven fracking equipment. This project realized, for the first time in China, an operation process that combines all gas-fired power generation with a fully electrically driven fracking platform. It also implemented a volume fracking technique that integrates multiple clusters within a section, high-displacement mass injection, variable viscosity slick water for crack formation, high-strength sand addition, and the creation of complex crack networks. This endeavor has provided valuable insights into the environmentally sustainable development of downhole deep coal seams.
 - The Company employs the 750 series rigs as its primary equipment, integrating a diesel generator, energy storage devices, potential energy recovery systems from the drill string, and photovoltaic technology to demonstrate an integrated energy solution for drilling operations. This system has been in continuous operation for over **100** days, achieving a cumulative potential energy recovery of **22,000** kWh. It is estimated that the annual utilization of clean energy will reach **76,000** kWh, a contribution that has been well received by customers.
 - The high-efficiency automated geothermal rig developed by the Company has been dispatched to the customer's site for assembly and commissioning. The successful application of this rig is expected to advance the development and utilization of the country's deep geothermal resources, while also contributing to an increase in the domestic production of clean energy equipment.
 - The Company has completed the manufacturing of samples for its rapidly deployable mobile photovoltaic system, which will soon be introduced into oil and gas fields that currently rely on diesel power generation in solar-abundant regions. This initiative aims to gradually enhance the use of clean energy during the drilling and completion processes.

Responding to the Carbon Peaking and Carbon Neutrality Strategy

Honghua Group has been diligently implementing Xi Jinping's thoughts on ecological civilization while steadfastly executing the strategic decisions and directives of the CPC Central Committee and the State Council regarding carbon peaking and carbon neutrality. By aligning these initiatives with the actual operations and development needs of the industry, the Group has developed the *Carbon Peaking Action Plan of Honghua Group Limited*. This plan is based on the principles of guiding by strategy, innovation-driven development, coordination, and win-win cooperation. Furthermore, the Company conducts an annual review of its dual-carbon initiatives.

Strategic Planning for Carbon Peaking and Carbon Neutrality

Honghua Group has included the carbon peak objectives in its 14th Five-Year Strategic Development Plan and 15th Five-Year Strategic Development Plan for the Company and its subsidiaries to implement and strengthen support for carbon peak commitment. The Group has actively coordinated the Group's efforts in carbon peak to ensure that the primary goals, development direction, key tasks, and major projects associated with carbon peak development correspond with those of the Group.

Carbon Peaking and Carbon Neutrality Management Organization

The Company adheres to Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era and recognizes the critical importance of comprehensively advancing carbon peak and carbon neutrality from a strategic and high-level perspective while rigorously implementing the decisions made by the Party Central Committee and the State Council. To facilitate these efforts, the Company has established a Carbon Peak and Carbon Neutrality Leadership Team, chaired by the secretary of the Party Committee, alongside an Office of Leadership Team. Regular meetings of the Leadership Team are convened to ensure effective leadership systems, communication and coordination mechanisms for addressing significant issues, and a regular discussion system to promote the implementation of carbon peak and carbon neutrality initiatives. Additionally, the progress of carbon peak and carbon neutrality efforts will be integrated into the evaluation system for the leadership teams and personnel in each subsidiary. Targeted incentives will be applied to align with assessment tasks, thereby facilitating the achievement of set goals.

Carbon Peaking and Carbon Neutrality Targets

In response to global energy development trends and the unique characteristics of the equipment manufacturing industry, and in alignment with the Company's strategic work plan to accelerate the establishment of world-class enterprises, a comprehensive analysis has enabled the Company to set carbon peaking and carbon neutrality targets for 2025 and 2030.

Targets for 2025: The Company's industrial structure and layout will be further optimized to enhance efficiency in energy and resource use.

- Establish green factories in at least **1** subsidiary by 2025
- Decrease comprehensive energy consumption per 10,000 tonnes of output value by **15%** year-on-year, using 2020 as the base year
- Reduce carbon dioxide emissions per 10,000 tonnes of output value by **18%** year-on-year, using 2020 as the base year
- Achieve Level 2 or higher in production safety standardization
- Achieve an average annual growth rate of at least **5%** in R&D expenditure

Targets for 2030: The Company will achieve significant progress in its green and low-carbon transformation, with continuous optimization of key performance indicators.

- Establish multiple national green factories in key manufacturing enterprises
- Reduce carbon dioxide emissions per 10,000 tonnes of output value by **30%** year-on-year, using 2020 as the base year
- Increase the proportion of revenue from strategic emerging industries to **55%**
- Show continuous growth in average annual investment in R&D
- Drive the level of digitization to reach the platform level
- Manufacturing enterprises build more than **4** smart factories

Carbon Emissions Data Management

The Company is dedicated to strengthening the management of carbon emission data continuously while enhancing the truthfulness, accuracy, and effectiveness of its carbon emission disclosures. The majority of the Company's carbon emissions are derived from energy consumption in production and operations, with 87.33% of the energy consumed in 2024 expected to come from cleaner natural gas and grid electricity.

Indicator	Unit	2024	2023	2022
Scope 1 Direct Emissions	Tonnes of CO ₂ e	13,679.82	6,545.00	2,613.00
Scope 2 Indirect Energy Emissions	Tonnes of CO ₂ e	22,668.20	27,186.00	7,953.00
Greenhouse Gas Emission Intensity (Scope 1 + Scope 2)	Tonnes of CO ₂ e per 10,000 Yuan output value	0.064	/	/
Scope 3 Other Indirect Emissions	Tonnes of CO ₂ e	/	851.28	286.00
Total Greenhouse Gas Emissions (Scope 1 + Scope 2 + Scope 3)	Tonnes of CO ₂ e	36,348.02	34,582.28	10,852.00

Note: The scope of greenhouse gas emissions statistics covers Honghua Group limited and its domestic subsidiaries.

Greenhouse gas emissions in 2022-2024

Promoting Carbon Peaking Action

Focusing on the development goals of “becoming the important support of national energy safety and green and low-carbon development” and “becoming the leading enterprise of top-level oil and gas equipment,” Honghua Group has assessed its position and role in the nation’s ambition to reach carbon peaking. The Company’s vision of sustained growth, coupled with the unique characteristics of the energy equipment and services industry, has driven a comprehensive approach to achieving peak carbon emissions across multiple fronts and levels.

Seven Aspects

In light of the Company’s current circumstances, key tasks in seven aspects have been identified from the *Guideline on Compilation of Carbon Peaking Action Plan of Centrally-administered State-owned Enterprise*, which shall relate to every work in the process of realizing the carbon peaking target accurately and comprehensively to guarantee the smooth realization of carbon peaking effectively. The seven areas include: optimization of industrial structure and layout, green and low-carbon energy transformation, digital and smart upgrading, green and low-carbon supply chain management, capacity building for green and low-carbon initiatives, international cooperation in green and low-carbon technology and trade, and the promotion of a green and low-carbon office culture.


Three Major Projects

The Company’s major carbon peak projects primarily involve the strategic deployment of the Group alongside actual business operations. A total of three major projects have been established: the smart manufacturing project, the green factory construction project, and the green, low-carbon and efficient energy equipment R&D project.




Smart manufacturing project

The Company details the requirements for acceleration of digital transformation of State-owned Assets Supervision and Administration Commission of the State Council (SASAC), insists on digital-driven, enhances the deep integration of the new information technology with the manufacturing industry, and vigorously implements the smart manufacturing project according to the dual drive of “smart product service and smart manufacturing process” and the national and industrial standards, to basically realize the digitization of main workshops of manufacturing enterprises and also the digitization of main manufacturing enterprises.



Green factory construction project

Considering the features of the energy equipment manufacturing industry and the energy conservation and carbon reduction requirements of production, and with a focus on the green workshop, the Company vigorously implements the green factory construction project, and drives every subsidiary to increase the utilization efficiency of energy resources and the clean production level, in order to reduce the CO₂ emissions from the source, build a green supply chain, and realize the efficient, clean and low-carbon circulation and sustainable development of the enterprise.



Green, low-carbon and efficient energy equipment R&D project

Facing the national major strategic demands and industrial high-quality development requirements, the Company focuses on the green and low-carbon transformation in the energy equipment field, carries out the technical research on and breakthroughs in the key energy equipment such as top-level oil and gas equipment, drives the technical advancement, forms the demonstration application, enhances the innovative technology layout and breakthrough, and strives to implement the green and low-carbon energy equipment R&D project, in order to support the national major project implementation and major engineering construction.


Practicing Green Operations

Honghua Group actively fosters an environment for green offices and systematically practices green operational concepts through measures such as constructing green workshops, promoting sustainable travel, and advocating for green office practices. These measures aim to enhance the efficiency of energy resource utilization and reduce operating costs.

Simultaneously, the Company emphasizes the equal importance of nurturing talent internally and seeking external expertise to establish and develop innovative teams in the field of green and low-carbon energy equipment. This approach includes the selection and cultivation of strategically scientific and technological talents at an international level, leadership figures who exhibit significant influence, and young talents with great potential. In 2024, the Company has flexibly integrated three high-level professionals into the green and low-carbon energy sector, comprising two Category B talents and one Category C talent.


Key Performance

In 2024, the Company has flexibly integrated 3 high-level professionals into the green and low-carbon energy sector, comprising 2 Category B talents and 1 Category C talent.




Building Green Workshop

- Promote the construction of rainwater harvesting workshop, utilize solar energy as a source for rainwater management, advance green production and manufacturing practices.



Promoting Green Travel

- Encourage staff members to install and use clean energy equipment, such as electric vehicles.
- Provide electric vehicle charging stations and parking facilities for employees’ usage.
- Encourage employees to adopt green transportation methods, including cycling and using electric vehicles.



Encouraging Green Office Practices

- Post small reminders in office spaces to remind employees to turn off air conditioners, computers, and other electrical devices after working hours, thereby promoting energy conservation.
- Place green signage in areas designated for washing and living water use to guide employees in cultivating water-saving habits.
- The security team conducts daily inspections of electricity consumption in workshops and office buildings after hours to ensure that unnecessary power sources are turned off, thereby minimizing energy waste.

Measures on Practicing Green Operations

Managing Environmental Compliance

Honghua Group places significant emphasis on the environmental impact of its products, services, and operations on environmental protection, energy conservation, and resource utilization. The Company strictly adheres to relevant laws, regulations on environmental management, and industry standards while formulating and implementing various environmental management systems. Additionally, the Company actively promotes green office initiatives, fosters the construction of green factories, and strives for the synergistic development of economic and environmental benefits through ongoing improvement and innovation.

Key Performance

In 2024, the Company's total investment in environmental protection is expected to reach RMB

16.15 million.

Environmental Management System

In compliance with the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, and other relevant national legislation and regulatory requirements, Honghua Group has established and implemented internal regulations and systems, including the *Management Regulations on the Prevention and Control of Air Pollution*, the *Management Regulations on Solid Waste*, and the *Management Regulations on Energy-Saving and Environmentally Friendly Facilities*. These measures clearly delineate the responsibilities of each department and the management requirements. By thoroughly assessing potential risks, the Company integrates stringent management and supervision practices to proactively prevent non-compliance incidents. Furthermore, the Company conducts regular monitoring and management of various pollution sources, specifying environmental monitoring tasks, control indicators, and monitoring methods. It follows the procedures for HSE system operation monitoring and environmental monitoring meticulously to ensure compliance with relevant laws and regulations.

Regarding the certification of the environmental management system, the Company continues to pursue ISO 14001 certification and successfully passed the external audit in May 2024. Simultaneously, the Company performs internal audits of its environmental management system regularly, including annual audits, biannual supervisory audits, and comprehensive audits every three years. These audits are designed to oversee the identification and resolution of potential risks and management practices while promoting a closed-loop approach to environmental issues.

Key Performance

In 2024,
the Company achieved 0 environmental violations

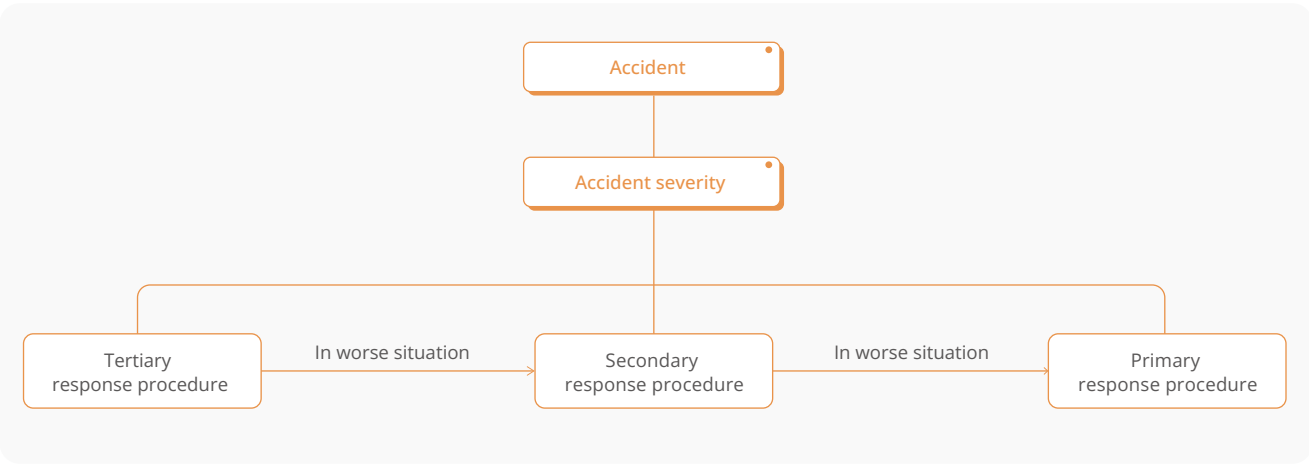


ISO 14001 Environment Management System Certification

Environmental Emergency Management

To effectively address potential emergencies, the Company has developed and enhanced the *Emergency Plan for Environmental Incidents*. Meanwhile, the Company strengthens the assessment of emergency resources, refines the emergency response process, and regularly conducts drills for oil spills and sewage leaks to continually improve the Company's environmental emergency response capabilities. Additionally, the Company has established and strictly implemented the *One Plan for One Factory on Emergency Emission Reduction during Heavily Polluted Weather*. This plan adopts effective management measures for cutting, welding, grinding, sandblasting, coating, and other operations to significantly reduce pollutant emissions in times of heavy pollution, thereby enhancing emergency management capabilities and safeguarding the health and safety of employees and the public.

Moreover, the Company classifies its emergency response to environmental incidents based on controllability, severity, and impact scope into three levels: major (Level 1 Response), significant (Level 2 Response), and general (Level 3 Response). This classification ensures that appropriate measures can be swiftly and accurately implemented during incidents of varying severity, minimizing losses and impacts.



Response to environmental emergencies

Regarding emergency drills and training, the Company regularly conducts activities such as earthquake prevention and mitigation, firefighting, and evacuation drills based on the emergency plan to ensure robust preparedness for environmental incidents. In 2024, the Company organized a total of 29 emergency drills, achieving full coverage of flood prevention and emergency procedures in the production workshops. Additionally, the departments responsible for hazardous chemicals and hazardous waste management executed emergency drills focused on hazardous chemical leaks and related accidents. These drills not only enhance the employees' response capabilities during emergencies but also facilitate the identification of potential risks, enabling further optimization of the emergency response plan.

Case Launching flood control and emergency response actions to enhance emergency response capabilities

The Company places significant importance on flood prevention and emergency response efforts, diligently organizing these emergency initiatives to ensure the safety and continuity of production operations. In 2024, as the rainy season approached, the Company focused on flood prevention and emergency management by implementing a series of targeted measures. These measures included clearing drainage ditches on-site, organizing the storage of emergency supplies, testing and maintaining emergency equipment and facilities, and conducting flood prevention and emergency response drills. Particular attention was given to the hazardous chemicals warehouse and hazardous waste storage sites, where the Company ensured that emergency resources were fully stocked and emergency response capabilities were practiced, thereby preventing any leakage or spillage of pollutants.

Facilitating Green Smart Manufacturing

Based on comprehensive environmental compliance management, the Company has made overall adjustments to the components and structural workshops in alignment with the 14th Five-Year Strategic Development Plan. By applying lean concepts and introducing advanced equipment, the Company has consistently optimized the production environment and reduced the environmental impact of its operations. Currently, these measures have yielded significant results, demonstrating the Company's solid steps towards green smart manufacturing and providing robust momentum for sustainable development.



Actions on green smart manufacturing

Coordinating Resource Utilization

Honghua Group actively coordinates various resources in its production and operations, striving to reduce waste and enhance the efficiency of resource use. This approach aims to achieve a mutually beneficial relationship between economic and environmental gains, thereby laying a solid foundation for the Company's long-term development.

Water Resources Management

The Company places significant emphasis on the management of water resources, and strictly adheres to the *Water Law of the People's Republic of China* and other relevant national laws, regulations, and management regulations. It implements rigorous controls throughout the entire process of water extraction and use to promote the conservation and reuse of water resources. Additionally, the Company actively pursues the establishment of a water-saving enterprise, preventing and controlling the waste of water during production while ensuring the protection and rational utilization of water resources. To this end, the Company has installed water storage tanks that effectively collect and utilize rainwater for irrigation and cleaning purposes. The Company has also acquired certification as a rainwater harvesting facility and plans to utilize rainwater for production in the future to reduce fresh water consumption and promote green development.

Indicator	Unit	2024	2023	2022
Water use	10,000 tonnes	48.67	38.95	36.50
Water use intensity	Tonnes per 10,000 Yuan output value	0.854	0.712	0.82

Water consumption in 2022-2024

Energy Management

The Company strictly adheres to the Energy Conservation Law of the People's Republic of China, along with other national laws and regulations, as well as relevant management regulations. It continuously enhances its energy management system, establishes energy consumption targets, regulates energy usage, and steadily advances the implementation of energy conservation projects according to established plans. The Company proactively initiates the upgrading and renovation of energy-consuming equipment and facilities to improve energy efficiency and reduce greenhouse gas emissions.

As of the end of the reporting period, the Company successfully met its energy consumption target of “Comprehensive energy consumption of 10,000 Yuan output value (operating income) ≤ 0.0189 tonnes of standard coal equivalent per 10,000 Yuan” for the current year.

Indicator	Unit	2024	2023	2022
Natural gas	m³	2,113,539.00	1,453,900.00	1,098,201.85
Gasoline	L	55,235.41	37,005.00	73,275.07
Diesel oil	L	833,219.52	1,239,504.00	28,308.84
Electricity	kWh	39,015,818.00	47,669,600.00	13,945,385.00
Energy consumption	kWh	70,813,136.00	65,576,000.00	25,728,538.00

Note: The scope of energy consumption data covers Honghua Group limited and its domestic subsidiaries.

Energy consumption in 2022-2024

Strictly Regulating Polluting Discharge

Honghua Group adheres to the sustainable development principle of green operation and continuously strengthens its pollution prevention and control measures. The Company strictly regulates the generation and emission of wastewater, waste gas, and noise during production and operations, while safely and efficiently disposing of various types of waste generated in daily activities. This approach aims to minimize the negative impacts of pollutants on both the ecological environment and human health.

Wastewater Management

The Company attaches great importance to wastewater management and adheres strictly to laws, regulations, and relevant standards, including the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Integrated Wastewater Discharge Standards*, and the *Wastewater Quality Standards for Discharge to Municipal Sewers* to ensure that wastewater discharge complies with applicable regulations.

Waste Gas Emissions Management

The Company strictly follows the *Air Pollution Prevention and Control Law of the People's Republic of China*, and other regulations, and relevant standards while regularly conducting monitoring and evaluation of exhaust emissions levels to ensure that exhaust emissions comply with national air pollutant emission standards. The Company also continuously upgrades environmental protection designs and renovates environmental protection equipment to minimize the negative impact of exhaust emissions on the surrounding environment.

»»

Purchasing welding fume collectors to systematically reduce welding fume emissions and improve the operating environment.

Modifying and upgrading three sets of exhaust gas treatment equipment in the paint spraying room to Regenerative Thermal Oxidizers (RTO) to enhance exhaust gas treatment efficiency and lower pollutant emissions.

Installing new dust removal equipment in the abrasive blasting room, and remodeling the exhaust ducts of the fans to address the issue of dust spillage in that area.

Replacing the original paint staging room with a new facility equipped with exhaust gas treatment equipment, ensuring that volatile organic compounds (VOCs) in the air are treated to comply with stringent environmental protection standards.

Replacing forklifts that do not meet National Standard II (diesel-powered) with electric forklifts in the North District , significantly reducing diesel fuel consumption and its environmental impact.

Implementing a new access control system in the North District to regulate the entry and exit of transportation vehicles within the plant, prohibiting vehicles classified as IV and below; mandating suppliers to utilize compliant vehicles for transportation to minimize exhaust emissions.

Waste gas emission management measures



Retrofitting of emission control equipment in Laobei District



Remodeling of paint staging area

Indicator	Unit	2024	2023	2022
Sulfur oxides	Tonne	0.048	0.62	2.30
Nitrogen oxides (NOx)	Tonne	0.77	/	/
Particulate matter (PM)	Tonne	4.20	3.12	3.20
Volatile organic compounds (VOCs)	Tonne	2.60	2.10	1.80

Waste gas emissions in 2022-2024

Waste Management

The Company strictly follows the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, along with other relevant laws, regulations, and standards. It has established a well-structured solid waste disposal procedure and formulated the *Management Regulations on Solid Waste*. The Company outlines management responsibilities for both regular and hazardous waste and assigns specialists to oversee these management tasks.

The Company complies with all legal requirements concerning the collection, management, and disposal of hazardous waste. It practices an on-site management system for warehouse inventory management as well as temporary storage for hazardous waste, and conducts regular inspections to enhance environmental risk management and control. Furthermore, the Company maintains stable partnerships with professionally qualified hazardous waste disposal organizations, regularly facilitates the transfer of hazardous waste, and monitors its disposal status to ensure that the entire process remains legal and compliant.

Indicator	Unit	2024	2023	2022
Total discharge of non-hazardous waste	Tonne	10,544.82	23,500.00	7,300.00
Total discharge of hazardous waste	Tonne	3,235.67	9,500.00	8,900.00
Intensity of non-hazardous waste discharge	Tonnes per 10,000 Yuan output value	0.018	0.043	0.016
Intensity of hazardous waste discharge	Tonnes per 10,000 Yuan output value	0.0057	0.017	0.02

Waste discharge in 2022-2024

Noise Management

The Company strictly adheres to the *Law of the People's Republic of China on the Prevention and Control of Noise Pollution*, as well as other relevant laws, regulations, and standards. It effectively and compliantly manages noise pollution through regular monitoring at plant boundaries, renovation and maintenance of equipment, and the installation of isolation and protection measures. These actions collectively control and reduce the impact of noise.

Honghua Group has consistently augmented its innovation capabilities and research and development (R&D) capabilities by actively introducing advanced technologies and attracting top talents. The Company is committed to developing competitive products and solutions while delivering high-quality and high-performance products that meet the diverse needs of a wide range of customers. In addition to striving for excellence in product design and manufacturing, the Company emphasizes exceptional service to ensure that every customer receives professional and efficient quality service. Furthermore, Honghua Group prioritizes long-term sustainable development, with a deep understanding of the significance of digital transformation. By leveraging technology, the Company empowers its transformation and upgrades operations, laying a solid foundation for achieving a greener, low-carbon, and highly efficient business model.

SDGs Addressed:



Pursuing Excellence and Prioritizing Long-term Development

04

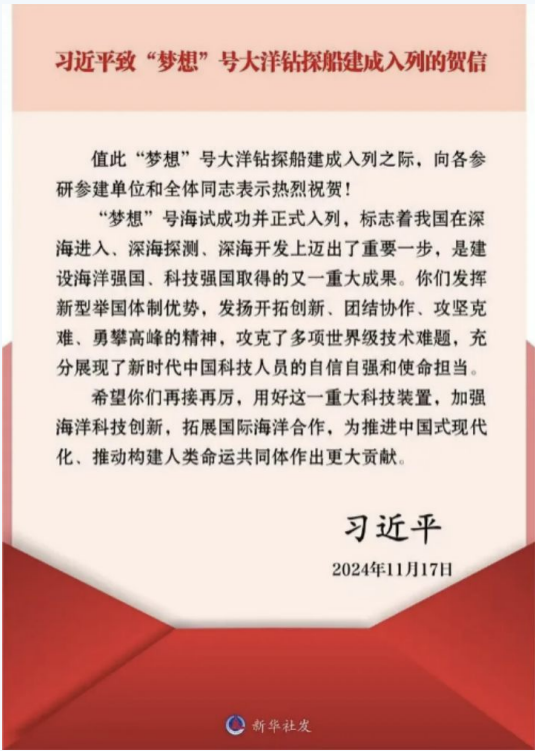
- Innovation and R&D
- Product and service management
- Information security and privacy protection

Case Honghua Group's deeply involved the "Dream" Ocean Drilling Vessel project, advance the development of a strong maritime nation

In November 2024, China's first self-developed ocean drilling vessel, Meng Xiang (the "Dream"), was officially commissioned, marking a significant breakthrough in the China's key technologies and equipment for deep-sea exploration. General Secretary Xi Jinping sent a congratulatory letter, extending warm congratulations to all the participating research and construction units.

As one of the three primary supporting units of the project, Honghua Group deeply engaged in the development of the "Dream" ocean drilling vessel. From the initial ship function positioning and project application to the execution of national scientific research projects and the actual vessel construction, Honghua Group provided constant support for the "Dream". During the development phase, Honghua Group established an equipment system for ocean drilling and hydrate trial mining technology, and undertook relevant research projects from the Ministry of Industry and Information Technology. The application of these research results effectively enhanced the performance of the "Dream", providing essential equipment support for deep-sea resource development. In the actual vessel construction phase, the Company was responsible for researching and developing intelligent automation systems for mud treatment, bulk material handling, and drilling fluid processing, achieving full-process automation and intelligent management of the "Dream's" mud system. Simultaneously, the Company utilized advanced automation instruments and equipment to efficiently control and manage the operation processes of drilling fluid slurry preparation, purification, and bulk material transportation and storage.

Additionally, Honghua Group successfully addressed the complex truss node design and precision control technologies for large steel structures, and constructed an ocean dynamic derrick and underwater equipment transportation system for the "Dream", ensuring the one-time hoisting of the derrick.



Congratulatory letter from General Secretary Xi Jinping



The "Dream" officially inducted into the fleet

Strengthening Innovation Drive

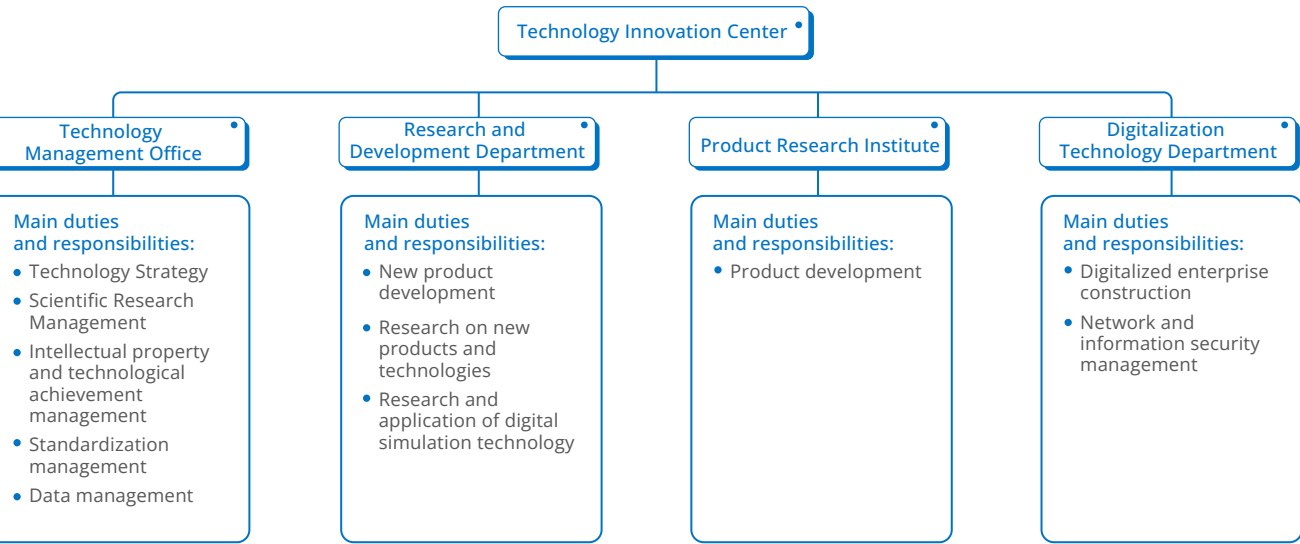
Honghua Group consistently has always adhered to the core strategy of technological innovation, committed to leading the development framework of the “Six Electricities and Six Industries”². The Company has taken proactive measures to deepen the cultivation and application of new quality productive forces, promote the advancement of new industrialization, and strive to become a pioneer in fostering high-quality development so as to contribute innovative power to the restructuring and upgrading of the industry.

Innovation and R&D Management

The Company continues to advance the development of an innovation and R&D management system and establish talent cultivation and incentive mechanisms. We consolidate the application of core innovation achievements and actively engage in industry-university-research cooperation by strengthening partnerships with universities and research institutes, fostering technological innovation and promoting innovative cooperation and win-win development along the upstream and downstream of the industry chain. Simultaneously, the Company places significant emphasis on the protection of intellectual property, building a robust management system that ensures comprehensive protection of the patent achievements and enhances the Company's core competitiveness.

Innovation Management System

Honghua Group has formulated and released the *Guidelines for the Management of Basic and Applied Research of Honghua Group* and the *Management Regulations for Correction and Tolerance of Errors in Innovation*, among other R&D management policies, significantly enhancing the capability and depth of the Company's scientific research efforts. The Company has established and continually refined its management structure for innovation and R&D, with multiple functional institutions such as the Technology Management Office, the R&D Department, and the Product Research Institute within the Technological Innovation Center. These entities ensure comprehensive oversight of the Company's technology strategies, intellectual property management, and the development of new products and technologies. Additionally, the Company has established a Science and Technology Committee, which routinely conducts internal communication activities—including committee meetings and science and technology conferences, with the Science and Technology Management Office managing daily work to ensure unified and professional management of technological decisions and execution.



Innovation and R&D Management System at Honghua Group

² Six Electricities and Six Industries: The Company has established an industrial framework known as "Six Electricities and Six Industries." The term "Six Electricities" encompasses wind power, solar power, hydropower, nuclear power, gas power, and thermal power. Meanwhile, "Six Industries" includes high-end petrochemical equipment, energy conservation and environmental protection, engineering and international trade, modern manufacturing services, power electronics and control, and emerging industries.

Core Innovations

Honghua Group focuses on four key areas: deep earth exploration, deep sea exploration, unconventional oil and gas, and new energy. The Company has proactively laid out strategic emerging industries and actively reserved offshore engineering equipment technologies, continually increasing investments in key technology and high-end equipment research and development. By leveraging our electrical advantages, we overcome technological bottlenecks in well servicing and enhances our independent innovation and R&D capacities. Furthermore, the Company capitalizes on market opportunities to transform innovation achievements into practical applications, facilitating industrial upgrades and providing strong momentum for the Company's sustainable development. In 2024, the Company's investment in R&D reached RMB150 million, representing 2.67% of the main business revenue.

Energy Equipment Manufacturing Segment



Case

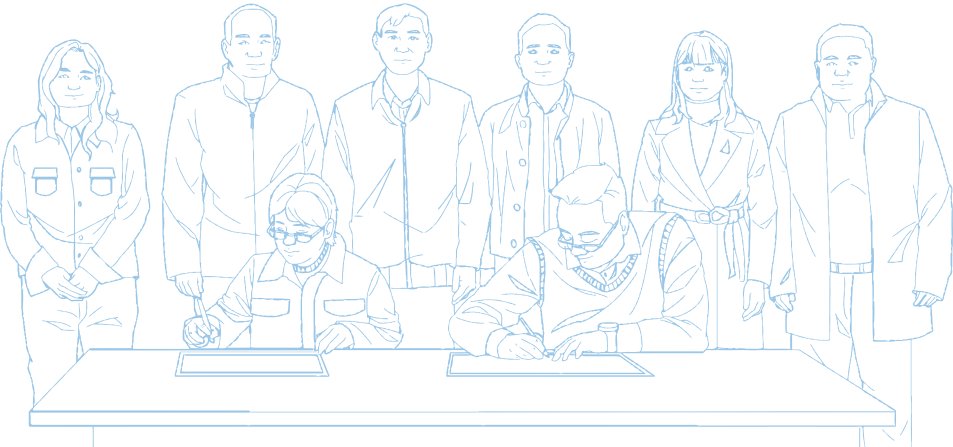


Honghua Group developed the 12,000-meter deep intelligent drilling rig to advance towards the deep-earth exploration

In October 2024, Honghua Group successfully completed and delivered its independently developed 12,000-meter deep intelligent rig in Guanghan, Deyang, with plans for its deployment in the Xinjiang region. This rig is equipped with a state-of-the-art 3,200 HP five-cylinder pump and the UNISON 2.0 control system, enabling cutting-edge digital drilling. Additionally, the drilling rig combines a visual recognition system to enhance intelligent perception, allowing for fully automatic operations on the ground, at elevated positions and at height. With a remarkable loading capacity of up to 1,000 tonnes, the 12,000-meter deep rig significantly exceeds industry standards and can achieve an operating depth of 13,000 meters, effectively addressing the technical challenges associated with ultra-deep exploration in Xinjiang. Moreover, all core components and control systems of the rig are independently developed by Honghua Group, achieving "full-chain self-research and development" of the drilling rig and demonstrating the Company's exceptional capabilities in high-end equipment manufacturing.



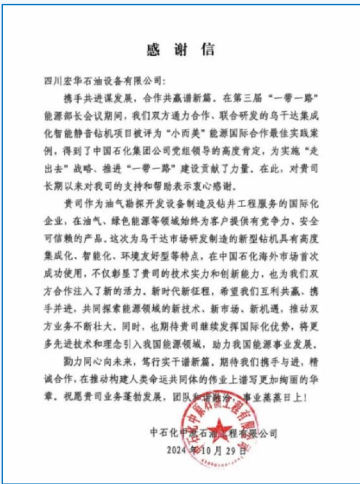
The Company's 12,000-meter deep intelligent rig was completed and delivered



Case Honghua Group developed integrated smart ultra-quiet intelligent drilling rig for Uganda, creating an exemplary "small but useful" practice

In October 2024, during the 3rd Belt and Road Energy Ministerial Conference, the Uganda Integrated Intelligent Quiet Drilling Rig project, in which Honghua Group was involved and was recognized as the best practice case of international energy cooperation for "small but useful product" due to its highly integrated, intelligent, and environmentally friendly performance. The intelligent ultra-quiet drilling rig in this project was independently developed and manufactured by the Company and has received high praise from Sinopec Zhongyuan Petroleum Engineering Company.

The Group's R&D team has continually addressed technical challenges by employing noise reduction control technology to lower the working noise level of the ultra-quiet intelligent drilling rig to below 55 decibels, effectively reducing noise interference caused by oil exploration on surrounding communities. Furthermore, the rig strictly controls exhaust emissions and energy consumption from the supporting power generation unit, reducing emissions of carbon monoxide, hydrocarbons, and particulate matter by over 90%. Additionally, the rig is equipped with the latest Battery Energy Storage System (BESS) and Power Management System (PMS), allowing for real-time monitoring of the unit's operating conditions and optimization of operational efficiency to reduce extraction energy consumption. The entire rig painted with camouflage and fitted with customized LED lights to blend into the environment, further mitigating the impact on the habitats of surrounding animals.



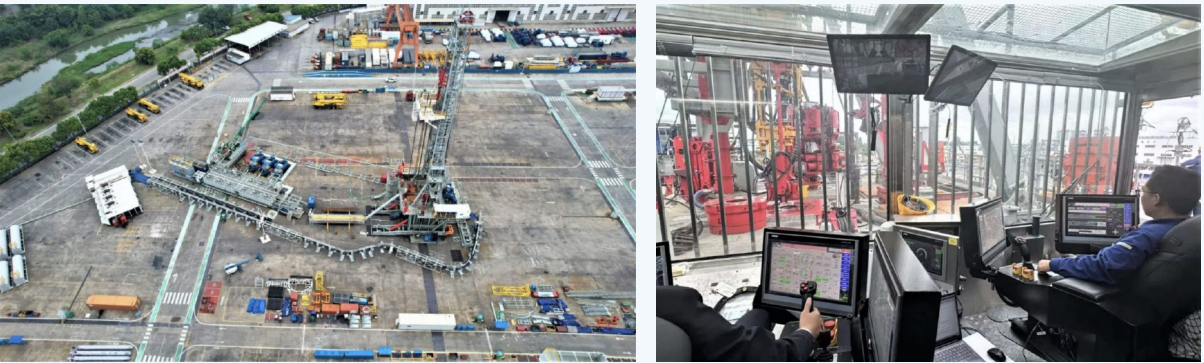
Letter of appreciation from Sinopec Zhongyuan Petroleum Engineering Company



Uganda Integrated Intelligent Quiet Drilling Rig

Case Honghua Group advanced energy transformation with the successful shipment of mountain geothermal intelligent drilling rig

In December 2024, Honghua Group successfully completed the domestic shipment of a high-end, fully automated mountain geothermal intelligent drilling rig, which was independently developed by the Company. The rig features a compact self-erecting derrick and a rotary base mechanism, while the tank incorporates a modular and universal design, complemented by flexible cable management solutions and an advanced panning system. This configuration enables adaptation to various well layouts and meets the demands of irregular directional drilling operations. Additionally, the geothermal rig is equipped with the Company's "one-click linkage" automation tool system, effectively reducing well construction cycles and costs while enhancing energy extraction efficiency and achieving automated operations. The successful deployment of the mountain geothermal drilling rig project has significantly promoted the comprehensive automation of the clean energy equipment industry, providing an innovative approach to advancing global energy conservation and emission reduction.



Innovative design and intelligent drilling system for mountain geothermal drilling rig project

Integrated Energy Services Segment

Case Honghua Group completed China's first full-electric deep coalbed coalbed methane platform, leading green development

In June 2024, Honghua Group successfully completed the construction of the Jishen 4-10 platform, China's first full-electric deep coalbed coalbed methane platform. This project consists of three wells and 44 fracking sections, achieving total duration of only 396 hours, thereby demonstrating the Company's technological advantages in electric fracturing. Compared with traditional diesel-driven fracturing, the full-electric fracturing technology employed in the Jishen 4-10 platform has resulted in significant improvements including a 40% reduction in noise, a 23% reduction in land area, a 29% reduction in energy consumption, and a decrease of approximately 142 tonnes in carbon dioxide emissions.



The Company completed the first full-electric deep coalbed methane platform project in China

Industry-University-Research Cooperation

Honghua Group actively engages a range of high-end scientific research and innovation platforms, including the Chinese Academy of Geological Sciences, Chengdu University of Technology, and Jilin University, to implement the strategy of synergistic innovation. By closely collaboration with leading academic institutions, the Company fully promotes the sharing of knowledge, technology, and resources, establishing mechanisms for deep cross-field cooperation, thereby propelling vigorous industry development.

Honghua Group signed a strategic cooperation agreement with Chengdu University of Technology to jointly establish the Sichuan Intelligent Equipment Engineering Research Center for Oil and Gas Drilling and Completion. In 2024, we also developed a downhole simulation test rig system, exemplifying effective university-industry collaboration and creating a win-win situation for both industry and academia.

Additionally, Honghua Group has closely partnered with the Chinese Academy of Geological Sciences and jointly applied for a 15,000-meter ultra-deep scientific drilling rig project. Furthermore, the Company signed a strategic cooperation agreement with Jilin University to establish an industry-university-research base, aiming to collaboratively design and conduct technical research for the rig project.

Cultivating and Incentivizing Innovative Talents

Talent is the essential driving force behind innovation and development. The Company prioritizes cultivating a culture of innovation and continually strengthens the recruitment and development of high-level innovation talent while expanding the size of its R&D team. During the reporting period, the Company implemented incentive policies on innovation, such as the *Management Regulations on the Technology Projects with Open Competition at Honghua Group*, and introduced the *Management Measures for Delegation and Empowerment of Project Chiefs*. These initiatives further encourage technological innovators to take responsibility in their roles, thereby enhancing both the efficiency and quality of technological innovation. Additionally, the Company strategically allocates R&D personnel based on its business framework, creating a team structure centered on senior experts, essential technical staff, and key component personnel to provide effective technical coordination and support for each sales region.

① Key Performance

In 2024, the Company reintegrated **3** outstanding talents, recruited **7** professional and technical experts, hired **5** recent master's graduates, and developed **1** senior engineer.

In the realm of innovation incentives, the Company has issued and revised several key management documents, including the *Honghua Group's Management Regulations on Incentives of Scientific and Technological Personnel*, the *Honghua Group's Management Regulations on Awards for Science and Technology*, and the *Honghua Group's Management Regulations on Patent and Standard Awards*. These initiatives ensure that the innovation incentive mechanism aligns with the Company's latest developmental needs. Additionally, the Company has established various innovation awards, such as the Key Project Development Award, New Product Impact Award, Technical Service Award, and Scientific and Technological Achievement Award. Each year, the Company manages the accounting and disbursement of these awards to fully stimulate the vitality of innovation among staff.

① Key Performance

As of the end of the reporting period, a total of **30** employees had received awards for innovation and R&D at the Company level or higher.

Innovation and R&D Honor

During the reporting period, Honghua Group was honored with multiple awards for innovation and R&D. These accolades signify that the Company's technological innovations and product upgrades have been highly regarded within the industry, providing significant encouragement for the Company's ongoing commitment to in-depth research and relentless innovation in the future endeavors.



7 Honghua Group's Innovation and R&D Honors in 2024 (Selected)

In November 2024, Honghua Group was recognized as one of the Sichuan Model Enterprises for Technological Innovation, as published by the Department of Economy and Information Technology of Sichuan Province.

In December 2024, Honghua Group's key project, the first 12,000-meter intelligent deep drilling rig in China, along with its participation in the first ocean drilling vessel, the "Dream", was selected as one of the Top 10 Pillars of Great Power Among Centrally-administered State-owned Enterprises in 2024.

In 2024, Honghua Group received the Third Prize for Provincial Scientific and Technological Progress of Sichuan and was honored as a Leading Enterprise of Scientific and Technological Innovation in Sichuan Province. Additionally, the Company was recognized as an Exemplary Enterprise of Technological Innovation in Sichuan Province and designated as a Signature Main Enterprise Across the Product Chain in Sichuan Province.

[illegible]

Intellectual Property Protection

Honghua Group meticulously adheres to the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, as well as other relevant laws and regulations. The Company has developed and implemented comprehensive policies, including the *Management Regulations of Honghua Group on Intellectual Property*, *Intellectual Property Early Warning and Dispute Resolution Management Measures of Honghua Group*, *Patent Management Regulations of Honghua Group*, and *Management Regulations of Honghua Group on Trade Secret Protection*. These regulations emphasize that intellectual property work should permeate the entire process of corporate operations including R&D, production, procurement, sales, and after-sales service. They clearly define the basic requirements for intellectual property protection and risk prevention measures, comprehensively improving the IP management system through multiple approaches. The Company is committed to respecting and actively safeguarding intellectual property achievements, following the principles of controlling quantity, improving quality, and strengthening rights protection in the patent strategy. This commitment fosters competitive advantages in innovation and research and development, ultimately adding value to the industry and society through exceptional scientific and technological advancements.

During the reporting period, the Company successfully completed the acceptance and public announcement of the High Value Patent Incubation Center, completed the annual external audit of the intellectual property management system, and passed the grading of the international standard “Innovation Management - Intellectual Property Management Guidelines (ISO 56005)” and obtained the Level 2 certificate, thereby practically enhancing the level of intellectual property management. Additionally, the Company actively participated in the Sichuan Patent Award and the “Tianfu Zhuge Cup” High Value Patent Competition in 2024, where one of the patents was nominated for the First Prize of the Sichuan Patent Award.

① Key Performance

In 2024, the Company was granted **138** new patents, including **83** invention patents.

As of the end of the reporting period, the Company had accumulated a total of **850** active patents, of which **392** are invention patents, accounting for **46** % of the total.

Practising Stringent Quality Management

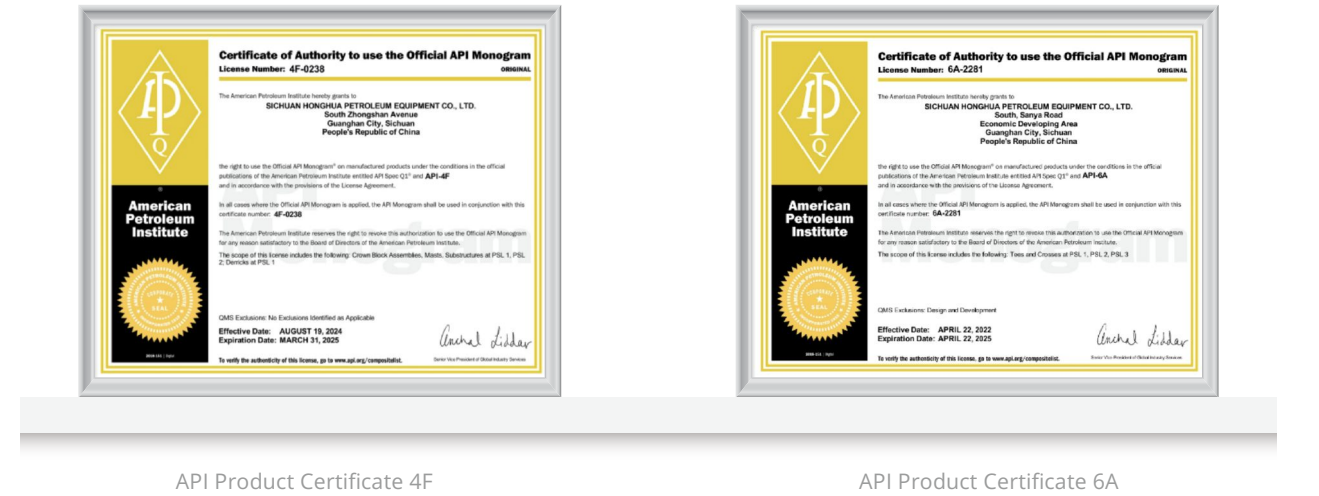
Honghua Group has adopted the core business philosophy of “quality-based enterprise development” and maintains a commitment to “winning by quality” in order to provide safe, stable, and durable high-quality products. In strict accordance with the *Product Quality Law of the People's Republic of China*, the *Industrial Product Quality Liability Regulation*, and other relevant national laws and regulations, the Company has implemented a comprehensive quality management system. We formulated and revised of the *Quality Assessment Management Regulations* and the *Management Regulations on Quality Incidents and Accountability of Honghua Group*, among other policies and documents, ensuring that product quality management is effectively implemented and that accountability for quality is clearly defined.

Quality Management System

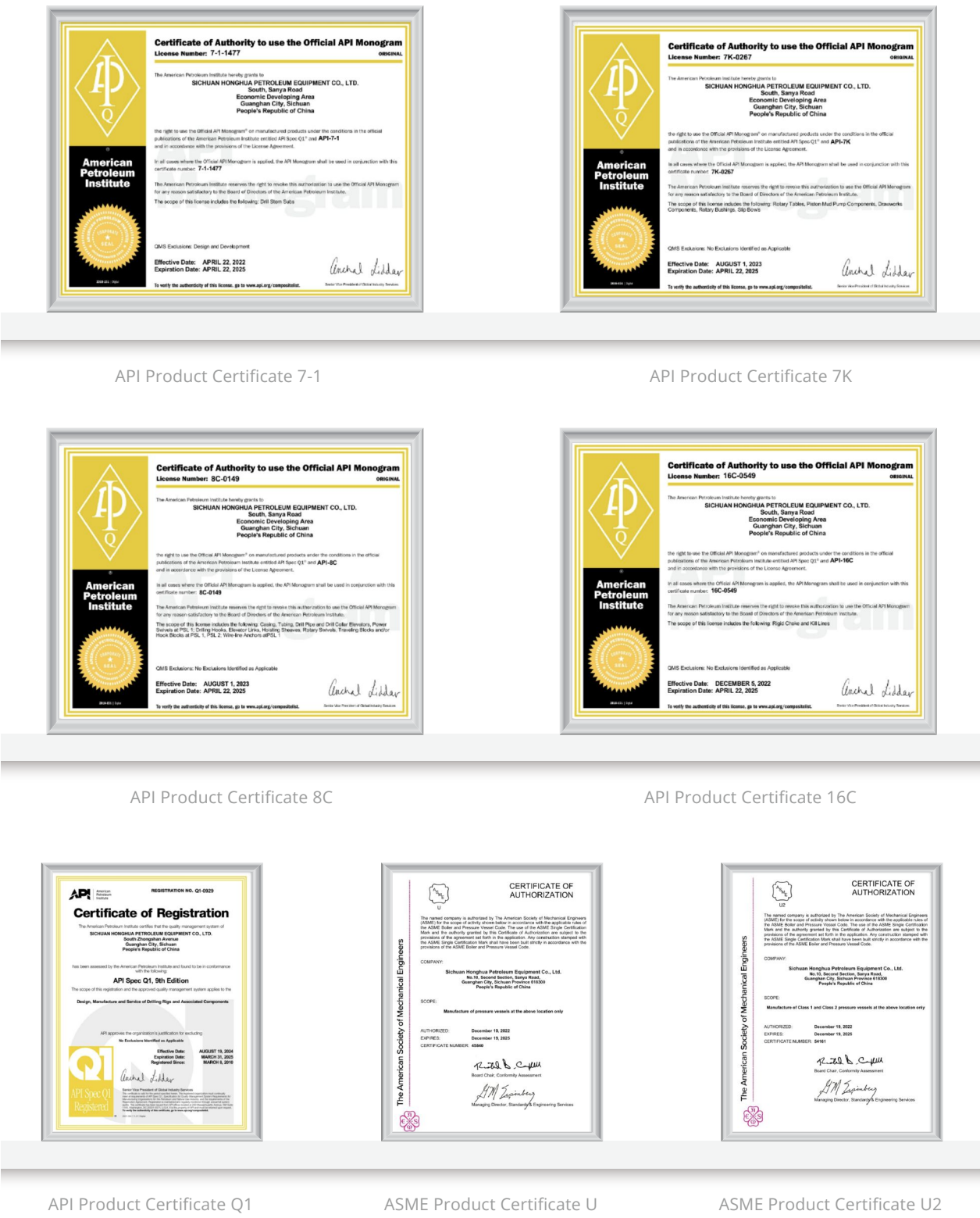
Quality Management System Certification

The Quality, Safety and Environmental Protection Department of the Company serves as the principal unit responsible for quality management. This department engages in various quality management and control activities, thereby reinforcing the foundation of quality practices. In 2024, the Company actively developed ISO 9001 quality management system certification, along with the renewal of certification audits for product quality standards by the American Petroleum Institute (API) and American Society of Mechanical Engineers (ASME), and successfully passed both internal and external audits of the quality management system.

Honghua Group's Product Quality Certification (Selected):



API Product Certificate 4F API Product Certificate 6A API Product Certificate 7-1 API Product Certificate 7K API Product Certificate 8C API Product Certificate 16C API Product Certificate Q1 ASME Product Certificate U ASME Product Certificate U2



Action Plan for Quality Improvement

During the reporting period, the Company developed the *Honghua Group's Three-Year Action Plan for Quality Improvement* to comprehensively advance quality improvement initiatives. The Company identified 82 quality improvement action items, focusing on enhancing the culture of quality, strengthening three key process controls, and systematically implementing quality prevention measures. A task force comprised of party members was established to organize and execute special promotional activities, resulting in the successful completion of 25 items during the reporting period.

Quality Management Targets

During the reporting period, the Company adhered to its quality policy of “Complying with rules and regulations, achieving correct outcomes on the first attempt, striving for excellence, and ensuring customer satisfaction”, established and successfully achieved the following quality management objectives while fully implementing quality enhancement initiatives:

- Zero serious non-conformities in external audits of the quality management system;
- A passing rate exceeding 95 % or structural riveting of rigs in a single handover inspection;
- A reduction rate of over 10% in the NCR (Non-Conformance Report) for RMB10,000 in output value.

Quality Risk Identification & Control

The Company diligently manages product quality risks by enhancing the *Risk Management Control Procedures* and Product Quality Risk Criteria in alignment with standards such as the *API SPEC Q1 Quality Management System Requirements for Organizations Providing Products for the Petroleum and Natural Gas Industry* to strengthen the identification of quality risks. During the reporting period, the Company re-identified a total of 121 product quality risks, considering both the internal and external organizational environments as well as the needs and expectations of relevant stakeholders, including production equipment and facilities, non-conforming deliveries, and other factors. Among these, the Company established effective contingency plans for six Level I risks to lower both the likelihood of occurrence and the potential negative impacts. Additionally, a total of 24 Level III risks were downgraded to Level IV after responsible departments implemented appropriate corrective measures, while 14 Level III risks were assessed as no escalation.

Furthermore, the Company has developed procedural documents, including the *Planning Control Procedures for Product Realization and Services*, to implement quality risk control across specific products, services, projects, and contracts. This includes monitoring and testing purchased products, components, self-manufactured parts, and services to prevent defective products from proceeding to the next stage of processing or delivery, thereby ensuring that the product quality meets customer requirements.

Key Performance

In 2024, the product quality loss rate was **0.067** %, NCR (Non-Conformance Report) per RMB10,000 in output value decreased by **76.63** % year-over-year.

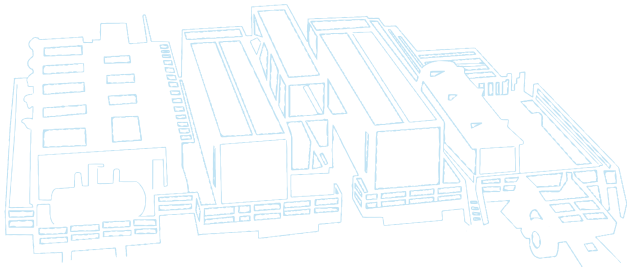
During the reporting period, there were no product recalls due to safety or health concerns, and no significant quality incidents or major quality management issues were encountered.

Building Culture of Quality

Key Performance

In 2024, the Company conducted **25** quality control activities and collected **81** proactive reports concerning quality hazards.

The Company is dedicated to enhancing quality awareness among all employees by actively implementing quality knowledge training and assessments. We organize middle and senior leaders to participate in “Quality Lecture Hall” to vigorously promote core concepts of the culture of quality, the importance of quality standards and responsibility awareness. In product design and development, the Company has established a database of common design quality issues and conducts regular quarterly supervision and inspections, encouraging relevant employees to share their experiences. During product production, the Company organized 27 teams for the “Five Capabilities Excellence” team-building activities, which effectively boosted staff engagement in quality management. In the realm of product quality improvement, the Company has conducted specialized training on NCR (Non-Conformance Report) cause analysis and collaborated across multiple departments to address key quality risks, culminating in the completion of 37 corrective measures this year.



Implementing Lean Management

The Company consistently enhances lean management, guided by the core principles of full participation, synergy and efficiency, waste elimination, and continuous improvement. By concentrating the technical capabilities on key production challenges, the Company overcomes difficulties and continuously improves both production capacity and quality, thereby providing momentum for the transformation and development.

Lean R&D and Design

The Company prioritizes standardization, design quality improvement, and cost reduction as essential components of lean management, comprehensively promoting lean R&D initiatives.

Standardization: The Company develops a top-level framework for product standardization to enhance production efficiency and accuracy. We also formulate and optimize management methods related to outsourced technology, promote product spectrum development, standardize components, and refine user manual templates, achieving a **32** % year-on-year increase in the borrowing rate of product design drawings.

Design Quality Improvement: By analyzing historical problem data and strengthening design evaluation and proofreading processes, the Company addresses key design issues. It has established a knowledge base comprising 91 persistent problems and successfully completed 66 design quality projects, resulting in a **35** % year-on-year reduction in the product design rework rate.

Cost Reduction: Through optimizing configurations, employing domestic substitutes, implementing lightweight designs, reducing design errors, improving design efficiency, and utilizing inventory effectively, the Company achieved a comprehensive cost reduction of **10.71** % in the design of key products.

Lean Production

The Company has identified three main lean management indicators—per capita production efficiency, production cycle, and production capacity—as driving forces for improvement activities across all pilot workshops. We have established communication mechanisms, including weekly and monthly meetings and seminars, to enhance collaboration among workshop staff and effectively implement lean production decisions and measures.

During the reporting period, the Company actively provided training on lean management methods in the pilot workshops, offering comprehensive and systematic guidance on ten major lean management topics and conducting lessons on lean Six Sigma³ methodology, so as to fully integrate the lean concepts into the production processes. Additionally, the Company has introduced foundational knowledge of problem-solving methodologies, conducted in-depth analyses of essential issues such as reducing production cycles and increasing production capacity, and launched a series of lean improvement activities accordingly, including optimization of production processes such as welding and rotating wheel assembly, which have substantially enhanced production efficiency and mitigated potential safety hazards in production.

Case The Company Organized the Lean Excellence Case Conference to continuously improve lean management level

In November 2024, Honghua Group hosted an conference to announce outstanding cases of lean learning and practice, during which the Company's leaders presented awards to the recipients of these exemplary lean cases. The awarded cases spanned multiple levels, including frontline teams, business units, and functional departments, demonstrating a decentralized management approach that fosters improvement at various points while guiding the organization as a whole. This event marked that the Company has achieved significant results in the advancement of lean management and the enhancement of management penetration at the grassroots level.



Announcement and award ceremony on outstanding cases of lean learning and practice

Providing Excellent Customer Service

Honghua Group strictly abides by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* as well as other relevant laws and regulations. The Company places significant importance on safeguarding the legitimate rights and interests of customers, consistently prioritizing customer needs to deliver optimal technical solutions and services. The Company has issued and implemented various management documents, including the *Management Regulations on Major Customers of Honghua Group Company Limited*, the *1812 After-sales Service Rapid Response Mechanism*, and the *Implementation Rules for Handling Feedback on Products and Services*. These measures enhance after-sales service and enable prompt responses to customer feedback and requirements. Additionally, the Company employs the "1812" service system, establishing service stations in all major sales regions to streamline communication and feedback channels, and provides customers with timely professional technical support and on-site service, thereby enhancing the overall customer experience through multiple measures. In 2024, the Company processed a total of 427 customer feedback messages, achieving a 100% response rate for customer information feedback, and no major customer complaints were reported.

The Company has established a comprehensive full-process after-sales service system. By continuously standardizing internal departmental processes, clarifying external service responsibilities, and constructing service stations, the Company has achieved standardized management throughout the entire process of receiving customer complaints, conducting investigations, performing analyses, implementing solutions, and providing feedback. The Company strives to ensure that its products meet high-quality standards. In the event of possible quality and safety risks of products in the course of operation and sales, the Company will quickly address the situation in accordance with the product recall procedures stipulated in internal documents such as the *Management Measures for After-sales Service of Petroleum Drilling and Production Equipment* and the *Rapid Response Mechanism for After-sales Service*. In addition, to continuously strengthen the relationship with customers and uncover their long-term needs, the Company actively carries out annual customer satisfaction surveys, summarizes and analyzes the results, and fully understands customer demands and expectations in order to provide higher-quality services.

Key Performance

In 2024, the Company did not experience any product recalls related to quality issues; the customer satisfaction reached

99.5%, and the Company received a total of 19 letters of commendation from customers.

Case Honghua Group provided quality services to domestic and foreign customers, receiving high praise from customers

In 2024, Honghua Group's after-sales service technical staff assisted a well team in Xinjiang, helping them overcome various on-site challenges. The team actively provided technical support, including the installation and debugging of five-cylinder pumps, ensuring that the customer commenced drilling on schedule, which received high praise from the customer. During their service in an overseas region, the after-sales team promptly arrived on-site to update the program for the 70DBS polar drilling rig and debug the DQ500 top drive, ensure that the operation plan of the customer was implemented as usual, which earned written commendation from the customer. Additionally, the Company delivered prompt and professional after-sales service for a customer's five-cylinder pump in Sichuan and Chongqing, enabling the customer to quickly resume equipment production, which highlighted the Company's commitment to the "1812" service concept and provided valuable drilling operational time for the well team, garnering further accolades from the customer.



Letter of commendation from overseas customers and letter of appreciation from customers in Sichuan and Chongqing

³ Six Sigma is a technique to improve the quality process management of enterprises, with the perfect business pursuit of "Zero Defects", leading to a significant improvement in quality and cost reduction, and ultimately realizing the improvement of the financial performance of enterprises and the breakthrough of enterprise competitiveness.

Driving Transformation Towards Digitalization and Intelligence

Honghua Group is dedicated to facilitating its transformation and upgrading through digitalization and intelligent construction, placing significant emphasis on information security and privacy protection. The Company has developed and implemented various data security and privacy measures to continually enhance information security defenses while proactively advancing business expansion and innovation, thereby laying a solid foundation for the Company's long-term development and safeguards the trust of customers.

Digitalization and Intelligence Development

During the reporting period, the Company, in alignment with the annual work priorities, formulated and released the *Key Points of Honghua Group's Network Information Work in 2024* and the *Honghua Group's Digital Transformation Planning Implementation Plan (2024-2030)*, deploying key projects such as the Group system convergence development, supply chain collaboration system development, integrated bill of materials (BOM) system development, product lifecycle management (PLM) system integration, business process optimization, and mobile approval optimization. The Company has clearly assigned responsibilities to the leading departments and units to ensure the key projects are completed and delivered as planned.

System Convergence Development of the Group

During the year, the Company fully cooperated with its controlling shareholder, Dongfang Electric Group, and third-party professional organizations, successfully completed the system integration of 15 legal entities across all levels, covering three core business systems of procurement management, contract management and shared finance services, enabling the simultaneous and rapid uploading of multiple systems across various organizations.

Following the project's launch, the Company implemented comprehensive online control over eight major procurement methods, including procurement inquiries, price comparisons, and tendering processes, thereby enhancing the transparency and standardization of procurement operations, effectively promoting an open procurement capability. The integrated system can also bolster the Company's ability to manage contract performance, thereby reducing instances of abnormal performance at the system level. Additionally, the system is fully applicable to the Company's daily expense reimbursements, accounts receivable and payable, pre-sale and pre-payment processes, and regulates the management of special activities such as bidding deposits and fees, further reinforcing the Company's compliance in finance management.

Developing Integrated BOM System

In 2024, the Company continued to promote the comprehensive launch and in-depth application of the "Integrated BOM" system to achieve digital management of key items such as drilling rigs, product lines, spare parts, and after-sales components. The inventory completeness rate⁴ is expected to reach 98% in major production departments. Additionally, the number of inventory omissions and misdispositions was reduced to single digits per month, significantly enhancing the efficiency of materials and inventory management. At present, the project has achieved an online coverage rate of 100%, along with a material data traceability rate of 100%.

⁴ The inventory completeness rate refers to the proportion of various materials in inventory that are complete and capable of directly meeting production demands.

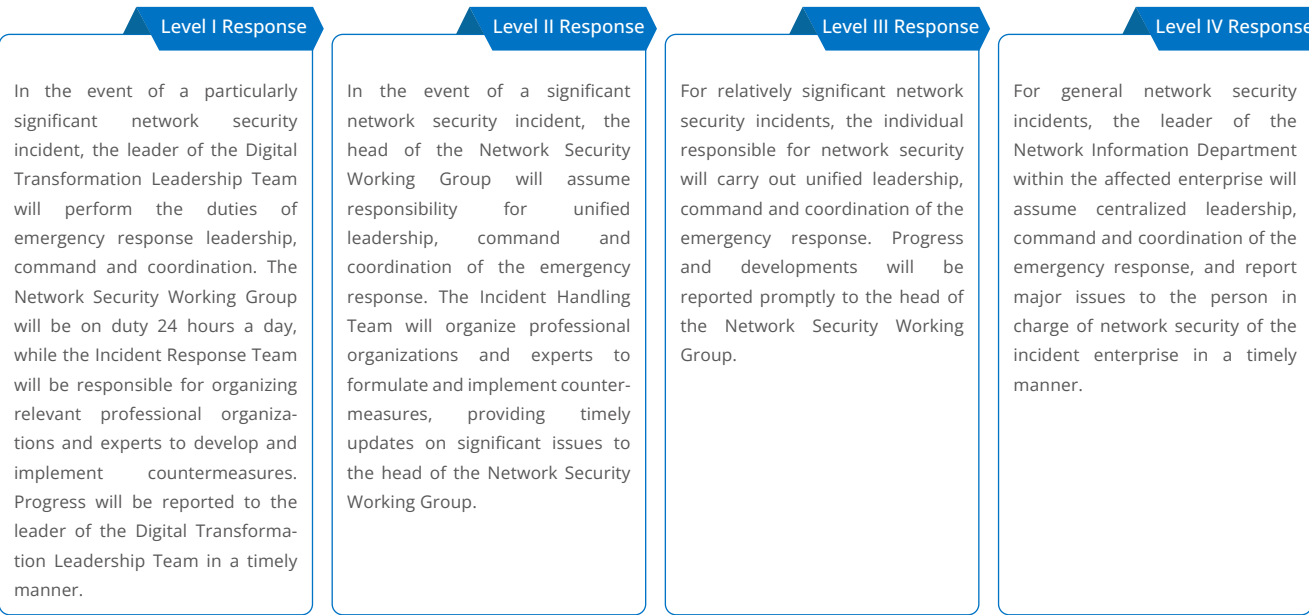
Developing Supply Chain Business Collaboration System

In alignment with the Group's system integration project requirements, the Company has initiated the online implementation of the supply chain collaboration system, which integrates various functions, including procurement collaboration, financial collaboration, logistics collaboration, and quality collaboration, into a comprehensive management framework, so as to build a digitalized supply chain, enhance the capability and efficiency of online interactions with suppliers and significantly alleviate the operational pressure on various business divisions.

Information Security and Privacy Protection

The Company strictly adheres to laws, regulations, and national standards, including the *Network Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*, and clearly specifies measures for data disaster recovery, data backup, data desensitization, and other information security protections, such as encryption and authentication, in accordance with the management documents, including the *Honghua Group's Network Security Management Provisions*, the *Honghua Group's Management Regulations on Master Data in Project*, and the *Management Provisions Data Resource in Information System*. These measures are designed to prevent data loss, damage, leakage, or tampering. The Company has actively deployed information encryption systems and mandated the encryption of R&D design data to safeguard core business secrets. During the reporting period, the Company expanded trade secret protection systems to all terminals and facilitated the integration of the Group's trade secret protection systems, enabling secure and barrier-free communication of trade secret information among the Company, the Group and its subsidiaries.

In addition, the Company attaches great importance to the emergency response to information security incidents. The Company has formulated the *Emergency Response Plan for Cybersecurity Incidents* and other management procedures, and formed a four-level emergency response mechanism for cybersecurity incidents, which includes four levels, namely, particularly significant, significant, relatively significant and general, with Level I being the highest level of response.



Four-tier Emergency Response Mechanism for Cybersecurity Incidents

Key Performance

In 2024, the Company did not experience any internal information leakage incidents, nor were there any disputes or lawsuits resulting from the breach of customer privacy.

In 2024, the Company conducted 1 cybersecurity incident drill, which engaged 2,318 employees, as well as 1 training session focusing on privacy security and data protection, with 61 employees participating.

The Group prioritizes corporate social responsibility, addressing key stakeholder concerns (both internal and external). The Company foster strong supplier relationships, actively engage in community development, and continuously improve our competitiveness and innovation. While providing employees with a supportive work environment and ample growth opportunities, the Company contributes to high-quality industrial development.

SDGs Addressed:



Partnering to Creating Shared Value for All

05

Employee rights
and benefits

Employee development
and training

Occupational health
and safety

Supplier management

Social welfare and
community engagement

Establishing Platform for Growth

Honghua Group is committed to equitable and diverse employment practices, ensuring fair development opportunities for all employees. The Company invests heavily in employee training and development, providing systematic courses, practical experience, and career guidance to enhance professional skills and overall capabilities, aligning individual career goals with corporate development.

Equality and Diversity in Employment

Honghua Group's employment philosophy centers on recognizing the inherent talent in every individual. Adhering to principles of fairness, justice, diversity, and inclusivity, the Group actively recruits top industry talent through open, collaborative, and respectful engagement, fostering comprehensive growth in technological innovation, market expansion, and talent development.

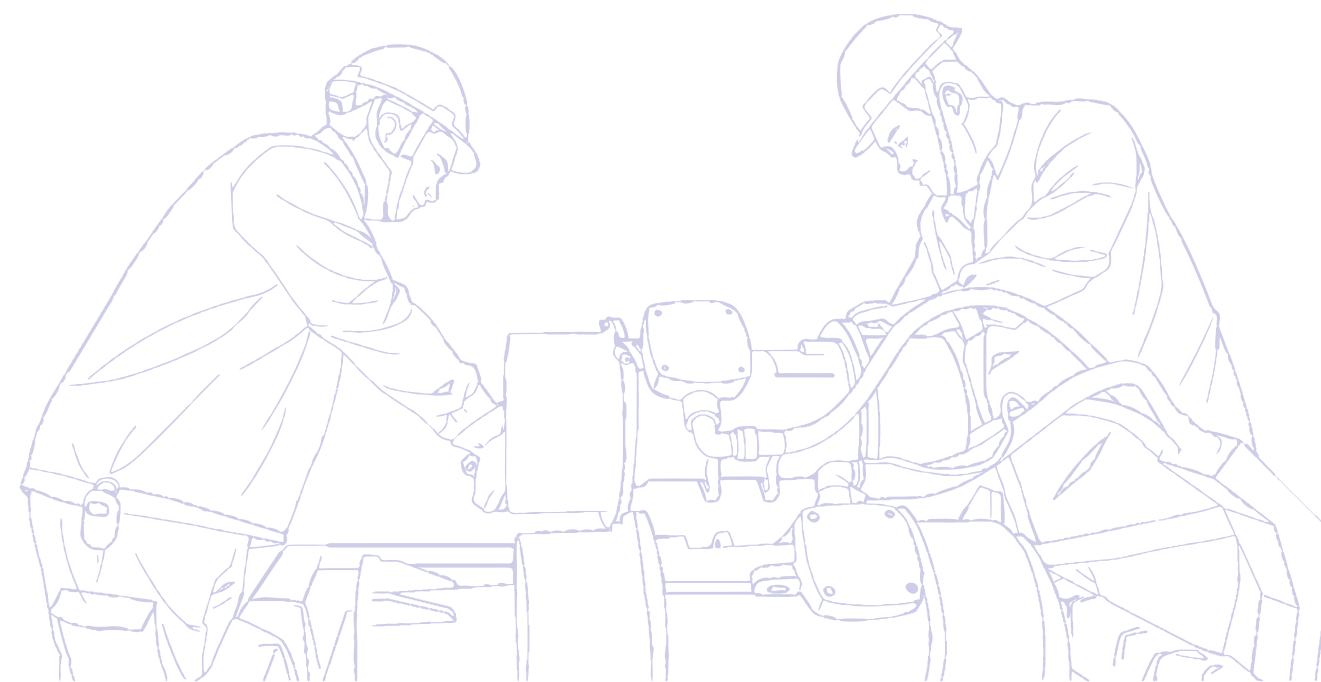
Compliant Employment

Key Performance

During the reporting period,
100% of the Company's
employees signed the labor
contract.

Honghua Group strictly adheres to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and all relevant national legislation. Comprehensive human resource management systems, including the *Administrative Measures for Talent Attraction*, *Labor Contract Management Regulations*, and *Post Contract Management Regulations*, ensure legal and compliant recruitment and hiring processes. The Company maintains a zero-tolerance policy for child labor, forced labor, and all forms of workplace discrimination based on gender, age, religion, nationality, ethnicity, race, or physical condition. Workplace bullying and harassment are also strictly prohibited to practically protect employees' basic rights. No major labor disputes, discriminatory practices, or illegal employment were reported during the reporting period.

The Company conducts at least one annual functional supervision, aligned with the "Three Lines of Defense" Functional Supervision Responsibility List, relevant legislation, and the Company's internal management system, which includes a written assessment of labor-related risks and recommendations for management improvements to the departments and units under assessment. All identified issues are addressed within specified timelines. During the reporting period, the Company completed the functional supervision of the headquarters and all subsidiary companies.



Employee Composition

Key Performance

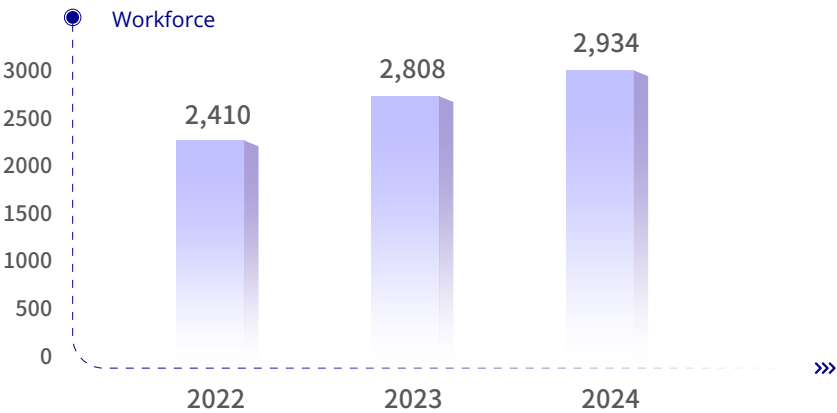
As of the end of the reporting period,

the Company employed **2,934** individuals

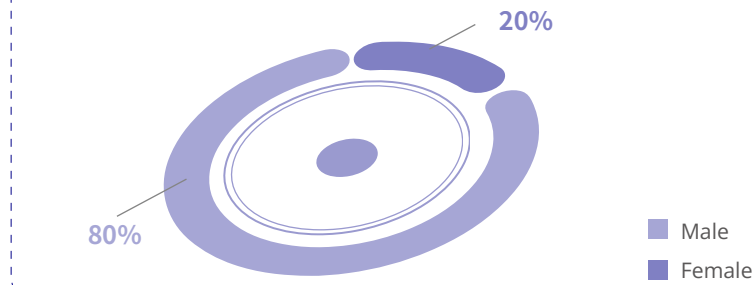
20 % of whom were female

80 % male

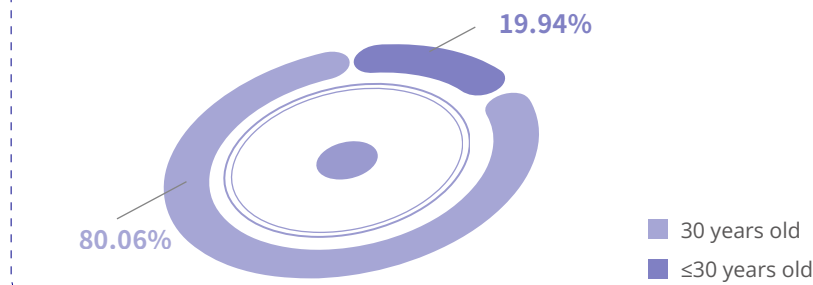
Honghua Group adheres to the principle of diversity throughout its recruitment process and emphasizes the diversity of talents. The Company has operations in many countries and regions around the world and fosters a diverse and international workforce. At the same time, the Company actively adapts local employment policies, offering competitive compensation and benefits packages for local employees, and providing employees with opportunities for international experience to accumulate international working experience.



Workforce structure by gender



Workforce structure by age group



Employee Communication

Honghua Group attaches great importance to employee communication and democratic management. Its established communication channels facilitate employee engagement in decision-making and operational management through mechanisms such as staff representative meetings. During the reporting period, the Company held the Second Session of the Third Staff Representative Meeting, which comprehensively summarized Honghua Group's performance in 2024 and outlined key tasks for 2025, as well as communicated operational conditions and development plans, and addressed employee concerns.



The Company held the the Second Session of the Third Staff Representative Meeting

Case

Honghua Group held a mid-autumn reading and discussion session and employee representatives seminar to explore the development direction

On September 13, 2024, Honghua Group convened a Mid-Autumn Festival reading and discussion session, and employee representative seminar. 25 employee representatives—including experts, united front work personnel, women in innovation, and young professionals—participated. Wang Xu, Secretary of the Party Committee and Chairman of the Board, was in attendance and Lv Lan, Vice President acted as the moderator.

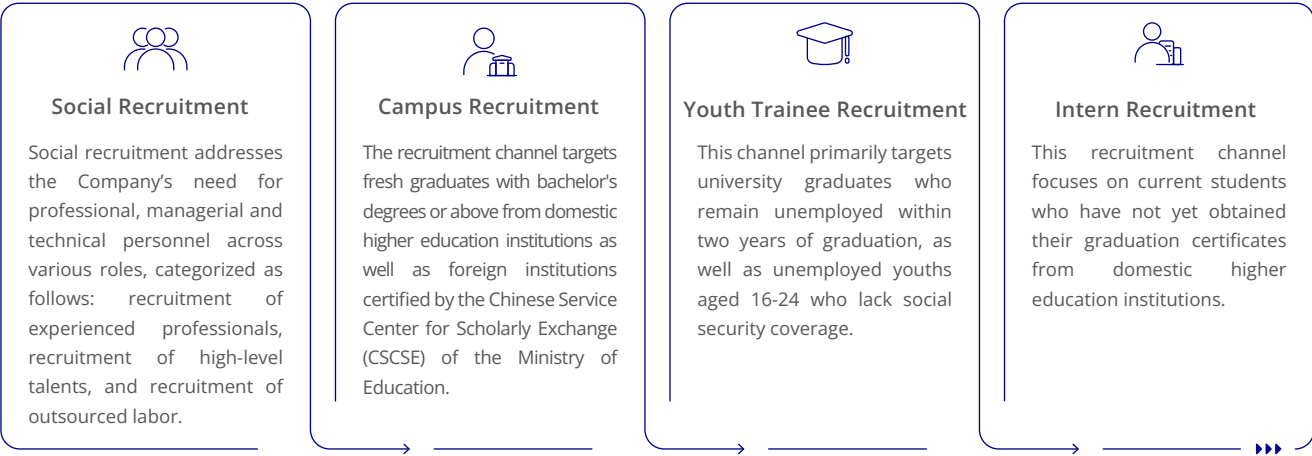
Participants' collective expertise, informed by practical work experience, provided valuable input on enterprise development, scientific and technological innovation, deep reforms, and initiatives to reduce burdens at the grassroots level. In a relaxed atmosphere, they jointly discussed how to explore pathways towards achieving growth and contribute to sustainable, high-quality development.



The Company held a mid-autumn reading and discussion session and employee representative seminar

Talent Acquisition and Retention

To address business objectives and current talent needs, Honghua Group developed and implemented the *Talent Acquisition Management Rules and Internship Management Rules*. The Company optimized human resource planning and widely attracted talents with different backgrounds, professions and work experiences through a variety of channels, such as social recruitment, campus recruitment, trainee programs and internship opportunities.



The Company's talent recruitment channels

The Company has established industry-university partnerships with multiple universities, creating a comprehensive multi-tiered collaboration framework for talent development and scientific innovation. At present, the Company has reached strategic cooperation agreements with nearly ten institutions, including the University of Electronic Science and Technology of China, China University of Petroleum (East China), Southwest Petroleum University, Chongqing University of Science and Technology, Chengdu University of Technology; the Company has jointly implemented apprenticeship order-based joint training program with Sichuan Polytechnic University, and Sichuan Aerospace Vocational College; the Company has developed Dual-Track Engineering Master's Program with the Ocean University of China; the Company also collaborated with Southwest Petroleum University through the joint International Technical Service Engineer (ITSE) program. In addition, in order to attract more high-level talent, the Company has actively promoted talent acquisition platforms and was formally approved as a National Post-Doctoral Research Workstation in 2024. This accreditation represents a significant milestone in scientific platform development and high-caliber talent cultivation, demonstrating its innovation and R&D capabilities in oil/gas drilling equipment technology.

Case Honghua Group launched an order-based joint training program with universities to help cultivate high-quality skilled talents

Honghua Group has initiated an order-based joint training program with Sichuan Polytechnic University and Sichuan Aerospace College aimed at fostering skilled talent development. Both sides jointly designed talent cultivation programs and set up curriculum systems that align with the real-world needs of enterprises. This ensures that the educational content and skills acquisition in academic settings are directly relevant to industry requirements.

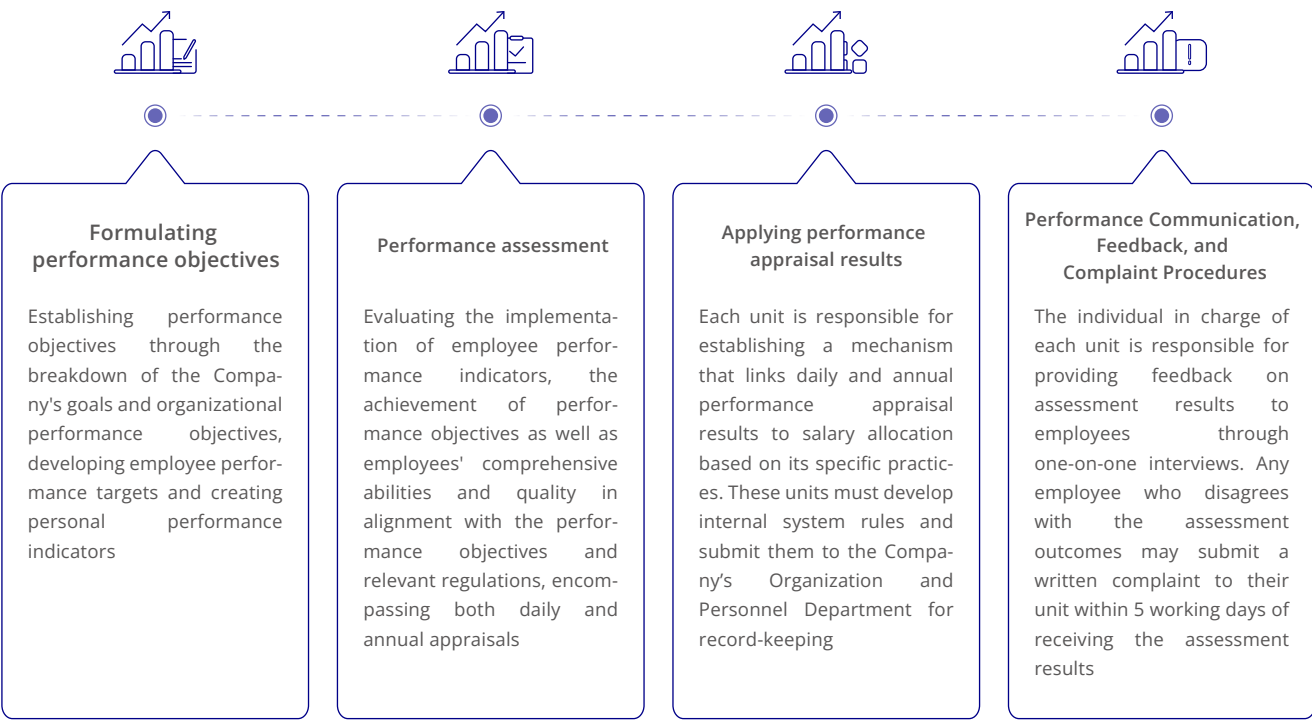
The Company also offers internships and job placements to students enrolled in these specialized programs. This initiative not only allows students to gain practical work experience but also fulfills the enterprises' need for highly skilled personnel.

Employee Remuneration and Benefits

Honghua Group actively adheres to international standards and initiatives such as the *United Nations Universal Declaration of Human Rights and the Core Conventions of the International Labor Organization*. The Company strictly complies with key Chinese legislation including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law*, and the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, among others. This adherence ensures comprehensive protection of employees' legal rights and interests. Additionally, Honghua Group proactively implements competitive salary structures and benefit systems to foster a conducive working environment and provide job security, consistently expanding its employee care initiatives.

Employee Remuneration

Honghua Group has developed the *Employee Performance Management Measures* to create a unified, standardized, and scientifically grounded system for employee motivation and accountability. This mechanism facilitates the effective execution and realization of the Company's strategic and operational goals, while also providing a comprehensive and objective assessment of employee performance and capabilities. Additionally, the Company has introduced a project-based profit-sharing scheme, broadening the scope of medium- and long-term incentives, with a particular focus on increasing the incentive coverage for technical staff. Furthermore, a five-year project incentive program has been instituted to foster employee motivation and creativity via a sustained incentive framework.



Employee performance management process

Employee Benefits

Key Performance

During the reporting period, Honghua Group achieved a comprehensive social insurance coverage rate of

100% for its employees

Honghua Group has established a sound remuneration and benefit system and has formulated the *Regulations on the Management of Employee Benefit Expenses*, which delineate the items and processes for managing employee benefits. The Company offers a variety of benefits, including meal allowances, travel reimbursements for filial leave, relocation expenses for new hires, and collective welfare facilities. Additionally, female employees receive allowances for sanitary products, ensuring protection and convenience in all aspects of their work and personal lives. Beyond the five mandatory insurance and housing fund policies required by law, the Company also provides supplementary medical insurance and accidental injury coverage to safeguard the health and safety of its employees. Furthermore, Honghua Group has implemented internal management systems such as the *Labor Contract Management Regulations and the Employee Attendance and Vacation Management Regulations*. These policies ensure that employees are entitled to annual leave, sick leave, filial leave, marriage leave, parental leave, and other statutory holidays, including maternity and breastfeeding leave for female employees, thereby facilitating a better work-life balance.

Employee Care

Honghua Group places a significant emphasis on employee well-being, aiming to deliver warmth among its workforce. During festive occasions and employees' birthdays, the Company offers holiday and birthday benefits, allowing employees to select gifts from e-commerce platforms like JD, with delivery facilitated through welfare points. Moreover, the Company has instituted a support mechanism to help disadvantaged employees. Through its labor union, the Company assists employees and their families facing health issues or significant life changes, providing financial aid in the form of employee relief funds or hardship subsidies.

In response to extreme weather conditions, such as high heat, the Company modifies work schedules to minimize the hours of exposure to heat and increase high-temperature subsidies. Additionally, for employees engaged in outdoor or workshop settings, the Company supplies heat-prevention amenities, including cool beverages and honeysuckle tea, to ensure their safety, thereby fostering a greater sense of identification and satisfaction among the workforce.

Case Honghua Group held a Summer Child Care Program for employees to practically address the challenge of caring for children

In July 2024, Honghua Group officially launched its summer childcare program for employees' children at the Guanghan Campus of Navia Nursery School and the Love Cube Growth Center. The opening ceremony was attended by 30 children of employees, along with parent representatives and teachers who had registered for the program.

The summer childcare program aims to address the significant challenge of caring for children during the holidays, providing a conducive educational environment for employees' children. Furthermore, it allows employees to focus on their work with greater peace of mind, thereby achieving a work-family balance win-win.



The Company offers a summer childcare program for employees

Employee Satisfaction

Honghua Group consistently undertakes quarterly satisfaction surveys, and ensure a 100% coverage rate of the survey among its employees. In addressing the critical issues identified in these surveys, the Company has implemented proactive measures to unify the canteen dining system, install charging devices for employees' vehicles, and develop recreational facilities for employees. Concurrently, the Company has optimized various operational aspects, including streamlining meetings, simplifying process approvals, and reducing administrative burdens at the grassroots level, which notably enhances work efficiency and employee experience.

Employee Development and Training

Honghua Group places significant emphasis on employee development and training, striving to facilitate a personalized growth trajectory and expansive career advancement opportunities for each employee, which is realized through a multifaceted development framework and an exhaustive training system, to effectively support employees' professional growth and career progression.

Employee Development

Honghua Group has instituted a "1 2 N" talent development framework, which facilitates an organic synergy among employees' career progression, personal value realization, and the pursuit of life aspirations. Concurrently, the Company employs a competency evaluation system and technical tools to identify exceptional talents. This approach not only furnishes employees with extensive learning and development prospects but also effectively catalyzes their potential, fostering mutual growth between the Company and its workforce.



Employee development model

Moreover, Honghua Group has implemented an internal competitive recruitment framework, enabling employees to engage in internal job competitions based on their individual career plans. Additionally, the Company has established mechanisms for internal job postings and interdepartmental exchanges, including increased interaction between R&D, technology, marketing, and other departments, to significantly broaden employees' professional perspectives and augment their multifaceted skills. These initiatives have cultivated an internal ethos that positions are earned through capability, thereby fostering optimal human resource allocation and invigorating the dynamism of the talent pool.

Employee Training

Honghua Group prioritizes talent training and implements internal management systems including the *Employee Training Management Regulations* and the annual training plan 2024 to supervise and evaluate the training completion rates. The Company's approach to talent cultivation is articulated through the principles of "on-boarding orientation for new employees," "assisting high-potential employees to advance," and "laissez-faire approach to exceptional performers." During the reporting period, Honghua Group conducted an array of training initiatives, engaging 13,925 employees.

Moreover, the Company has established collaborative training programs with academic institutions for individuals pursuing master's degrees and doctoral qualifications in engineering, fostering an environment conducive to further education. Meanwhile, Honghua Group promotes self-directed learning by instituting the *Management Measures for the Reward of Self-Learning* to incentivize employees to enhance their academic credentials, professional titles, professional skills, language skills, and vocational certifications. This initiative also integrates employees' titles and skills into the Company's promotion criteria and offers financial incentives for those who attain recognized technical titles or qualifications.

Training Program Preparation

In December of each year, the Organization and Personnel Department, in collaboration with various departments and subsidiaries, conducts a survey to assess training needs based on production and operational targets as well as the career development requirements of employees for the upcoming year. Each department and subsidiary then formulates training projects and budgets, completes the Employee Education and Training Plan, and submits it to the Organization and Personnel Department.

Training Program Implementation

- For internal training, the training organizer prepares a training implementation plan to conduct training sessions, teaching, outward bound, practical exercises, and related activities in accordance with the training program.
- For external training, employees may participate in programs organized by the Ministry of Human Resources and Social Security or similar organizations to enhance vocational qualifications or professional skills.

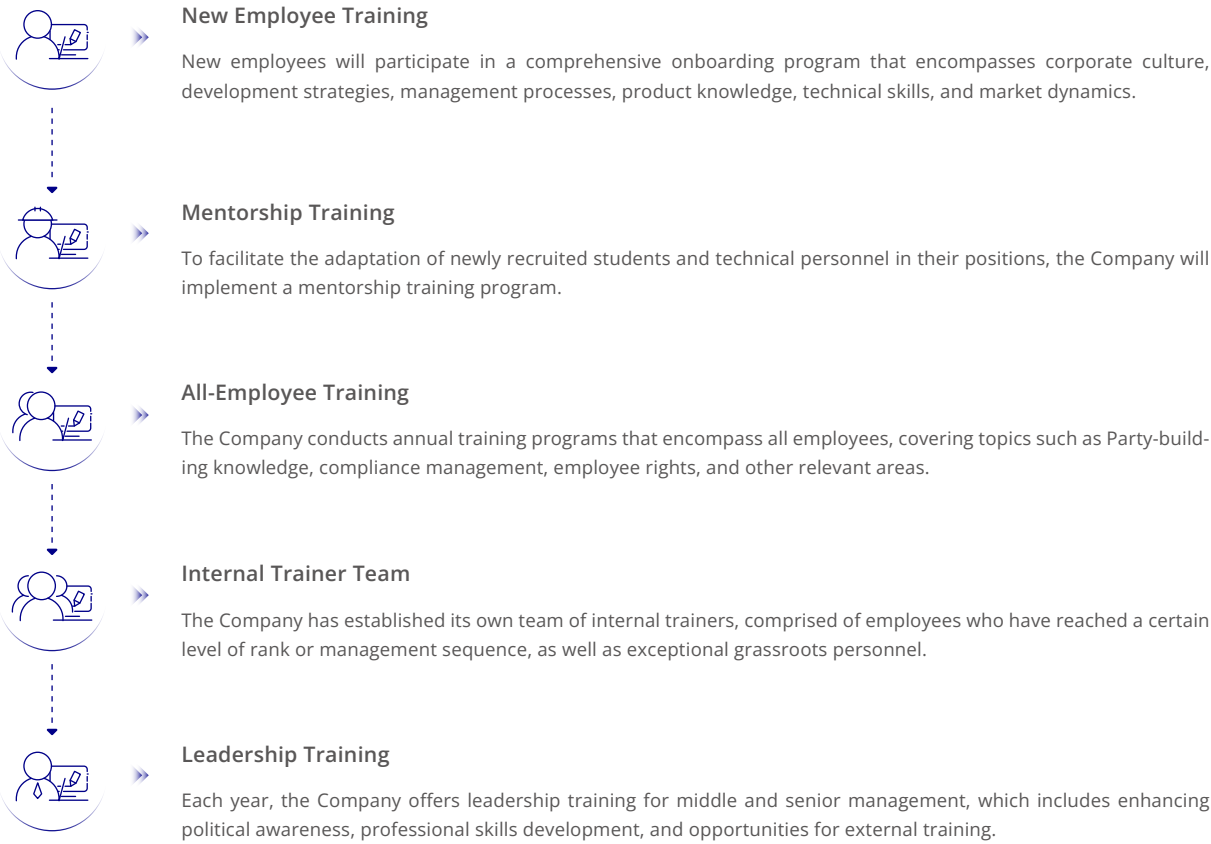
Evaluation of Training Results

The training organizer is responsible for evaluating each training project upon its completion to optimize training quality and effectiveness.

Assessment on Training Initiative

At the end of December each year, the Organization and Personnel Department organizes an assessment of the training initiatives conducted throughout the year by all departments and subsidiaries.

Employee training program management process



Employee training curriculum system

Case Honghua Group organizes orientation training to help new employees adapt to the new workplace environment

In July 2024, Honghua Group conducted a nine-day orientation training for new employees, encompassing the Company's various business segments, quality management principles, compliance regulations, confidentiality policies, and an engaging lecture on the requirement of integrity and corporate culture. During his welcoming speech, Zhu Hua, Vice Secretary of the Party Committee and President of the Company, extended a heartfelt welcome on behalf of the management and all employees, provided an overview of the Company's foundational background and developmental history, and offered guidance on how new employees can effectively integrate into the dynamic work environment.

The Company fully fosters employee growth and development, assisting them in enhancing their professional skills and overall competencies, clarifying their career development plans, and implementing diverse measures to strengthen their sense of career direction and teamwork.



The Company held the graduation ceremony for new employee training in 2024

Case Honghua Group held language training for employees to enhance their overall competence

In October 2024, Honghua Group conducted the graduation ceremony for its language training program 2024. Attendees included Yang Qiang, Deputy Secretary of the Party Committee and Chairman of the Labor Union, Deng Meng, Secretary of the Party Committee of the School of Foreign Languages at Chengdu University of Technology, along with leaders from the Organization and Personnel Department and representatives from the units where the trainees were employed. Over 60 individuals, comprising trainees from both the English and Russian language courses, participated in the graduation ceremony.

Honghua Group is committed to the strategic principle of “Led by Talent.” Aligning its international development goals with the enhancement of its employees’ comprehensive capabilities, the Company bolsters its capacity for global market expansion and refining its industrial strategy.



Honghua Group held language training for employees

Case Honghua Group organized manager upskilling training to provide talent support for sustainable and high-quality development

In pursuit of sustainable and high-quality development, Honghua Group, in accordance with its annual training plan 2024, conducted the manager upskilling program for junior management staff on May 10-11, 2024. This initiative involved 65 junior managers from diverse departments and subsidiaries.

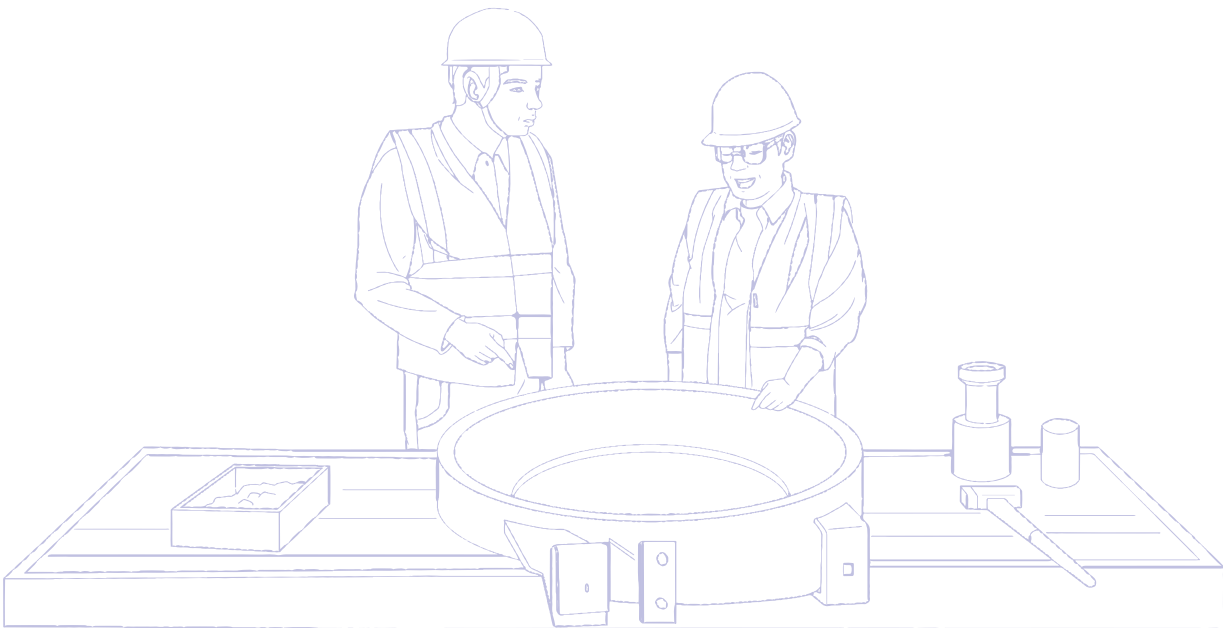
The Company views this training as a pivotal opportunity to elevate the organization of employee training. It aligns with the Company’s unified deployment, and focuses on strategy execution and operational management requirements, and reinforces the comprehensive development and skill enhancement of various employee categories. This initiative is designed to foster the creation of a high-quality talent pool, thereby providing robust support for the Company’s high-quality development.



The Company organizes training for junior managers to improve their capability to manage

Indicator		2024
Investment in employee training		4.37 Million RMB
Number of employees trained		13,925
Number of training sessions		483
Average hours of employee training		65 Hours
Employee training coverage by gender	Male	100 %
	Female	100 %
Employee training coverage by employee category	Management	100 %
	Middle-ranking staff	100 %
	General staff	100 %
Average hour of training by gender	Male	70 Hours
	Female	58 Hours
Average hours of training by employee category	Management	70 Hours
	Middle-ranking staff	62 Hours
	General staff	54 Hours

Employee training in 2024



Fortify Safety Baseline

Honghua Group has consistently prioritized “zero accidents, zero occupational diseases, and zero injuries” as its long-term safety objective. The Company has implemented comprehensive safety management measures to mitigate potential safety hazards effectively within the workplace. It places significant emphasis on enhancing employees’ occupational health awareness, and fosters an environment where the culture of safety is actively promoted and fully embraced by all employees. Through the ongoing optimization and enhancement of its occupational health and safety protocols, the Company provides a safer and healthier work environment for all employees. In 2024, Honghua Group invested RMB 20.35 million in workplace safety.

EHS Management System

Honghua Group has developed a robust Environment, Health, and Safety (EHS) management system, and established a Quality, Safety, and Environmental Protection Department. The Company seamlessly integrates environmental management, occupational health, and safety protocols to maximize employee health and safety throughout the production process. The Company has consistently escalated its investment in safety hazard management to mitigate risks effectively. In May 2024, Honghua Group successfully passed the annual external audit of the ISO 45001 Occupational Health and Safety Management System, thereby ensuring the robust operation of its safety management framework.



ISO 45001 occupational health and safety management system certification

Occupational Health and Safety Management

Each year, Honghua Group establishes occupational health and safety targets and implements stringent control measures. The Company promotes thorough supervision and inspection, identifies and classifies hazardous sources, manages hidden risks, and conducts occupational health checkups. The Company enforces management protocols for high-risk operations, including lifting operations, hot works, confined space work, and work at heights. Furthermore, the Company monitors the completion of these targets on a quarterly basis to ensure that occupational health and safety objectives are effectively met. In 2024, the Company achieved 100% of its occupational health and safety targets.

Occupational Health and Safety Targets 2024	Target Progress
Zero workplace safety accidents resulting in serious injuries or fatalities	Target achieved
Zero major fire incidents causing significant property damage	Target achieved
Zero major occupational disease incidents	Target achieved
No violations of safety and environmental protection regulations, administrative penalties, or being cited as a typical case of non-compliance by regulatory authorities	Target achieved

To further safeguard the achievement of occupational health and safety targets, Honghua Group has developed the *Three-Year Action for Workplace Safety and Remediation of Deep-Rooted Issues*, designating 2024 as the Year of Tackling Hidden Dangers. This initiative emphasizes the eradication of major latent accidents, the prevention and management of major safety risks, and targets critical sectors such as engineering construction, hazardous chemicals, special equipment, specialized operations, and fire safety during production processes. The Company employs comprehensive strategies, including technological enhancements, engineering safeguards, and management improvements, to intensify the investigation of hidden dangers, bolster remediation efforts, and comprehensively mitigate major safety risks.

Occupational Health and Safety Management Measures

- ◆ The Company deepens the identification and control of hazardous sources, identifying safety risks and potential hazards across production processes, equipment, facilities, operating environments, and personnel behavior. New business ventures are subjected to rigorous risk assessment and control measures, with business departments being supervised to enhance their qualifications and establish robust management systems and operating procedures tailored to engineering and construction activities.
- ◆ The Company conducts in-depth investigations into hidden dangers, strengthens on-site safety management, issues annual safety and environmental protection guidelines, and breaks down key tasks to ensure thorough investigation and management of these hidden dangers.
- ◆ Special investigations and rectifications are implemented for major accident hazards, with a specific focus on gas safety. Daily and annual inspections of natural gas alarm devices and automatic shut-off valve devices are organized to ensure compliance.
- ◆ Risk control for high-risk operations is fortified, including the establishment and improvement of a management system for dangerous operations, optimization of control processes, and strict adherence to the approval process for dangerous operation permits.
- ◆ The R&D, product research, and process departments are urged to implement 32 safety improvements in process design to enhance overall safety.
- ◆ Continued efforts are made to promote intrinsic safety improvements, with 16 enhancements in technology design and 4 for equipment.
- ◆ A special rectification project is launched to address safety in lifting and hoisting operations, resolving 20 intrinsic safety issues in the optimization of process design for workpiece lifting and flipping and completing rectification of 31 homemade slings.
- ◆ A project for the inspection and testing of equipment and facilities is initiated, with a comprehensive management list for fire protection facilities established, and statistics compiled on 73 fire prevention areas and 627 management details.
- ◆ A special management action is launched to regulate the storage and use of dangerous chemicals across various regions and conduct inspections according to the list, including roof replacements, wall painting, 6S cleaning, and ditch cover plate replacements at storage sites of dangerous chemicals. Safety display boards and various signs are also planned and updated.
- ◆ Efforts to improve transportation safety continue, with clear system requirements, management norms, and enhanced on-site supervision and management.
- ◆ The Company continues special management over the contracted units and includes contracted units in its safety management system.

Occupational Health & Safety Training

Honghua Group has significantly enhanced the safety awareness and self-protection skills of its employees through ongoing safety training and outreach initiatives. Concurrently, the Company has developed a comprehensive emergency response plan designed to address occupational health and safety incidents, effectively mitigating risks and minimizing the adverse impacts of emergencies in the workplace. The Company actively conducts safety drills and organizes regular events, such as “Month of Workplace Safety” and “Month of Firefighting and Production” which facilitate the timely prevention and control of occupational health hazards, thereby minimizing the damage of accidents to employees' safety and health to the greatest extent possible and safeguarding normal production and operations. Furthermore, the Company routinely prepares flood control materials, performs necessary repairs and maintenance, and conducts flood control drills to ensure operational safety during flood seasons.

Case Honghua Group launched the “Month of Workplace Safety” to enhance safety during production



On June 4, 2024, Honghua Group held the kick-off ceremony for its “Month of Workplace Safety” initiative in 2024 at its Guanghan base. The Quality, Safety, and Environmental Protection Department introduced a program centered around the theme “Everyone Emphasizes Safety, Everyone Knows How to Respond to Emergencies - Strengthen Lifesaving Systems.” This program includes activities that promote the significant safety principles articulated by General Secretary Xi Jinping, specialized training for high-risk operations, inspections on outsourced projects, and a comprehensive search for potential hazards within the Company, as well as emergency evacuation drills “Strengthen Lifesaving Systems”.



Honghua Group conducted the “Month of Workplace Safety”

All departments and subsidiaries of Honghua Group, while considering their specific operational contexts, launched a variety of “Month of Workplace Safety” activities. Through cultural empowerment, these initiatives are designed to strengthen the foundational aspects of workplace production, improve the detection and management of hidden risks, enhance emergency response capabilities, and establish a long-term safety management mechanism.

Indicator	2024
Number of training sessions	4,154
Number of employees trained	76,462
Employee training coverage	100 %
New employees receiving safety training coverage	100 %
Number of safety/emergency drills	1,366
Number of participants in safety drills	24,919
Number of fire drills	194
Cumulative number of fire drill participants	4,585

Occupational health and safety training in 2024

Control of Occupational Diseases

Honghua Group adheres to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, as well as other relevant laws and regulations. The Company actively monitors occupational disease hazards, conducts regular testing of these hazards in the workplace, and publicizes the test results. Additionally, Honghua Group offers comprehensive occupational health checkups for its employees, including pre-employment, on-the-job, and off-the-job assessments to establish health records for employees and regularly monitor their health conditions. Furthermore, the Company has initiated the Week of Promoting Occupational Disease Prevention and Control Law alongside various occupational health awareness activities to enhance employees' understanding of protective measures. If employees' health condition is deemed unsuitable for their current position, the Company facilitates a transfer process, ensuring that they can work in a suitable environment. During the reporting period, 3 employees successfully applied for job transfers due to health issues.

Case Honghua Group organized Week of Promoting Occupational Disease Prevention and Control Law to protect employees' occupational health



From April 25 to May 1, 2024, Honghua Group conducted a publicity campaign for the Occupational Disease Prevention and Control Law, centered on the theme “Emphasizing Prevention as the Core of Occupational Health Protection.” The campaign utilized various methods, including distributing posters, displaying banners, and employing LED screens and multimedia classrooms to raise awareness among employees. Concurrently, training was provided for frontline employees and those exposed to occupational disease hazards, covering relevant laws and regulations, workers' rights and obligations, common occupational diseases, and preventative measures. Additionally, the Company invited experts in occupational disease control from Guanghan Luokang Hospital to conduct lectures on occupational health for frontline employees. A total of 240 employees participated in these relevant lectures.



The Company conducted training on occupational health and safety for employees

Physical and Mental Care for Employees

Honghua Group emphasizes the importance of both the physical and mental health of its employees, alongside fostering a culture of humanistic care. The Company is dedicated to creating a harmonious, warm, and dynamic working environment. By scientifically organizing work tasks and regularly hosting a variety of cultural and sports activities, Honghua Group supports employees in achieving a work-life balance, effectively mitigating the physical and mental stress associated with their roles.

The leadership team frequently engages with employees on the front lines, facilitating face-to-face communication to understand their concerns and address practical issues related to both work and personal life promptly. Particularly during extreme heat conditions, the Company prioritizes employee well-being by implementing flexible work hours, increasing the high-temperature subsidy rates, and providing cooling beverages and heat-prevention supplies to ensure that employees work in a safe and comfortable environment. These initiatives not only safeguard employee health but also significantly enhance their sense of recognition and satisfaction.

Case The Company's leadership visited frontline employees, solidifying the foundation of workplace safety

On May 1, 2024, Wang Xu, Secretary of the Party Committee and Chairman of Honghua Group, along with Zhu Hua, Deputy Secretary of the Party Committee and President of Honghua Group, visited the parts and components workshop to extend their greetings to employees who remained dedicated to production and operations during Labor Day. They also conducted an investigation into the progress of lean production initiatives, focusing on aspects such as the implementation of lean production principles, material placement, product protection, and cleaning and hygiene practices, while conducting a thorough assessment of workplace safety during the holiday.

This visit and survey not only demonstrated the leadership's concern for frontline employees but also served to further motivate all staff members. The Company remains committed to a people-oriented management approach, striving to enhance its lean management practices, reinforce the foundations of workplace safety in production, and ensure robust support for the Company's high-quality development.



The Company's leaders visited the frontline employees

Case Honghua Group launches "Sending Coolness" initiatives to provide relief and care to frontline employees

To safeguard the safety and health rights of workers and protect their labor in high-temperature conditions, Honghua Group initiated a series of "Sending Coolness" activities aimed at providing relief and care to employees who remained dedicated to their roles on the frontline.

Yang Qiang, Deputy Secretary of the Party Committee of the Company, distributed cool beverages, watermelons, and other refreshing supplies, along with freezers for frontline employees. He commended their resilience in combating high heat and encouraged frontline departments to assess the production situation and develop effective measures for preventing heatstroke. Additionally, he urged the provision of adequate heatstroke medications, reasonable arrangements for working and resting hours, and reinforced safety measures to ensure the successful completion of production tasks with high quality and efficiency.



Honghua Group launches "Sending Coolness" initiatives

Case Honghua Group hosts "Ever Forward with Us" New Year Gala

On December 30, 2024, Honghua Group held the "Ever Forward with Us" New Year Gala, with enthusiastic participation from employees across all departments and business units. The gala took the audience on a journey through time—looking back to invite past pioneers to witness today's thriving achievements, while also gazing into the future with ambition and hope. This showcased Honghua's unwavering determination to reclaim industry leadership, embodying a spirit of perseverance and forward momentum. The event was filled with laughter and jubilation, radiating a festive atmosphere.

The gala concluded with a rousing chorus of the company anthem, "The East of the World", followed by "We Are Marching on the Grand Road". Through these powerful melodies, employees expressed their best wishes for the company, reaffirmed their mission and gratitude, and demonstrated their resolute commitment to unite and strive for a new chapter of sustainable, high-quality development at Honghua Group.



"Ever Forward with Us" New Year Gala

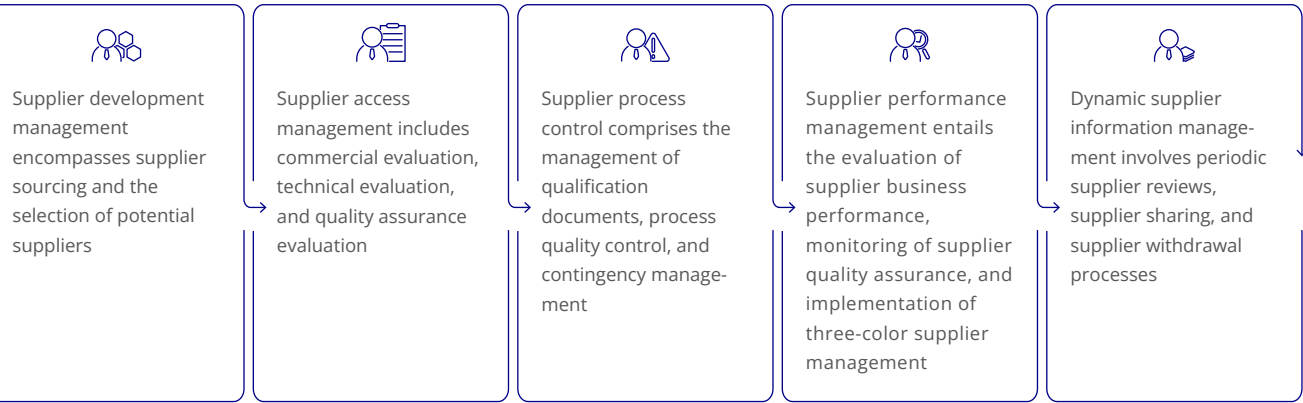
Building Responsible Supply Chain

Honghua Group has consistently prioritized responsible supply chains as a fundamental component of its corporate development. By implementing stringent supplier management measures, providing professional training for suppliers, and collaborating with them in the ESG (Environmental, Social, and Governance) realm, Honghua Group is dedicated to establishing a transparent, efficient, and sustainable supply chain management system. This approach not only supports the high-quality development of the Company but also advances the broader industry. During the reporting period, the total number of suppliers for the Company reached 3,186⁵

Supplier Lifecycle Management

Honghua Group has established internal management systems, including the “Administrative Procedures for Suppliers,” to ensure standardized and efficient supply chain management. The Company employs rigorous supplier lifecycle management, encompassing supplier development, access, process control, performance evaluation, and supplier pool management.

Supplier access is overseen by contractors in the procurement department, who propose potential suppliers that meet the criteria for access evaluation. They also organize document evaluations and source assessments based on factors such as the supplier's significance, basic qualifications, and the scope of new or expanded items. Suppliers that successfully pass these evaluations are incorporated into the supplier management system. Additionally, the Company conducts dynamic management of suppliers, removing unqualified ones from the supplier pool based on the results of regular evaluations, thereby ensuring the stability and compliance of the supply chain. These measures not only enhance the Company's supply chain management but also provide a solid foundation for its sustainable development.



Supplier lifecycle management process

Responsible Procurement

The Group not only emphasizes its performance in social responsibility but also actively encourages its suppliers to advance in environmental protection, labor rights, and business ethics. To support this objective, the Company has established management frameworks, such as Management Regulations on Purchasing, which advocate for the priority use of green raw materials and the reduction of overall resource consumption. Regarding packaging materials, the Company encourages suppliers to prioritize environmentally friendly options, promotes the adoption of recyclable and biodegradable materials, and enhances the utilization rate of packaging materials. Moreover, the Company has reinforced its legal advocacy for the protection of labor rights among its suppliers by incorporating additional provisions related to labor rights protections in its supply terms and conditions.

Additionally, the Company actively participates in state procurement management initiatives, promotes “Transparent Purchasing,” and strives to develop a clean and transparent supply chain system. In conjunction with launching integrity training and educational activities for suppliers, the Company has signed integrity agreements and discipline commitments with them to ensure that both parties uphold integrity throughout their collaboration. During the source audit in the supplier access process, the source auditor sends a letter of cleanliness and discipline to suppliers to mitigate risks at the source.

Furthermore, the Company routinely organizes supply chain conferences and supplier training activities to enhance the transparency and management efficiency of the supply chain, reinforce suppliers’ compliance awareness, and promote the sustainable development of the overall supply chain. Specifically, the Company provides specialized ESG training for new suppliers, which includes business ethics, environmental protection, human rights, and other multifaceted requirements, thereby improving suppliers’ compliance levels and their sense of social responsibility across various dimensions.

In addition to supplier training, the Company also offers regular training for its internal procurement personnel, particularly for new recruits as well as employees transitioning to different positions. This training addresses environmental protection, labor rights, and business ethics, ensuring that relevant employees possess the essential ESG knowledge and uphold ethical standards.

Case

Honghua Group hosted Supply Chain Conference 2024 to explore new models for industry synergy development

In December 2024, Honghua Group convened the Supply Chain Conference 2024, bringing together over 180 attendees from more than 70 suppliers in Guanghan. The primary objectives of the conference were to examine emerging policies, trends, and technologies in supply chain management, identify new models and pathways for synergistic industry development, and collaboratively establish a high-quality, stable, value shared, and transparent supply chain system.

Concurrent with the conference, sub-forums were held focusing on Honghua Group's new products, localized supporting facilities, and quality improvement initiatives. Suppliers engaged in active discussions about enhancing the resilience and quality of the industrial supply chain and provided constructive suggestions for the future development of supply chain infrastructure.



The Company convened the Supply Chain Conference 2024

The Company is committed to fostering long-term and stable relationships with exceptional suppliers through three key initiatives: adopting a dumbbell operation mechanism, building a collaborative and efficient lean supply chain system, and implementing a supplier toolkit and support framework. These efforts aim to promote close cooperation between upstream and downstream enterprises, thereby facilitating the development of a robust supply chain ecosystem.

⁵ The supplier base has expanded significantly this year, following the completion of system integration with the Group and a comprehensive consolidation of supplier resources.

Empowering Industry Development

Honghua Group attaches importance to cooperation and collaboration within the industry. Leveraging its strengths in technological innovation, the Company actively engages with government entities, industry organizations, and research institutions to promote the establishment of industry standards and guide the sector toward coordinated development and advancement.

Facilitating Industry Development

In 2024, the Company responded proactively to the industry's call by actively participating in several influential conferences focused on industry development, including the China International Oil and Gas Exploration Technology Annual Conference, the 8th National Petroleum and Petrochemical Equipment Industry Base Construction and Development Conference, the China Petroleum and Petrochemical Engineering and Construction Technology Innovation Conference and Green Transformation and Digital Intelligence Empowered High-Quality Development Forum, and the 2nd Petroleum and Petrochemical Carbon Neutrality Conference. During these events, the Company delivered keynote speeches, sharing advanced industry insights and technological innovations, thereby contributing significantly to the promotion of industry progress, transformation, and upgrading. Furthermore, the Company joined the Coiled Tubing Engineering Committee of the Chinese Petroleum Society this year to explore the latest technological trends and application prospects in the field, aiming to enhance the overall technological capacity of the petroleum and petrochemical industry in China and improve its international competitiveness.

Additionally, the Company plays a crucial supporting role as a provincial-level supply chain business and collaborates with Guanghan City to apply for the project - Pilot County of Industrial Technology Transformation in Sichuan Province. By focusing on intelligent reform and digital transformation, the Company leads both upstream and downstream enterprises in the industrial chain towards coordinated upgrades and transformations, fostering the development of geese-array industrial clusters to implement an industry-leading strategy. Furthermore, the Company actively fulfills its responsibility as a centrally-administered state-owned enterprise serving society by jointly applying for the project - Municipal Industry and Education Consortium in Sichuan Province with the Deyang Hi-Tech Zone and Sichuan Aerospace College. This initiative seeks to deepen the integration of industry and education, promoting the organic convergence of the education chain, talent chain, industry chain, and innovation chain, thereby injecting new vitality and momentum into the development of the regional economy and society.

Case

Honghua Group participated in International Oil & Gas Industry Exhibition to showcase innovations to global partners

In November 2024, the Abu Dhabi International Petroleum Expo and Conference (ADIPEC) was held in Abu Dhabi, the capital of the United Arab Emirates (UAE). ADIPEC is recognized as one of the largest and most influential oil and gas professional exhibitions globally. As a leading company in high-end energy equipment manufacturing, Honghua Group showcased its innovations at the exhibition. The Company utilized Augmented Reality (AR) technology to present its latest achievements in key areas such as onshore oil equipment, offshore equipment, total solutions for electric fracturing, digitalization, and new energy technologies and share the newest progress and its future plans in energy equipment manufacturing with global customers and partners.

During the exhibition, the Ambassador of China in UAE visited Honghua Group's booth, where he was briefed on the Company's series of high-end oil and gas equipment products, its industrialization efforts in overseas services, and projects in the Middle East. The Ambassador inquired in detail about the development of smart rigs and other technologies, fully affirming the Company's contributions to the Belt & Road initiative.



The Company attended the ADIPEC

Drafting and Revising Standards

As of the end of the reporting period, the Company has led and participated in the drafting and revision of a total of 82 standards, which include 23 national standards, 44 industry standards, 2 local standards, and 13 group standards. In 2024, the Company published an additional 10 new standards, which included national, local, and group categories. The specific list of standards is provided below.

Standard No.	Name	Type
GB/T 43800-2024	Electrical and electronic installations in ships—Electromagnetic compatibility(EMC)—Ships with a non-metallic hull	National standards
GB/T 21477-2024	Ships and marine technology—Fire resistance of non-metallic hose assemblies and non-metallic compensators—Test methods	National standards
DB 5106/T 32-2024	Energy efficiency optimization specification for mechanical processing process route of large components	Local standards
T/CPSI 01103-2024	Technical specification for remanufacturing and upgrading of electrical control system in rig	Group standards
T/CIET 486-2024	Evaluation criteria for digitalization inmechanical manufacturing enterprises	Group standards
T/CIET 513-2024	Guidelines for the application of digital technology in industrial electrification	Group standards
T/CPI 11026-2024	Technical specifications for the supporting infrastructure and application of fully electric fracturing equipment	Group standards
T/CPI 11025-2024	Technical specifications for ZJ70/4500DB drilling rigs	Group standards
T/CANSI 150-2024	Anti-corrosion wave-absorbing coatings for steel towers of offshore wind turbines	Group standards
T/SSEA 0417-2024	High strength low temperature resistant hot rolled h-steel	Group standards



Enhance Social Welfare

Recognizing the intrinsic connection between corporate growth and social prosperity, the Group has consistently emphasized the integration of economic benefits with social responsibilities. It has placed significant importance on and robustly supported the development of local communities and underdeveloped regions. The Company actively engages in educational support, volunteer services, and various public welfare activities to foster local development and enhance community well-being. Furthermore, the Company organizes annual community volunteer initiatives, focusing on assisting underprivileged individuals by providing warmth and care, thereby exemplifying its commitment to corporate citizenship.

Case The volunteering service - “Walking with Love - Warming up the People in Common Love”

In March 2024, a group of young volunteers from the Youth League Committee of Honghua Group visited the Common Love Elderly Service Center in Guanghan to jointly organize the “Walking with Love - Warming up the People in Common Love” Learn-from-Lei Feng Volunteer Service Activity. This event aimed to respond to the call for learning from Lei Feng and to exemplify a new model of “cooperation between centrally-administered state-owned enterprises and social organizations,” highlighting the proactive role of young individuals from centrally-administered state-owned enterprises in fulfilling their social responsibilities.

The service team established a collaborative service team with party members, volunteers, and staff from Common Love Elderly Service Center, forming two distinct groups: the Comprehensive Environmental Management Volunteer Service Group and the Entertainment and Interaction Group. The Comprehensive Environmental Management Volunteer Service Group was tasked with cleaning and improving the surrounding environment of the center to ensure safety during the rainy season and to enhance the overall environmental quality of the area, thereby creating a safer and tidier living environment for the elderly. Conversely, the Entertainment and Interaction Group focused on performing programs for the elderly and facilitating entertaining interactions, enriching their spiritual lives and receiving high praise from both the elderly and their relatives, thus effectively conveying social care and warmth.



The Company organized the “Walking with Love - Warming up the People in Common Love” Learn-from-Lei Feng Volunteer Service Activity

Case Participation of Honghua Group’s members of Youth League Committee in the “Learning from Lei Feng” series of public welfare activities

In March 2024, young members of the Youth League Committee from Honghua Group actively responded to the initiatives to learn from Lei Feng by participating in the “Learning from Lei Feng” series of public welfare activities organized by the Company to embody the spirit of Lei Feng with practical actions while demonstrating the responsibility and commitment of youth. Volunteers from the Youth League Committee initiated tree-planting activities around the facility, while diligently adhering to procedures for transplanting, watering, and nurturing saplings to enhance the green spaces and contribute to environmental conservation. Additionally, volunteers removed litter along the Mamou River, thereby practicing environmental stewardship and supporting the preservation of natural landscapes. Some young members also engaged in blood donation activities by boarding a blood donation truck, thus vigorously supporting medical initiatives and promoting an ethos of respect and care for life. Through these efforts, the young members of the Company significantly exemplified their enthusiasm for the spirit of Lei Feng, thus contributing positively to both society and the environment.



The Company conducted the “Learning from Lei Feng” series of public welfare activities

Appendix

ESG Performance Data

Environment ⁶

Indicator	Unit	2022	2023	2024
Energy type				
Gasoline	Liter	73,275.07	37,005	55,235.41
Diesel	Liter	28,308.84	1,239,504	833,219.52
Natural gas	m³	1,098,201.85	1,453,900	2,113,539
Purchased electricity	kWh	13,945,385	47,669,600	39,015,818
Purchased electricity from fossil energy sources	kWh	/	/	35,076,358
Purchased green electricity	kWh	/	/	3,939,460
Ratio of self-generated solar power	%	/	/	10
Energy consumption				
Total energy consumed	kWh	25,728,538	65,576,000	70,813,136
Energy consumption intensity by output value	MWh/RMB 10,000 of output value	/	/	68.45
GHG emissions				
Direct GHG emission (SCOPE 1)	Tonne CO ₂ e	2,613	6,545	13,679.82
Indirect GHG emissions (SCOPE 2)	Tonne CO ₂ e	7,953	27,186	22,668.20
Greenhouse Gas Emission Intensity (SCOPE1+SCOPE2)	Tonnes of CO ₂ e per 10,000 Yuan output value	/	/	0.064
Other indirect GHG emissions (SCOPE3)	Tonne CO ₂ e	286	851.28	/
Total GHG emissions (SCOPE 1+2+3)	Tonne CO ₂ e	10,852	34,582	36,348.02
Wastewater discharge				
Total wastewater discharge	Tonne	65,000	89,700	130,600
Ammonia nitrogen (NH3-N)	Tonne	/	/	0.17
Chemical Oxygen Demand (COD)	Tonne	/	/	0.36

⁶ The statistical scope of energy types, energy consumption, and greenhouse gas emissions data covers Honghua Group Limited and its domestic subsidiaries.

Indicator	Unit	2022	2023	2024
Air emissions				
Sulphur oxides (SO _x)	Tonne	2.30	0.62	0.048
Nitrogen oxides (NO _x)	Tonne	/	/	0.77
Volatile organic compounds (VOCs)	Tonne	1.80	2.10	2.60
Particulate matter (PM)	Tonne	3.20	3.12	4.20
Non-hazardous waste				
Total non-hazardous waste	Tonne	7,300	23,500	10,544.82
Non-hazardous waste generated intensity by output value	Tonne/RMB 10,000 of output value	0.016	0.043	0.018
Non-hazardous waste comprehensive utilisation volume	Tonne	/	/	9,831.82
Non-hazardous waste comprehensive utilisation rate	%	/	/	93.24
Hazardous waste				
Total hazardous waste	Tonne	8,900	9,500	3,235.67
Hazardous waste generated intensity by output value	Tonne/RMB 10,000 of output value	0.02	0.017	0.0057
Water consumption				
Total water withdrawal	Tonne	365,000	389,500	486,651
Water re-use volume	Tonne	1,438,000	1,576,700	3,040,280
Water re-use rate	%	/	/	86.20
Water intensity by output volume	Tonne/RMB 10,000 of output value	0.82	0.712	0.854
Consumption of packaging materials				
Total consumption of packaging materials	Tonne	/	1,077	979.70
Wood	Tonne	/	/	866
Paper	Tonne	/	/	1.50
Metal	Tonne	/	/	1
Plastic	Tonne	/	/	11
Others	Tonne	/	/	100.20
Packaging materials intensity by output volume	Tonne/RMB 10,000 of output value	/	0.00193	0.00172
Environmental management				
Investment in environmental protection	RMB 10,000	/	1,210.70	1,615.28
Number of employee environmental protection training	/	/	/	11
Number of employees participating in environmental protection training	/	/	/	1,234
Average hours of employee environmental protection training	Hour	/	/	12.20

Society

Indicator		Unit	2022	2023	2024
Employment					
Number of employees		/	2,410	2,808	2,934
Number of new employees		/	163	348	335
Number of employees by gender	Male	/	1,918	2,235	2,347
	Female	/	492	573	587
Ratio of employees by gender	Male	%	79.60	80	80
	Female	%	20.40	20	20
Ratio of the management by gender	Male	%	80	87.50	89
	Female	%	20	12.50	11
Number of employees by region	Mainland China	/	2,400	2,796	2,920
	Others	/	10	12	14
Ratio of employees by ethnicity	Han ethnicity	%	98.40	98.40	98
	Ethnic minorities	%	1.60	1.60	2
Number of employees by employment type	Labor contract system	/	2,405	2,599	2,703
	Labor dispatch system	/	0	200	206
	Rehired after retirement	/	5	9	25
Ratio of employees by educational attainment	Below bachelor	%	49	48.20	45
	Bachelor	%	44.10	44.70	47
	Master and above	%	6.90	7.10	8
Number of employees by age	>30	/	2,063	2,300	2,349
	≤30	/	347	508	585
Ratio of employees by job category	Production staff	%	32.3	36	31
	Technical staff	%	47.3	38	40
	Management staff	%	20.4	26	29
Employee labor contract signing rate		%	100	100	100
Coverage of social insurance		%	100	100	100
Coverage of employee physical examination		%	100	100	100

Indicator		Unit	2022	2023	2024
Employee turnover					
Number of employee turnover		/	183	70	62
Total employee turnover rate		%	7.60	2.70	2.40
Employee turnover rate by gender	Male	%	/	77	84
	Female	%	/	23	16
Employee turnover rate by region	Sichuan and Chongqing	%	/	84	69
	Jianagsu	%	/	2	15
	Others	%	/	14	16
Employee turnover rate by age	18-25	%	/	1	34
	26-35	%	/	51	23
	36-45	%	/	41	34
	46-55	%	/	4	6
	≥56	%	/	1	3
Employee training and development					
Employee training investment		RMB 10,000	/	298	437.43
Number of employee trained		/	/	17,257	13,925
Number of training sessions		/	/	225	483
Average hours of training		Hour	/	58	65
Employee training coverage by gender	Male	%	/	100	100
	Female	%	/	100	100
Employee training coverage by employee category	Management	%	/	100	100
	Middle-ranking staff	%	/	100	100
	General staff	%	/	100	100
Average hours of training by gender	Male	Hour	/	62	70
	Female	Hour	/	54	58
Average hours of training by employee category	Management	Hour	/	62	70
	Middle-ranking staff	Hour	/	56	62
	General staff	Hour	/	48	54

Society

Indicator		Unit	2022	2023	2024
Occupational health and safety					
Investment in Work Safety		RMB 10,000	2,435.87	2,012.27	2,034.96
Work-related injury	Total number of work-related injury incidents	/	0	0	5
	Number of work-related fatalities	/	0	0	0
	Number of work-related injuries	/	0	0	5
	Work-related fatality rate	%	0	0	0
	Work-related serious injury rate	%	0	0	0
	Work-related injury rate	%	0	0	0.0017
	Work-related injury accident rate per 200,000 working hours	%	/	/	0.00000059
	Number of working days lost due to work-related injuries	Day	17	18	349
Potential safety hazards	Lost working hours rate per million working hours	%	/	/	0.0000000021
	Fire accidents of large scale	/	0	0	0
	Work safety accidents of large scale	/	0	0	0
	Number of safety inspections	/	/	/	209
	Number of potential safety hazards	/	/	/	2,311
	Number of major potential safety hazards	/	/	/	0
Occupational health	Rectification rate of potential safety hazards	%	99.77	100	100
	Employee Occupational Disease Rate	%	0.31	0	0
	Qualified rate of detection in workplaces with occupational health hazards	%	/	/	100
	Coverage of employees' physical examinations	%	100	100	100
Work safety training	Number of safety training sessions	/	792	1,134	4,154
	Number of employees participating in safety training	/	33,670	66,087	76,462
	Coverage of safety training	%	100	100	100
	Coverage of safety training for new employees	%	100	100	100
Safety drills	Number of safety/emergency drills	/	2,095	1,776	1,366
	Number of employees participating in safety drills	/	10,633	18,247	24,919
	Number of fire drills	/	16	23	194
	Accumulated number of employees participating in fire drills	/	379	1,108	4,585

Indicator	Unit	2022	2023	2024
Quality of products and services				
Qualified rate of products	%	99.58	99.33	99.48
Number of complaints about products and services	/	0	0	0
Proportion of products recalled due to quality, safety and health issues	%	0	0	0
Customer satisfaction rate	%	98.60	98.78	99.65
Research, development and innovation				
Research and development (R&D) investment	RMB 100 million	1.24	1.12	1.50
Proportion of R&D investment in main business revenue	%	2.80	2	2.67
Number of R&D personnel	/	429	534	504
Proportion of R&D personnel	%	18	19	18
Intellectual property management				
Number of valid patents	/	/	803	850
Number of valid invention patents	/	/	315	392
Proportion of valid invention patents	%	/	39	46
Number of newly authorized patents	/	/	72	138
Number of newly authorized invention patents	/	/	45	83
Number of applications for foreign-related patents	/	/	8	2
Number of authorizations of foreign-related patents	/	/	1	4
Information security management				
Number of information security incidents	/	/	/	0
Number of cybersecurity incidents	/	/	/	0
Number of information security inspections	/	/	/	1
Number of data security and privacy training sessions	/	/	/	1
Number of participants in data security and privacy training	/	/	/	61
Number of cybersecurity drills	/	/	/	1
Number of participants in cybersecurity drills	/	/	/	2,318
Supplier management				
Total number of suppliers	/	/	526	3,186
Number of newly added suppliers	/	/	203	/
Number of suppliers in Sichuan Province	/	/	221	1,091
Number of suppliers outside Sichuan Province	/	/	305	2,095
Qualified rate of raw materials supplied by suppliers	%	/	98.98	98
Number of suppliers who have signed the integrity commitment agreement	/	/	/	2,770

Governance

Indicator	Unit	2022	2023	2024
Corporate governance				
Number of shareholders' general meetings	/	2	2	3
Number of board of directors' meetings	/	9	10	10
Number of audit committee meetings	/	6	3	4
Number of remuneration committee meetings	/	1	1	1
Number of nomination committee meetings	/	2	0	1
Number of strategic investment committee meetings	/	1	1	1
Composition of the Board of Directors				
Number of members of the Board of Directors	/	9	8	8
Number of executive directors	/	2	2	3
Number of non-executive directors	/	2	1	2
Number of independent non-executive directors	/	5	5	3
Number of female directors	/	1	1	1
Investor communication				
Number of investor communication activities	/	/	/	71
Number of on-site investor surveys	/	/	/	2
Number of external exchanges	/	/	/	69
Number of information disclosure items through public channels	/	/	54	63
In compliance with laws and regulations				
Number of compliance training sessions	/	/	23	31
Number of participants in compliance training	/	/	4,692	2,974

Indicator	Unit	2022	2023	2024
Business ethics				
Coverage of business ethics training (directors, supervisors and senior management personnel)	%	/	/	100
Coverage of business ethics training (employees)	%	/	/	27.50
Number of business ethics (including anti-corruption) training sessions	/	5	9	10
Number of participants in business ethics (including anti-corruption) training	/	410	740	742
Total hours of business ethics (including anti-corruption) training	Hour	/	/	40
Number of corruption litigation cases	/	/	/	3
Number of adjudicated corruption litigation cases	/	/	/	3

ESG Indicator Index

Aspect	Indicator No	Indicator No.	Page/Statement
A1 Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P35-36 P43-44
	A1.1	The types of emissions and respective emissions data.	P43-44 P85-86
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P44
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P44
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	The company has not yet established this goal due to production capacity adjustment, and is currently actively promoting it.
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P44
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	P42
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P42
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P42
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P42
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	The company has not yet established this goal due to production capacity adjustment, and is currently actively promoting it.
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P86

Aspect	Indicator No	Indicator No.	Page/Statement
A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	P39-40 P42
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P39-42
A4 Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P35
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P33-38
B1 Employment	General Disclosure	Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	P62-67
	B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	P87
	B1.2	Employee turnover rate by gender, age group and geographical region.	P88
B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P73-76
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P89
	B2.2	Lost days due to work injury.	P89
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P73-78
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	P68-71
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P72
	B3.2	The average training hours completed per employee by gender and employee category.	P72

Aspect	Indicator No	Indicator No.	Page/Statement
B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P62
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	P62
	B4.2	Description of steps taken to eliminate such practices when discovered.	P62
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P79-80
	B5.1	Number of suppliers by geographical region.	P90
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P79-80 P90
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P80
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P80
B6 Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P53-60
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P58
	B6.2	Number of products and service related complaints received and how they are dealt with.	P58
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	P52
	B6.4	Description of quality assurance process and recall procedures.	P58
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P60

Aspect	Indicator No	Indicator No.	Page/Statement
B7 Anti-corruption	General Disclosure	Information on : (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P30-31
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P31
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P31
	B7.3	Description of anti-corruption training provided to directors and staff.	P31
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	The company has not yet established this goal, and is currently actively promoting it.
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	The company has not yet established this goal, and is currently actively promoting it.
	B8.2	Resources contributed (e.g. money or time) to the focus area.	The company has not yet established this goal, and is currently actively promoting it.

Feedback

Dear readers:

Thank you for reading this report amidst your busy schedule. To enhance our understanding of your expectations and requirements regarding the ESG management and information disclosure practices at Honghua Group, we have initiated this questionnaire survey. We sincerely invite your participation, as your insights are invaluable to us. Should you have any comments or suggestions concerning the Group's sustainable development, please do not hesitate to contact us via email at hhgp.ceo@hhcp.com.cn or by phone at +86 28 6817 6791.

1.Which of the following categories of stakeholders do you identify with?

- ☐ Government and regulatory authorities
- ☐ Shareholders and investors
- ☐ Customers
- ☐ Shareholders and investors
- ☐ Employees
- ☐ Community and the public
- ☐ Other (Please specify: _____)

2.Do you believe this report effectively highlights the Company's critical environmental, social, and governance information?

- ☐ Very good
- ☐ Good
- ☐ Average
- ☐ Poor

3.Do you consider the information and indicators disclosed in this report to be clear, accurate, and comprehensive?

- ☐ Very good
- ☐ Good
- ☐ Average
- ☐ Poor

4.Is the information you are concerned about addressed in this year's ESG report?

- ☐ Yes
- ☐ General
- ☐ No

5.Do you believe the report's layout facilitates your understanding of the relevant information?

- ☐ Yes
- ☐ General
- ☐ No

6. Do you have any suggestions or expectations regarding the development of our ESG initiatives?

