宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED

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

(Stock code: 0196)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHT

	For the year ended 31 December		
	2025	2024	Changes
Turnover *(RMB'000)*	**5,493,330**	5,633,410	-2.5%
Gross profit *(RMB'000)*	**684,502**	676,504	1.2%
Gross profit margin *(%)*	**12.5%**	12.0%	0.5 percentage points
Operating profit *(RMB'000)*	**172,364**	148,179	16.3%
Profit attributable to equity shareholders of the Company *(RMB'000)*	**38,320**	7,576	405.8%
Profit			
– Basic *(RMB cents)*	**0.43**	0.08	437.5%
– Diluted *(RMB cents)*	**0.43**	0.08	437.5%

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

ANNUAL RESULTS

The Board of the Company hereby announces the consolidated results of the Group for the year ended 31 December 2025 (the "**Relevant Year**"), together with the comparative figures for the year ended 31 December 2024.

The annual results have also been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the Relevant Year as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 25 March 2026. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	**Year ended 31 December** **2025** ***RMB'000***	2024 *RMB'000*
Revenue	*3*	**5,493,330**	5,633,410
Cost of sales	*5*	**(4,808,828)**	(4,956,906)
Gross profit		**684,502**	676,504
Distribution costs	*5*	**(190,044)**	(210,516)
Administrative expenses	*5*	**(360,034)**	(383,231)
Research and development expenses	*5*	**(163,572)**	(150,457)
Net impairment reversal on financial assets and contract assets	*15*	**94,912**	124,347
Other income	*4*	**66,260**	67,416
Other gains or losses, net	*6*	**40,340**	24,116
Operating profit		**172,364**	148,179
Finance income	*7*	**27,764**	24,770
Finance expenses	*7*	**(120,689)**	(155,110)
Finance expenses – net		**(92,925)**	(130,340)
Share of results of an associate and a joint venture accounted for using the equity method		**(8,727)**	21,984
Profit before income tax		**70,712**	39,823
Income tax expense	*8*	**(31,410)**	(35,087)
Profit for the year		**39,302**	4,736
Profit for the year attributable to:			
– Owners of the Company		**38,320**	7,576
– Non-controlling interests		**982**	(2,840)
		39,302	4,736
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	*9*	**0.43**	0.08

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Profit for the year	**39,302**	4,736
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**63,565**	(14,734)
Fair value gain/(loss) on hedging instruments designated as cash flow hedges	**5,268**	(10,454)
Income tax relating to items that will be reclassified to subsequently to profit or loss	**(790)**	1,568
Items that will not be reclassified subsequently to profit or loss		
Currency translation differences	**(105,250)**	91,259
Change in the fair value of equity investments at fair value through other comprehensive income ("**FVTOCI**")	**–**	11,747
Income tax relating to items that will not be reclassified subsequently to profit or loss	**–**	(1,295)
Other comprehensive (expense)/income for the year, net of tax	**(37,207)**	78,091
Total comprehensive income for the year	**2,095**	82,827
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	**1,113**	85,667
– Non-controlling interests	**982**	(2,840)
	2,095	82,827

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	At 31 December 2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**2,497,882**	2,541,627
Right of use assets		**586,440**	414,398
Intangible assets		**441,299**	391,337
Investments accounted for using the equity method		**44,401**	55,455
Deferred tax assets, net		**261,693**	268,163
Financial assets at FVTOCI		**95,329**	95,329
Trade and other receivables	*10*	**202,182**	472,391
Contract assets		**71,276**	–
Other non-current assets		**46,042**	55,909
		4,246,544	4,294,609
Current assets			
Inventories	*11*	**1,495,792**	1,303,599
Contract costs		**239,591**	194,913
Contract assets		**1,884,378**	1,472,915
Trade and other receivables	*10*	**3,635,164**	3,638,072
Current tax recoverable		**15,154**	12,545
Financial assets at fair value through profit or loss ("**FVTPL**")		**678**	–
Financial assets at FVTOCI		**37,027**	170,544
Pledged bank deposits		**45,175**	50,418
Cash and cash equivalents		**999,972**	790,586
		8,352,931	7,633,592
Assets classified as held for sale		**12,617**	–
		8,365,548	7,633,592
Total assets		**12,612,092**	11,928,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AT 31 DECEMBER 2025

	Notes	**At 31 December 2025** **RMB'000**	2024 *RMB'000*
Current liabilities			
Contract liabilities		**486,226**	514,307
Trade and other payables	*13*	**3,437,815**	3,407,501
Income tax payable		**30,951**	25,676
Borrowings	*14*	**2,492,155**	2,110,702
Other financial liabilities		**5,184**	10,454
Provisions for other liabilities and charges		**26,023**	34,499
Deferred income		**34,482**	1,120
Lease liabilities		**75,921**	39,173
		6,588,757	6,143,432
Non-current liabilities			
Borrowings	*14*	**2,193,522**	2,039,052
Deferred income		**13,121**	28,655
Lease liabilities		**175,425**	52,473
		2,382,068	2,120,180
Total liabilities		**8,970,825**	8,263,612
EQUITY			
Share capital		**823,804**	823,804
Other reserves		**4,713,629**	4,781,708
Accumulated losses		**(2,091,841)**	(2,135,616)
Equity attributable to owners of the Company		**3,445,592**	3,469,896
Non-controlling interests		**195,675**	194,693
		3,641,267	3,664,589
Total liabilities and equity		**12,612,092**	11,928,201

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Year ended 31 December 2025 RMB'000	2024 RMB'000
Operating activities			
Cash generated from operations		**49,721**	708,088
Income tax paid		**(23,064)**	(29,755)
Net cash from operating activities		**26,657**	678,333
Investing activities			
Payment for additions of property, plant and equipment and construction in progress		**(142,707)**	(80,924)
Settlement of purchase consideration for acquisition of an associate from Shanghai Leasing		**–**	(13,855)
Proceeds from disposal of property, plant and equipment		**45,622**	1,357
Proceeds from disposal of right of use assets		**12,672**	–
Proceeds from government grants related to assets		**4,323**	17,686
Net cash inflow on disposal of a subsidiary		**–**	61,185
Dividends received		**2,565**	16,296
Expenditure on development projects and other intangible assets		**(90,840)**	(85,837)
Net cash used in investing activities		**(168,365)**	(84,092)
Financing activities			
Proceeds from borrowings		**4,031,526**	3,288,181
Share issue cost paid		**(9,304)**	–
Repayments of borrowings		**(3,496,261)**	(3,756,246)
Interest and charges paid		**(113,931)**	(141,431)
Payments of lease liabilities		**(52,948)**	(26,526)
Net cash from/(used in) financing activities		**359,082**	(636,022)
Net increase/(decrease) in cash and cash equivalents		**217,374**	(41,781)
Cash and cash equivalents at the beginning of year		**790,586**	811,273
Effect of foreign exchange rate changes		**(7,988)**	21,094
Cash and cash equivalents at end of the year		**999,972**	790,586
Represented by cash and cash equivalents		**999,972**	790,586

1. GENERAL

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

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

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

These financial statements are presented in Renminbi ("**RMB**"), which is different from the Company's functional currency of Hong Kong dollars ("**HKD**"), unless otherwise stated, and were approved for issue by the Board of Directors of the Company on 25 March 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

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

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

Amendments to IAS 21	Lack of Exchangeability

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

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

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

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

1 Effective for annual periods beginning on or a date to be determined.

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

3 Effective for annual periods beginning on or after 1 January 2027.

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

3. SEGMENT INFORMATION

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

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

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

(a) land drilling rigs;

(b) parts and components and others;

(c) drilling engineering services;

(d) fracturing services; and

(e) offshore engineering.

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

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

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2025 and 2024 respectively. The Group derives revenue from the transfer of good and services over time and at a point in the following operating segments.

	Land drilling rigs		**Parts and components and others**		**Drilling engineering services**		**Fracturing services**		**Offshore engineering**		**Total**	
	Year ended 31 December		**Year ended 31 December**		**Year ended 31 December**		**Year ended 31 December**		**Year ended 31 December**		**Year ended 31 December**	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**2,342,896**	2,034,969	**1,460,221**	2,542,015	**439,104**	355,149	**647,423**	1,035,741	**2,237,789**	1,048,753	**7,127,433**	7,016,627
Inter-segment revenue	**(397,713)**	(83,651)	**(470,949)**	(879,799)	**(18,580)**	(18,213)	**(28,057)**	(212,603)	**(718,804)**	(188,951)	**(1,634,103)**	(1,383,217)
Revenue from external customers	**1,945,183**	1,951,318	**989,272**	1,662,216	**420,524**	336,936	**619,366**	823,138	**1,518,985**	859,802	**5,493,330**	5,633,410
Timing of revenue recognition for contracts with customers												
– At a point in time	**436,200**	490,129	**1,382,255**	2,464,234	**–**	–	**125,145**	86,960	**345,731**	980,128	**2,289,331**	4,021,451
– Over time	**1,906,695**	1,544,840	**13,055**	8,040	**439,104**	355,149	**522,278**	948,781	**1,892,059**	68,625	**4,773,191**	2,925,435
Lease income	**–**	–	**64,911**	69,741	**–**	–	**–**	–	**–**	–	**64,911**	69,741
Reportable segment profit/(loss)	**160,102**	34,256	**16,284**	145,086	**41,038**	18,485	**(92,076)**	(82,917)	**4,619**	(11,302)	**129,967**	103,608
Other segment information:												
Depreciation and amortisation *(Note)*	**72,612**	60,877	**111,540**	113,224	**39,031**	43,699	**54,695**	47,550	**83,746**	56,983	**361,624**	322,333
Impairment on trade and other receivables and contract assets, net of reversal	**(103,857)**	(100,662)	**5,711**	(6,369)	**(227)**	(5,880)	**2,509**	1,171	**952**	(12,607)	**(94,912)**	(124,347)
Allowance for inventories	**22,111**	43,926	**16,591**	30,203	**(1,036)**	866	**(164)**	667	**16,085**	25,512	**53,587**	101,174
Impairment provision on property, plant and equipment	**1,789**	–	**649**	–	**3,119**	18,920	**–**	–	**–**	–	**5,557**	18,920

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

Given the manufacturing processes of the Group's businesses are in a form of vertical integration, the CODM considered segment assets and liabilities information was not relevant in assessing performance of and allocating resources to the operations segments. During the years ended 31 December 2025 and 2024, such information was not reviewed by the Group's CODM. Accordingly, no segment assets and liabilities are present.

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Segment profit		
– for reportable segments	**129,967**	103,608
Elimination of inter-segment profit	**(14,320)**	(15,608)
Segment profit derived from the Group's external customers	**115,647**	88,000
Share of results of an associate and a joint venture	**(8,727)**	21,984
Other income and other gains or losses, net	**106,600**	91,532
Finance income	**27,764**	24,770
Finance expenses	**(120,689)**	(155,110)
Unallocated head office and corporate expenses	**(49,883)**	(31,353)
Profit before income tax	**70,712**	39,823

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Land drilling rigs	**1,945,183**	1,951,318
Offshore engineering	**1,518,985**	859,802
Parts and components and others	**989,272**	1,662,216
Fracturing services	**619,366**	823,138
Drilling engineering services	**420,524**	336,936
	5,493,330	5,633,410

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Middle East	**2,547,130**	1,881,781
Including: United Arab Emirates	**1,763,976**	739,620
Iraq	**343,521**	303,721
Oman	**334,410**	253,562
Kuwait	**61,676**	454,441
Saudi Arabia	**40,692**	130,083
The PRC (country of domicile)	**2,395,700**	2,618,076
Europe	**262,236**	231,420
South Asia and South East Asia	**181,213**	172,311
Americas	**64,758**	110,043
Africa	**42,293**	619,779
	5,493,330	5,633,410

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

	At 31 December	
	2025	2024
	RMB'000	*RMB'000*
The PRC (country of domicile)	**3,139,115**	3,037,834
Middle East	**501,971**	377,919
Including: Iraq	**472,815**	345,794
Africa	**37,757**	41,863
Americas	**6,806**	74
Europe	**1,691**	1,036
	3,687,340	3,458,726

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Customer A[1]	**1,315,684**	729,961
Customer B	**403,711**[2]	582,766

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

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

Assets and liabilities related to contracts with customers

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

	At 31 December	
	2025	2024
	RMB'000	*RMB'000*
Contract assets – current	**1,921,204**	1,511,268
Contract assets – non current	**71,905**	–
Less: loss allowance	**(37,455)**	(38,353)
Contract assets, net	**1,955,654**	1,472,915
Contract liabilities – current	**486,226**	514,307

As at 1 January 2024, contract assets and contract liabilities amounted to RMB942,206,000 and RMB538,965,000, respectively.

Included in contract assets and contract liabilities represented amount of approximately RMB40,327,000 and RMB9,413,000 (2024: RMB57,553,000 and RMB14,739,000), respectively, received from the Group's related companies.

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

The Group also recognised a loss allowance for contract assets in accordance with IFRS 9.

(b) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**424,299**	503,749

(c) Unsatisfied performance

As at 31 December 2025, the aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied is RMB5,924,576,000 (2024: RMB2,943,568,000).

The management estimates that 66% or RMB3,918,018,000 (2024: 81% or RMB2,371,344,000) of the transaction price allocated to unsatisfied performance obligations as at 31 December 2025 will be recognised as revenue during the next reporting period. The remaining will be recognised in the 2026 financial year and afterwards.

4. OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Government grants	**39,009**	33,541
Sales of scrap materials	**26,012**	29,688
Others	**1,239**	4,187
	66,260	67,416

During the current year, the Group recognised government grants of RMB23,141,000 (2024: RMB10,764,000) in respect of research and development activities.

5. EXPENSES BY NATURE

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Raw materials and consumables used	**2,912,452**	2,603,138
Employee benefit expenses	**597,781**	542,026
Service fee	**896,220**	717,717
Depreciation and amortisation		
– Property, plant and equipment	**249,651**	253,852
– Intangible assets	**40,878**	48,178
– Right of use assets	**67,262**	15,747
– Investment properties	**3,833**	4,556
Transportation	**125,507**	110,639
Changes in inventories of finished goods and work in progress and contract costs	**(115,463)**	380,869
Provision for inventory write-down	**53,587**	101,174
Research and development costs *(Note)*	**134,145**	103,228
Less: amount capitalised into intangible assets	**(96,245)**	(74,659)
Utilities	**129,699**	141,549
Short-term and variable lease expenses	**323,440**	495,047
Travelling expenses	**92,528**	112,168
Reversal of impairment of prepayments	**(102)**	(897)
Repairs and maintenance expenditure on property, plant and equipment	**470**	951
Other taxes	**32,538**	32,773
Provision for warranty	**32,097**	41,602
Auditors' remuneration	**3,730**	3,600
Impairment provision on property, plant and equipment	**5,557**	18,920
Other expenses	**32,913**	48,932
Total cost of sales, distribution costs, research and development expenses and administrative expenses	**5,522,478**	5,701,110

Note: The amount does not include staff costs of the research and development department of approximately RMB77,007,000 (2024: RMB81,096,000) and relevant amortisation and depreciation of approximately RMB48,665,000 (2024: RMB39,982,000).

6. OTHER GAINS OR LOSSES, NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(6,165)**	31,836
Gains on disposals of property, plant and equipment	**11,200**	515
Gains on disposals of right of use assets	**8,782**	–
Gains from compensation	**10,914**	310
Losses on disposal of subsidiaries	**–**	(16,801)
Others	**15,609**	8,566
	40,340	24,116

7. FINANCE EXPENSES, NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Finance expenses		
Interest on borrowings wholly repayable within five years	**115,245**	153,709
Interest expense from lease liabilities	**6,098**	1,775
Less: interest expense capitalised into assets under construction	**(654)**	(374)
	120,689	155,110
Finance income		
Interest income on bank deposits	**(22,015)**	(21,626)
Interest income from non-current receivables	**(5,749)**	(3,144)
	(27,764)	(24,770)
Finance expenses, net	**92,925**	130,340

8. INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Current income tax – Hong Kong Profits Tax		
Provision for the year	**13**	4,509
Over provision in respect of prior years	**(1,562)**	–
	(1,549)	4,509
Current income tax – the PRC		
Provision for the year	**802**	592
(Over) under provision in respect of prior years	**(526)**	1,956
	276	2,548
Current income tax – Other jurisdictions		
Provision for the year	**27,003**	23,638
Total current income tax	**25,730**	30,695
Deferred income tax		
– Current year	**5,680**	4,392
Income tax expense	**31,410**	35,087

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Profit before income tax	**70,712**	39,823
Tax calculated at statutory tax rates applicable to each group entities	**30,317**	22,412
Tax effect of non-deductible expenses	**1,869**	1,359
Tax effect of income not taxable	**(155)**	(632)
Additional deduction of research and development expense	**(11,753)**	(9,275)
Tax effect of losses not recognised	**16,754**	43,788
Utilisation of tax losses not recognised in previous years	**(1,805)**	(2,927)
Tax effect of deductible temporary differences not recognised	**(1,729)**	–
Utilisation of deductible temporary differences previously not recognised	**–**	(21,594)
(Over) under provision in respect of prior years	**(2,088)**	1,956
Income tax expense	**31,410**	35,087

Amounts recognised directly in other comprehensive income

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Deferred tax: Changes in the fair value of equity investments at FVTOCI	**–**	(1,295)
Deferred tax: Fair value (loss)/gain on hedging instruments designated in cash flow hedges	**(790)**	1,568
	(790)	273

9. EARNINGS PER SHARE

Basic and diluted earnings per share

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

	Year ended 31 December	
	2025	2024
Profit attributable to owners of the Company *(RMB'000)*	**38,320**	7,576
Weighted average number of ordinary shares in issue *(in thousands)*	**9,040,489**	9,040,489
Effect of the share award scheme *(in thousands)*	**(61,089)**	(61,089)
Adjusted weighted average number of ordinary shares in issue *(in thousands)*	**8,979,400**	8,979,400
Basic and diluted earnings per share *(RMB cents per share)*	**0.43**	0.08

The computation of diluted earnings per share in 2025 and 2024 does not assume the exercise of all share options because the adjusted exercise price of those options was higher than the average market price for shares for both years.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade receivables *(Notes (a & b))*	**2,305,411**	2,683,320
Bills receivables	**91,439**	215,246
Less: provision for impairment of trade receivables and bills receivables	**(270,889)**	(399,297)
	2,125,961	2,499,269
Amounts due from related parties		
– Trade	**179,911**	256,145
– Non-trade	**216,385**	219,249
– Less: provision for impairment of trade receivables for amounts due from related parties	**(143,520)**	(153,394)
	252,776	322,000
Finance lease receivables	**158,966**	219,651
Less: provision for impairment of finance lease receivables	**(52,860)**	(56,096)
Value-added tax recoverable	**275,980**	283,628
Prepayments to related parties	**211,700**	215,435
Prepayments to non-related parties	**727,480**	455,121
Less: provision for impairment of prepayments	**(13,868)**	(16,836)
Other receivables	**277,573**	351,050
Less: provision for impairment of other receivables	**(126,362)**	(162,759)
	3,837,346	4,110,463
Representing by:		
– Current portion *(Note (c))*	**3,635,164**	3,638,072
– Non-current portion *(Note (d))*	**202,182**	472,391
	3,837,346	4,110,463

Notes:

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

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within 1 year	**1,969,912**	2,374,741
Over 1 year	**327,611**	365,514
	2,297,523	2,740,255

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

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

	Bills endorsed to suppliers with full recourse
	RMB'000
As at 31 December 2025	
Carrying amount of transferred assets	**8,427**
Carrying amount of associated liabilities	**(8,427)**
Net position	**–**

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

(b) Included in trade receivables represented balance due from a customer domicile in Ukraine amounting to approximately USD29,154,000 (equivalent to approximately RMB204,916,000) (2024: RMB249,232,000), net of cumulative impairment loss of approximately RMB49,654,000 (2024: RMB149,520,000). During the previous years, the Group made instalment sales of drilling rigs to such Ukrainian customer and the balance was receivable between 2022 and 2025. The remaining balance is expected to be recovered within one year after the reporting period was discounted at the rate which discounts with the nominal amount of the promised consideration to the price that customer would pay in cash for the goods or services when or as the Group transfers to the customer.

Due to the current Russia-Ukraine War, the National Bank of Ukraine has imposed certain restrictions over the payments of foreign currencies to foreign entities starting from 24 February 2022. Therefore, the Ukrainian customer was unable to repay part of the instalments which was originally due before 2024. The management has been taking active measures to closely monitor the credit risk exposures of such balance by holding periodic meetings with such customer to understand the latest development of the conflict and to collect the latest information regarding the physical status of the drilling rigs sold, and also the latest status on the national restrictions, etc. On 30 March 2023, the Ukrainian customer repaid overdue instalments of USD26,740,000 (equivalent to RMB184,607,000). On 5 July 2024, the Group received the reimbursement from the insurance company of USD46,143,000 (equivalent to approximately RMB328,951,000). During 2025, the Ukrainian customer repaid overdue instalments of USD43,619,000 (equivalent to RMB311,567,000), of which USD21,809,000 (equivalent to approximately RMB155,783,000) was paid by the Group to the insurance company. In view of the potential credit-impaired characteristics, the management has individually assessed the recoverability of the balance. During the year ended 31 December 2025, the Group reversed previously recognised ECL of approximately RMB116,372,000 (2024: the Group reversed previously recognised ECL of approximately RMB104,758,000).

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

(d) Non-current trade and other receivables as at 31 December 2025 included (1) finance lease receivables of approximately RMB45,620,000 (2024: RMB61,577,000); (2) receivables of approximately RMB51,614,000 (2024: RMB305,866,000) arising from installment sale; (3) prepayments for land use rights of approximately RMB104,948,000 (2024: RMB104,948,000).

As at 31 December 2025 and 2024, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above.

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

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

Finance lease receivables

The Group entered into finance leases to lease its machineries to third parties and earn finance income from leasing activities. As at 31 December 2025 and 2024, the Group had receivables under finance lease as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Non-current receivables		
Finance leases – gross receivables	**47,233**	65,416
Unearned finance income	**(1,603)**	(2,572)
	45,620	62,844
Current receivables		
Finance leases – gross receivables	**114,660**	158,371
Unearned finance income	**(1,314)**	(1,564)
	113,346	156,807
Gross receivables from finance leases:		
— No later than 1 year	**114,660**	158,371
— Later than 1 year and no later than 5 years	**47,223**	65,416
	161,883	223,787
Unearned future finance income on finance leases	**(2,917)**	(4,136)
Net investment in finance leases	**158,966**	219,651

The net investment in finance leases is analysed as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
No later than 1 year	**113,346**	156,807
Later than 1 year and no later than 5 years	**45,620**	62,844
Total	**158,966**	219,651

Impairment and risk exposure

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

11. INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Raw materials	**434,464**	293,943
Work in progress	**551,612**	532,784
Finished goods	**508,404**	475,768
Revolving materials and others	**1,312**	1,104
	1,495,792	1,303,599

For the year ended 31 December 2025, the cost of inventories recognised as the Group's expense and included in 'cost of sales' amounted to approximately RMB2,850,576,000 (2024: RMB3,085,181,000).

Movement on the provision for inventories is as follows:

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**252,555**	245,540
Addition	**53,587**	101,174
Write off	**(18,789)**	(94,159)
Currency translation difference	**(1,399)**	–
At 31 December	**285,954**	252,555

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *RMB'000*	Plant and machinery *RMB'000*	Furniture, fittings and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2024						
Cost	1,664,471	1,820,963	726,514	88,279	145,081	4,445,308
Accumulated depreciation and impairment	(485,457)	(691,763)	(582,549)	(52,006)	(36,050)	(1,847,825)
Net book amount	1,179,014	1,129,200	143,965	36,273	109,031	2,597,483
Year ended 31 December 2024						
Opening net book amount	1,179,014	1,129,200	143,965	36,273	109,031	2,597,483
Additions	21,305	76,430	15,408	2,519	38,170	153,832
Transfer from construction in progress	14,053	8,890	378	–	(23,321)	–
Transfer from inventories	–	139,523	172	99	–	139,794
Disposals	–	(10)	(293)	(539)	–	(842)
Transfer to inventories	–	(61,071)	–	–	(17,617)	(78,688)
Transfer to investment properties	(4,216)	–	–	–	–	(4,216)
Disposal of subsidiaries	–	–	(5)	–	–	(5)
Depreciation charge	(102,728)	(128,199)	(21,742)	(1,183)	–	(253,852)
Currency translation difference	64	6,233	744	–	–	7,041
Impairment provision	–	(18,920)	–	–	–	(18,920)
Closing net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627
At 31 December 2024						
Cost	1,688,189	1,953,247	738,486	77,306	142,313	4,599,541
Accumulated depreciation and impairment	(580,697)	(801,171)	(599,859)	(40,137)	(36,050)	(2,057,914)
Net book amount	1,107,492	1,152,076	138,627	37,169	106,263	2,541,627

	Buildings held for own use	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2025						
Opening net book amount	**1,107,492**	**1,152,076**	**138,627**	**37,169**	**106,263**	**2,541,627**
Additions	**3,289**	**75,030**	**43,132**	**1,907**	**70,878**	**194,236**
Transfer from construction in progress	**12,642**	**60,663**	**451**	**–**	**(73,756)**	**–**
Transfer from investment properties	**8,109**	**–**	**–**	**–**	**–**	**8,109**
Transfer from inventories	**–**	**99,515**	**–**	**–**	**–**	**99,515**
Disposals	**(579)**	**(64,884)**	**(2,402)**	**(980)**	**–**	**(68,845)**
Transfer to inventories	**–**	**(46,354)**	**–**	**–**	**(381)**	**(46,735)**
Transfer to investment properties	**(285)**	**–**	**–**	**–**	**–**	**(285)**
Depreciation charge	**(100,319)**	**(125,125)**	**(22,591)**	**(1,616)**	**–**	**(249,651)**
Currency translation difference	**(109)**	**(7,778)**	**(1,058)**	**(10)**	**–**	**(8,955)**
Impairment provision	**(135)**	**29,001**	**–**	**–**	**–**	**28,866**
Closing net book amount	**1,030,105**	**1,202,894**	**125,409**	**36,470**	**103,004**	**2,497,882**
At 31 December 2025						
Cost	**1,720,420**	**1,938,984**	**743,202**	**60,880**	**139,054**	**4,602,540**
Accumulated depreciation and impairment	**(690,315)**	**(766,840)**	**(587,043)**	**(24,410)**	**(36,050)**	**(2,104,658)**
Net book amount	**1,030,105**	**1,172,144**	**156,159**	**36,470**	**103,004**	**2,497,882**

Depreciation expense of approximately RMB219,804,000 (2024: RMB223,762,000) has been charged in cost of sales, RMB6,784,000 (2024: RMB9,347,000) in distribution expenses, RMB19,721,000 (2024: RMB18,590,000) in administrative expenses and RMB3,342,000 (2024: RMB2,153,000) in research and development expenses.

As at 31 December 2025, the Group was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB56,322,000 (2024: RMB63,823,000).

The Group has capitalised borrowing costs amounting to approximately RMB654,000 (2024: RMB374,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 2.4% in 2025.

For the year ended 31 December 2025, inventories were transferred to property, plant and equipment using to provide services to the customers, and property, plant and equipment was transferred out to inventories for rebuild and future sale.

Net rental income amounting to approximately RMB48,718,000 (2024: RMB51,962,000) relating to the lease of plant and machinery is included in profit or loss.

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

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Cost	**496,835**	514,948
Accumulated depreciation at 1 January	**(203,092)**	(183,607)
Additions	**9,980**	39,762
Deduction	**(3,827)**	(57,875)
Depreciation charge for the year	**(23,420)**	(19,485)
Net book amount	**276,476**	293,743

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade payables	**2,573,298**	2,182,072
Amounts due to related companies		
– Trade	**494,115**	430,397
– Non-trade	**4,274**	4,298
Bills payable	**159,510**	520,065
Other payables	**206,618**	270,669
	3,437,815	3,407,501
Representing by:		
– Current portion	**3,437,815**	3,407,501

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

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within 1 year	**2,803,975**	2,771,633
Over 1 year	**422,948**	360,901
	3,226,923	3,132,534

As at 31 December 2025 and 2024, all the trade payables, bills payable and other payables of the Group were non-interest bearing and their fair value approximated their carrying amounts due to their short maturities.

As at 31 December 2025 and 2024, all the current trade and other payables are expected to be settled within one year or are repayable on demand.

14. BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Bank loans		
Secured		
– Current portion	**–**	47,000
	–	47,000
Unsecured		
– Current portion	**1,208,112**	1,769,102
– Non-current portion	**1,237,870**	1,126,254
	2,445,982	2,895,356
Unsecured loan from related party (i)		
– Current portion	**1,248,760**	270,000
– Non-current portion	**892,500**	838,860
	2,141,260	1,108,860
Other borrowing (ii)		
– Current portion	**35,283**	24,600
– Non-current portion	**63,152**	73,938
	98,435	98,538
Total borrowings	**4,685,677**	4,149,754
Analysed as:		
– Current portion	**2,492,155**	2,110,702
– Non-current portion	**2,193,522**	2,039,052

Notes:

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

On 21 May 2024, Honghua China entered into a supplementary agreement with Dongfang Electric Finance, Sichuan Bank and Industrial Bank, to amend the interest rate of such syndicated bank facility to LPR minus a fixed interest of 0.65%. At the end of 31 December 2024, Honghua China had drawdown RMB445,000,000 from Dongfang Electric Finance, which are repayable on 13 March 2026.

On 10 December 2024, The Group entered into a Financial Services Framework Agreement with Dongfang Electric Finance, effective from 1 January 2025 to 31 December 2027. Under the agreement, Dongfang Electric Finance provides deposit, lending and settlement services on commercial terms.

Borrower	Drawdown Date	Repayment Date	Interest Rate	As at 31 December 2024	Drawdowns in the Year	Repayments in the Year	As at 31 December 2025
			%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Honghua (China) Investment Co., Ltd. ("**Honghua China**")	13/3/2023	6/3/2026	2.45%	688,860	–	224,000	464,860
Sichuan Honghua Petroleum Equipment Co., Ltd. ("**Honghua Company**")	2/2/2024	2/2/2025	2.80%	50,000	–	50,000	–
	14/6/2024	14/6/2027	1.00%	150,000	–	–	150,000
	13/12/2024	13/12/2025	2.40%	160,000	–	160,000	–
	31/12/2024	31/12/2025	2.40%	30,000	–	30,000	–
	31/12/2024	31/12/2025	2.40%	–	70,000	70,000	–
	27/2/2025	21/2/2028	2.38%	–	50,000	50,000	–
	6/3/2025	6/3/2026	2.30%	–	94,900	–	94,900
	28/5/2025	21/5/2028	2.38%	–	80,000	1,000	79,000
	27/6/2025	27/6/2026	2.28%	–	90,000	90,000	–
	29/8/2025	21/8/2027	2.32%	–	90,000	–	90,000
	29/8/2025	29/8/2026	2.28%	–	100,000	–	100,000
	2/9/2025	2/9/2028	1.50%	–	80,000	–	80,000
	31/10/2025	31/10/2026	2.28%	–	54,000	–	54,000
	28/11/2025	28/11/2026	2.28%	–	70,000	–	70,000
	22/12/2025	21/12/2027	2.32%	–	200,000	–	200,000
	22/12/2025	22/12/2026	2.28%	–	296,000	–	296,000
	23/12/2025	21/12/2028	2.34%	–	317,500	–	317,500
Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. ("**Honghua (Jiangsu)**")	22/7/2024	22/7/2025	2.70%	14,000	–	14,000	–
	20/8/2024	19/8/2025	2.70%	9,000	–	9,000	–
	26/9/2024	25/9/2025	2.70%	4,500	–	4,500	–
	24/10/2024	23/10/2025	2.49%	2,500	–	2,500	–
	24/7/2025	24/7/2026	2.28%	–	40,000	–	40,000
	16/9/2025	16/9/2026	2.28%	–	20,000	–	20,000
	27/12/2025	27/12/2026	2.28%	–	20,000	–	20,000
	22/12/2025	22/12/2026	2.28%	–	30,000	–	30,000
	14/5/2025	14/5/2026	2.35%	–	20,000	20,000	–
Sichuan Honghua Electric Co., Ltd. ("**Honghua Electric**")	10/7/2025	10/7/2026	2.28%	–	15,000	–	15,000
	19/8/2025	19/8/2026	2.11%	–	20,000	–	20,000
Total				1,108,860	1,757,400	725,000	2,141,260

(ii) The amount of RMB98,435,000 as at 31 December 2025 (2024: RMB98,538,000) represents transfer of equipment to an independent third party that does not satisfy the requirements as a sale in accordance with IFRS 15. Hence, the Group continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

The borrowings at 31 December 2025 bore annual interest ranging from 1.0% to 2.80% annually (2024: 1.0% to 4.65% annually).

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

	Bank loans As at 31 December		Other borrowings As at 31 December	
	2025	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,208,112**	1,816,102	**1,284,043**	294,600
Between 1 and 2 years	**545,770**	837,573	**455,127**	714,645
Between 2 and 5 years	**692,100**	288,681	**500,525**	198,153
	2,445,982	2,942,356	**2,239,695**	1,207,398

The carrying amount of borrowings approximated their fair value, as the impact of discounting was not significant.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
RMB	**4,685,677**	4,149,754

At each balance sheet date, the Group had the following undrawn borrowing facilities:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Expiring within 1 year	**3,960,000**	7,163,000

These facilities have been arranged for financing daily operations.

15. NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Reversal/(impairment loss) of on:		
– trade receivables and contract assets	**92,387**	108,440
– finance lease receivables	**3,115**	7,829
– other financial assets at amortised cost	**(590)**	8,078
	94,912	124,347

16. EVENTS AFTER REPORTING PERIOD

As at 25 March 2026, the Ukrainian customer repaid overdue instalments of USD13,000,000 (equivalent to RMB91,374,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading global oil and gas exploration and development equipment manufacturing and drilling engineering services company. Over more than two decades of development, the Group's business has spanned the major oil and gas production regions worldwide, forming a comprehensive product portfolio including land drilling rigs, electric fracturing equipment, core parts and components of drilling and completion equipment, offshore engineering equipment manufacturing, drilling engineering services, digital products for drilling and completion, as well as new energy equipment and comprehensive services for oil and gas fields, providing customers with a full range of products and services for energy development.

I. Significant Improvement in Quality and Efficiency, Showing Resilience in Performance Recovery

In 2025, facing challenges from fluctuations in the international energy market, geopolitical pressures, and industry transformation and upgrading, the Group closely adhered to the theme of "The Year of Management Improvement", persisted in expanding markets externally and strengthening management internally, demonstrating a trend of resilient recovery in its operational performance. During the reporting period, the Group recorded revenue of RMB5,493.3 million, a decrease of RMB140.1 million or 2.5% as compared to the same period last year; gross profit of RMB684.5 million was recorded, an increase of RMB8.0 million or 1.2% as compared to the same period last year, and gross profit margin was 12.5% (an increase of 0.5 percentage point as compared to the same period last year). The main factors leading to the revenue decline during the reporting period included the discontinuity of fracturing service operations and the Company's proactive adjustment of its business structure to scale down its low-margin business segments.

The Group continued to promote lean management, achieving cost reduction and efficiency enhancement. During the reporting period, the Group achieved significant results in managing its loss-making subsidiaries, with the number of loss-making entities decreasing by 50% year-over-year and losses reduced by RMB69 million, representing a year-over-year decrease of 58.73%. The Group further reduced financing costs by 0.73 percentage point to 2.61%, interest expenses decreased by RMB34.42 million year-on-year, the financial expense ratio decreased by 0.6 percentage point year-on-year to 1.7%, the selling expense ratio decreased by 0.3 percentage point year-on-year to 3.5%, and the administrative expense ratio decreased by 0.3 percentage point year-on-year to 6.6%. Net profit attributable to shareholders of the parent company reached RMB38 million, a substantial year-on-year increase of more than fourfold, demonstrating substantive improvement in operating efficiency.

As of 31 December 2025, the balance of trade and other receivables of the Group amounted to approximately RMB3,837.3 million, representing a decrease of 6.64% as compared to the end of 2024. The average turnover days of trade receivables and bills receivable were 154 days, representing a decrease of 21 days as compared to the same period of the previous year. The average turnover days of inventory were 145 days, representing a decrease of 6 days as compared to the same period of the previous year. The average turnover days of trade payables and bills payable were 242 days, representing an increase of 9 days as compared to the same period of the previous year.

II. Advantages Built on Deep Global Cultivation, Opening New Horizons with Order Growth

As of 31 December 2025, the Group recorded a revenue of RMB2,395.7 million in the China market, representing a decrease of 8.5% year-on-year, and accounting for 43.6% of the total revenue. In the China market, the offshore segment performed exceptionally well and became the key momentum of growth driver for the market. As for the overseas markets, the Group recorded a revenue of RMB3,097.6 million, representing a year-on-year increase of 2.7%, and accounting for 56.4% of the total revenue for the year. In particular, revenue from the Middle East market amounted to RMB2,547.1 million, representing an increase of 35.4% as compared to the same period of the previous year, and accounting for 46.4% of the total revenue of the Group; revenue from other overseas markets amounted to RMB550.5 million, representing a decrease of 51.4% as compared to the same period of the previous year, and accounting for 10.0% of the total revenue of the Group. During the reporting period, the Group recorded new orders totaling RMB8,234.6 million, representing a year-on-year increase of 9.6% and maintaining rapid growth for three consecutive years. Of which, new overseas orders amounted to RMB4,732.7 million, representing a year-on-year increase of 39.5%.

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

	As at 31 December 2025		As at 31 December 2024			
Regions	**Revenue** *(RMB million)*	**Percentage** *(%)*	**Revenue** *(RMB million)*	**Percentage** *(%)*	**Change in Revenue** *(%)*	**Percentage Change** *(%)*
China	**2,395.7**	**43.6%**	**2,618.1**	**46.5%**	**-8.5%**	**-2.9%**
Overseas	**3,097.6**	**56.4%**	**3,015.3**	**53.5%**	**2.7%**	**2.9%**
The Middle East	2,547.1	46.4%	1,881.8	33.4%	35.4%	13.0%
Others [(1)]	550.5	10.0%	1,133.6	20.1%	-51.4%	-10.1%
Total	**5,493.3**	**100.0%**	**5,633.4**	**100.0%**	**-2.5%**	**0.0%**

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

III. Strengthening the Core through Technological Breakthroughs, Invigorating the Innovation Ecosystem

According to the "Top 10 Predictions on Trends in the Energy and Natural Resources for 2025" published by Wood Mackenzie, global oil and gas exploration and development are accelerating their evolution under the dual influence of structural change and technology-driven forces. The transition towards intelligence and low-carbon has moved from conceptual deepening to the stage of large-scale integration. **First, exploration pattern is continuously focusing on "deepwater-ultra-deepwater" and "unconventional" areas.** Offshore drilling activities have surged and become a key source of reserve growth, especially in deepwater frontier areas along the Atlantic coast of Africa, the Eastern Mediterranean, and Guyana, where the number of high-impact exploration wells has increased significantly. Meanwhile, to address the challenge of resource degradation, technological breakthroughs in deep and ultra-deep oil and gas exploration and development have become an industry consensus. Unconventional oil and gas projects, through technological iteration and operational optimization, have made significant progress in enhancing recovery rates and controlling environmental footprints, continuing to serve as the core engine for production growth. **Second, intelligentization and low-carbonization have become the key to reshaping industry efficiency and competitiveness.** The market for technical services and digital solutions has shown greater resilience. Intelligent technologies such as AI geological modeling and digital twins are not only deeply reshaping engineering efficiency but have also become the core means for the industry to balance energy security, economic benefits, and low-carbon goals.

During the reporting period, the Group was granted 71 patents (32 domestic invention patents, 5 foreign patents) and newly participated in 17 external standards. As of 31 December 2025, the Group held a total of 882 valid patents (including 416 invention patents). This year, it won the first-tier prize for the Scientific and Technological Innovation Achievements in the Petroleum and Petrochemical Equipment Industry for 2025 (2025石油石化裝備科技創新成果), the second-tier prize for the Innovation Awards by the National Drilling Standards Committee (全國鑽標委標準創新獎), and the first-tier prize for the Award of Scientific and Technological Progress in Chongqing Municipality for 2025 (2025年度重慶市科學進步獎), and was included in the achievement manual of the Central Enterprises Science and Technology Innovation Achievement Recommendation Catalog. The Group fully implemented integrated technology management, launched the global youth innovation "Living Seed" program, with 13 projects entering the "germination phase", promoting the construction of an open and collaborative innovation platform. In terms of equipment intelligentization, the Group closely followed the national "deep-ground and deep-sea" strategy, with the research and development of the Smart Rig 2.0 version progressing smoothly; it participated in national key technology projects, with the comprehensive solutions passing demonstration stage; the distributed new energy electric workover rig was successfully developed and achieved bulk sales. In the field of drilling digitalization, in-depth cooperation was established with well-known domestic universities and enterprises, focusing on the research and development of edge computing, creating AI edge computing power, and implementing parameter deep optimization and drilling risk identification. In the field of completion digitalization, the development of the 175MPa ultra-high pressure fracturing system was completed; the iFracPlat intelligent fracturing system was launched for customers globally, providing customers with digital integrated drilling and completion solutions, effectively promoting the transformation of products towards intelligentization. In terms of offshore equipment, the Group entered the national major offshore special equipment complete set field for the first time. The Active Heave Compensation Launch and Recovery System (LARS) completed in-plant tests and obtained China Classification Society (CCS) certification, filling a domestic technological gap in this field. The self-designed and developed DQ500B offshore geared top drive project was successfully concluded. This top drive system meets CNOOC's procurement technical standards and has obtained the CCS inspection certificate. The unique structural design allows it to adapt to variable operating conditions, effectively mitigate the impact of harsh marine environments, and improve the efficiency and safety of drilling operations. Currently, the top drive system has successfully completed industrial verification, demonstrating excellent performance in all indicators and meeting the conditions for market application.

BUSINESS MODELS OF THE GROUP

As at 31 December 2025, the Group's revenue from land drilling rigs amounted to RMB1,945.2 million, representing a decrease of 0.3% as compared to the previous year, accounting for 35.4% of the total revenue. Revenue from parts and components and others amounted to RMB989.3 million, representing a decrease of 40.5% as compared to the previous year, accounting for 18.0% of the total revenue. Revenue from drilling engineering services amounted to RMB420.5 million, representing an increase of 24.8% as compared to the previous year, accounting for 7.7% of the total revenue. Revenue from the offshore segment amounted to RMB1,519.0 million, representing an increase of 76.7% as compared to the previous year, accounting for 27.7% of the total revenue. Revenue from fracturing business amounted to RMB619.4 million, representing a decrease of 24.8% as compared to the previous year, accounting for 11.3% of the total revenue.

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

	As at 31 December 2025		**As at 31 December 2024**			
Types of Business	**Revenue**	**Percentage**	**Revenue**	**Percentage**	**Change in Revenue**	**Percentage Change**
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(%)*	*(%)*
Land drilling rigs	1,945.2	35.4%	1,951.3	34.6%	-0.3%	0.8%
Parts and components and others	989.3	18.0%	1,662.2	29.5%	-40.5%	-11.5%
Drilling engineering services	420.5	7.7%	336.9	6.0%	24.8%	1.7%
Offshore segment	1,519.0	27.7%	859.8	15.3%	76.7%	12.4%
Fracturing business	619.4	11.3%	823.1	14.6%	-24.8%	-3.3%
Total	**5,493.3**	**100%**	**5,633.3**	**100%**	**-2.5%**	**0.0%**

Note: Due to rounding, there may be slight discrepancies between the sum of the individual figures and the total.

I. Land Drilling Rigs

As the core business segment of the Group, with its advanced technology, mature global sales network and excellent track record, a total of approximately 1,000 land drilling rigs of various types have been sold since 2000 (with a total of 26 sets of complete land drilling rigs sold in 2025), which were exported to major oil and gas production regions worldwide, such as the Middle East, the Americas, Central Asia and Africa.

During the reporting period, revenue from the land drilling rigs business of the Group amounted to RMB1,945.2 million, accounting for 35.4% of total revenue, and representing a decrease of 0.3% as compared to RMB1,951.3 million for the same period of the previous year. The decrease was primarily due to the long delivery cycle of major orders secured by the Group in the Middle East during the reporting period, allowing only partial revenue to be recognized within the year. As of 31 December 2025, 96.5% of the revenue from the land drilling rigs business of the Group was derived from overseas markets, of which 83.8% was contributed by the Middle East region. The Company secured several substantial orders in overseas markets, among which, it successfully signed contract with a Middle Eastern client for an order for RMB1.5 billion worth of AI drilling rigs for clustered wells, and contracts for several sets of desert fast-moving drilling rigs worth over US$100 million, further consolidating the Group's leading position in the global high-end smart drilling rig market. In collaboration with an Indonesian client, the Company signed orders for several sets of new electric vehicle-mounted drilling and workover rigs, achieving a market breakthrough for the Group in the mid-to-low horsepower green oil and gas equipment sector. The Company also secured an order for a complete drilling barge delivery, effectively strengthening its presence in the West African region. In the domestic market, the Group successfully entered the coal exploration geology sector, establishing in-depth cooperation with provincial state-owned enterprises and securing the first order for automated drilling rigs in this field.

The table below sets forth the breakdown of the total revenue from the land drilling rigs by region during the year indicated:

	As at 31 December 2025		As at 31 December 2024			
Regions	**Revenue** *(RMB million)*	**Percentage**	**Revenue** *(RMB million)*	**Percentage**	**Change in Revenue** *(%)*	**Percentage change** *(%)*
China	**69.0**	**3.5%**	**116.5**	**6.0%**	**-40.8%**	**-2.5%**
Overseas	**1,876.2**	**96.5%**	**1,834.8**	**94.0%**	**2.3%**	**2.5%**
The Middle East	1,630.5	83.8%	1,360.3	69.7%	19.9%	14.1%
Other regions [1]	245.7	12.6%	474.4	24.3%	-48.2%	-11.7%
Total	**1,945.2**	**100%**	**1,951.3**	**100.0%**	**-0.3%**	**0.0%**

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

II. Parts and Components and Others

As of 31 December 2025, revenue from parts and components and other businesses of the Group amounted to RMB989.3 million, accounting for 18.0% of total revenue, and representing a decrease of 40.5% as compared to RMB1,662.2 million for the same period of 2024. Revenue from the Chinese market totaled RMB512.9 million, while revenue from overseas markets totaled RMB476.4 million. The decrease in revenue was mainly due to the fact that the Group took the initiative to adjust its business structure during the reporting period, while actively streamlining its low-margin businesses such as steel structures to further focus on core business segments and enhance the overall profitability of the Company. During the reporting period, the gross margin of this business segment increased by 6.5 percentage points as compared to the same period of the previous year.

During the reporting period, the Group's upgrade solutions for core components gained market recognition, achieving a qualitative breakthrough in the "Strengthening Components" strategy. New orders in the parts and components and others segment reached RMB1,200 million, with core components (pumps, automation tools, top drives) becoming the main source of growth. In terms of machinery, the Group secured orders from domestic clients for drilling rig supporting "one-key linkage" systems and automation upgrade retrofits, among which, the execution volume of orders for tools such as powered catwalks, drilling platform robots, and iron roughnecks saw significant growth of about twofold. The offline lifting "one-key linkage" automated tool system was put into use in an overseas project, completing industrial verification, and was also applied and promoted in the artificial island intelligent drilling rig project, solidifying the Company's leading position in the pipe handling equipment industry. The new dual-stand pipe handler, with its stable performance and high pipe handling efficiency, received much positive feedback from clients. Furthermore, the technology for tri-stand pipe handling was successfully developed, achieving a global leading position for the Company. In terms of pump products, 61 sets of pumps were sold (including approximately 30 sets of quintuplex pumps). The 2200-horsepower three-cylinder direct-drive pump unit was deployed on an offshore platform for the first time. The Company secured its first bulk order from CNOOC for dual-motor five-cylinder pump units. It also won an order for 12 five-cylinder pump units from a client in the Middle East, further expanding its market share. The Company developed Dalian Gangli's 2600-horsepower five-cylinder pump, completed industrial trials, and achieved sales. It also made a breakthrough in dual-motor offshore direct-drive five-cylinder pump technology. 11 sets of top drives were sold, along with 2 upgrade and retrofitting projects. The geared top drive and dual-motor ocean five-cylinder pump units obtained CCS certification and underwent industrial testing at a well site in Nanchuan, Chongqing, demonstrating good performance; developed a 200-ton permanent-magnetic direct-drive top drive. Based on the technological advantages accumulated in land equipment, the Group is progressively researching and developing related components for the offshore segment and such products will be used for offshore oil and gas equipment and specialized vessels in which it has signed orders.

III. Drilling Engineering Services

As at 31 December 2025, the Group had 8 drilling teams for providing drilling engineering services to renowned domestic and international customers. It recorded a revenue of RMB420.5 million, accounting for 7.7% of the total revenue, and representing an increase of 24.8% as compared to RMB336.9 million for the same period of 2024.

In terms of international projects, the Group, as a professional service provider in the industry of oil and gas engineering services, has been deeply rooted in the Middle East market for over a decade. The Group has deployed 7 self-owned drilling rigs in the Middle East, with full production tasks, efficient utilization of assets and equipment, as well as steady progress of project execution. During operation, the drilling operational efficiency, wellbore quality, and HSE management level all exceeded the stringent standards of our international partners and earn high recognition from clients. In terms of domestic projects, the Group utilized its intelligent drilling rig at the operation site of the drilling engineering project of a platform of Sinopec Chongqing Shale Gas in Nanchuan, further demonstrating the stability of its equipment performance and technological advancement.

The table below sets forth the breakdown of revenue from the drilling engineering service by region during the year indicated:

	As at 31 December 2025		As at 31 December 2024			
Regions	**Revenue** *(RMB million)*	**Percentage**	**Revenue** *(RMB million)*	**Percentage**	**Change in Revenue** (%)	**Percentage change** (%)
China	79.5	18.9%	35.7	10.6%	122.6%	8.3%
Overseas	341.0	81.1%	301.3	89.4%	13.2%	-8.3%
Total	**420.5**	**100.0%**	**336.9**	**100.0%**	**24.8%**	**0.0%**

Note: Due to rounding, there may be slight discrepancies between the sum of the individual figures and the total.

IV. Offshore Segment

The Group's offshore segment primarily includes offshore oil and gas equipment, offshore engineering equipment, and offshore wind power businesses. The offshore engineering equipment production base is located in the Qidong Marine Shipbuilding Industrial Park in Jiangsu Province. The first phase of the outfitting wharf, spanning 633 meters, has been completed. The facility boasts a steel structure assembly workshop with an area of 110,000 square meters, possessing the capability to manufacture offshore oil and gas equipment, offshore modules, large-scale offshore wind power pile foundation structural parts, etc. As at 31 December 2025, revenue from the offshore segment of the Group amounted to RMB1,519.0 million, representing an increase of 76.7% as compared to the same period of the previous year, and accounting for 27.7% of the total revenue. The number of new orders for this business segment saw a significant increase of 121.8% as compared to the same period of the previous year to RMB3,005.7 million.

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

	As at 31 December 2025		As at 31 December 2024			
Regions	**Revenue** *(RMB million)*	**Percentage**	**Revenue** *(RMB million)*	**Percentage**	**Change in Revenue** *(%)*	**Percentage change** *(%)*
Offshore wind power	**624.7**	**41.1%**	**811.5**	**94.4%**	**-23.0%**	**-53.3%**
Offshore engineering equipment manufacturing	**894.3**	**58.9%**	**48.3**	**5.6%**	**1,751.6%**	**53.3%**
China	490.3	32.3%	48.3	5.6%	915.1%	26.7%
Overseas	404.0	26.6%	0.0	0.0%	0.0%	26.6%
Total	**1,519.0**	**100.0%**	**859.8**	**100.0%**	**76.7%**	**0.0%**

Offshore Wind Power

The Group's offshore wind power business primarily consists of the business related to offshore wind power jackets, with all revenue derived from the domestic market. After 7 years of development, the Company has become one of the top-tier players in the niche market of large-scale offshore wind power jackets in China. During the reporting period, the Group delivered a total of 24 sets of offshore wind power jackets, achieving revenue from the offshore wind power business of RMB624.7 million, accounting for 41.1% of revenue from the business of offshore segment, and representing a decrease of 23.0% as compared to the revenue of RMB811.5 million for the same period of the previous year.

Offshore wind power is an important development direction in the global new energy sector and has become one of the key measures for most countries to address climate change. According to the Global Wind Energy Council (GWEC), the global annual newly installed capacity for offshore wind power is expected to exceed 30 GW by 2030. With increasing policy support from China's National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) for offshore wind power and deep-sea wind power, the development of offshore wind power during the "15th Five-Year Plan" period will accelerate with further expansion. By 2030, new installed capacity could reach 150-200 GW, with incremental areas mainly in coastal provinces such as Guangdong, Shandong, Zhejiang, Liaoning, and Fujian. The demand for offshore wind power development has driven high-speed growth of the Group's offshore wind power jacket business. During the reporting period, the Group's offshore wind power business recorded new orders of approximately RMB1,029.7 million, an increase of 38.9% as compared to the same period last year, maintaining its leading position in the large jacket niche market. The Group's clients include China Three Gorges, Huaneng, Huadian, SPIC, Datang, CGN, CECEP, Zhongmin, Zhejiang Energy, etc. During the reporting period, the Group signed long-term framework agreements in tenders with CCCC Third Harbor Engineering and China Railway Major Bridge to secure our production capacity in offshore wind power, deepened our cooperation with existing customers such as Shanghai Institute, and strengthened our technical collaborations with design and general contracting units such as Central South Institute.

Offshore Engineering Equipment Manufacturing

The Group is one of the few domestic companies capable of designing and manufacturing offshore oil and gas drilling equipment, as well as designing, manufacturing, and system integrating customized high-end offshore equipment. To date, the Group has accumulated significant achievements in offshore engineering equipment manufacturing, including 43 sets of offshore modular workover rigs, 4 sets of deepwater floating drilling packages, 1 set of mining vessel surface support system, 2 sets of geological survey vessel drilling systems, 1 set of ocean drilling system, and 3 offshore oil and gas drilling platform upgrade and retrofit projects. In particular, the Tiger series deepwater drilling package developed by Honghua is the first medium-depth floating drilling package designed and manufactured in China.

For the year ended 31 December 2025, the Group achieved revenue of RMB894.3 million from its offshore equipment manufacturing business, accounting for 58.9% of the revenue of the offshore business segment. This represents a substantial increase of 17.5 times as compared to RMB48.3 million in the same period of 2024. During the reporting period, the Group newly explored overseas markets such as Nigeria and domestic markets including Tianjin, Zhejiang, and Shenzhen. It signed orders for offshore workover rig projects, geological exploration systems for the offshore survey sector, offshore quintuplex pumps, and drilling barges. It signed a contract for the construction of high-end offshore vessels with a domestic ship operation and management company, and secured orders for emergency response vessels from domestic clients, further strengthening its core competitiveness in the offshore engineering manufacturing field. It also secured orders for offshore engineering vessels such as OCV and CSOV from overseas clients, leveraging complete offshore operation and maintenance platforms/vessel projects to develop high-end offshore equipment products. The Group entered the national major offshore special equipment complete set field for the first time. The Active Heave Compensation Launch and Recovery System (LARS) completed in-plant testing and obtained CCS certification, filling the domestic technological gap in this field and laying a solid technical foundation for the development of our offshore industry. Strategic cooperative relationships were established with more than ten leading industry units, including No. 704 Research Institute of China State Shipbuilding Corporation, Shanghai Merchant Ship Design & Research Institute (SDARI), CSSC, and China Offshore Oil Engineering Co., Ltd. (COOEC), bringing strong driving force for the upgrading of the offshore equipment industry.

V. Fracturing Business

As of 31 December 2025, the Group generated revenue from its fracturing business of RMB619.4 million, accounting for 11.3% of the total revenue, and representing a decrease of 24.8% as compared to the revenue of RMB823.1 million for the same period in 2024. This was primarily due to a decrease in revenue scale caused by the discontinuing fracturing service operations in China. During the reporting period, the Group had a total of 16 fully equipped pumping teams and completed up to 3,000 fracturing operations stages. The Group signed a framework contract for coalbed methane fracturing services with a domestic company, thereby further consolidating its market position in the fracturing business in the coalbed methane block in Shanxi. The "gas power generation and electricity-driven fracturing" model was established as a benchmark in the Daqing region and successfully validated in new markets such as Guizhou.

In terms of products, the Group completed the research and development and industrial testing of key projects, including the new-generation 6000R fracturing complete equipment, the 175MPa high-pressure manifold system, and the Digital Fracturing Command and Control Center 2.0 to be ready for commercial application. Domestic production of the new electric blending skid has met with success. We globally launched our intelligent fracturing integrated solution, applying digital twin technology in fracturing operations for the first time. By integrating 33 operational steps in fracturing to be completed with "one key", manual labor intensity can be reduced by 97%, increasing operational efficiency by 15%, and decreasing carbon emissions by approximately 92%. Such system has marked its first commercial application in China.

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

	As at 31 December 2025		As at 31 December 2024			
Regions	**Revenue** *(RMB'million)*	**Percentage**	**Revenue** *(RMB'million)*	**Percentage**	**Change in Revenue** *(%)*	**Percentage Change** *(%)*
Sales of fracturing equipment and fracturing services	527.8	85.2%	527.9	64.1%	0.0%	21.1%
Special power	91.6	14.8%	295.2	35.9%	-69.0%	-21.1%
Total	**619.4**	**100.0%**	**823.1**	**100.0%**	**-24.8%**	**0.0%**

HUMAN RESOURCES MANAGEMENT

The Group firmly pursues the goal of "talents as leadership", and has been deeply advancing the high-quality development of its talent pool to cultivate the optimal momentum for its high-quality development. As of 31 December 2025, the Group had a total of 2,843 employees. During the Period, the Group implemented a series of measures in areas such as talent development, employee training, and talent motivation. In terms of talent development, we have prioritised supporting the growth of strategic emerging industries, specifically recruiting talent with high-end skills in emerging industries, strengthening on-the-job training and cross-functional experience mechanisms, and establishing technical talent pool in areas such as intelligent equipment, digital management, and offshore engineering equipment. In terms of employee training, a total of 484 training sessions were conducted during the Period, covering topics such as technology and science, skills enhancement, legal risks and compliance, quality and safety, financial literacy, and employee management. In terms of talent motivation, the Group adheres to the principle of "efficiency comes first, with fairness of no less importance" and employee compensation is linked with the the Group's performance. Remuneration package consists of three major components: basic salary, performance incentives, and welfare subsidies, ensuring that the growth in total remuneration is in line with economic benefits. The Group promotes the full coverage of term contract or performance target responsibility letter, strengthens the mechanism of "hard indicators" in performance, "high incentives" for salary and "rigid distribution" of benefits, while implementing incentive measures such as project profit sharing. Details of the Company's share schemes are set out in the sections entitled "Share Option Scheme" and "Restricted Share Award Scheme" of the 2025 annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In line with industry trends, the Group conducted its materiality analysis on ESG issues for the first time using the double materiality principle. During the reporting period, the Board of Directors placed high importance on ESG work, ensuring that the "dual carbon" goals are in line with the Company's strategy. Significant results were achieved in green innovation and breakthroughs in low-carbon technologies. We launched the "Intelligent Fracturing Integrated Solution" and the "Distributed Automated Workover Rig Solution", promoting green development of energy equipment through technological progress. The "Low-Noise, High-Efficiency, Environmentally Friendly Clustered Wells Special Drilling Rig" we developed, which lowers noise by 65%, reduces carbon emission by over 90% and achieving zero waste discharge won the First-tier Prize for Technological Innovation in Petroleum and Petrochemical Equipment in 2025. In terms of green operation, the Group's first project in Shanxi utilizing gas power generation and electric drive applications was successfully completed. Compared to traditional diesel drive modes, the energy conversion efficiency of this power system increased by over 35%, resulting in a total carbon reduction of 2,200 tons during project construction. During the year, we advanced the implementation of distributed photovoltaic power generation projects and lighting energy-saving retrofits within the plant area, completely eliminated high-energy-consumption production processes in the heat treatment and forging workshops, and promoted the transformation of manufacturing processes towards cleaner production. In promoting social equity, the Group anchored its core direction towards talent empowerment, diversity, and inclusion, building a development ecosystem where employees and the Company can enjoy mutual prosperity. We firmly practice the concept of gender equality, increasing the proportion of women in STEM positions to 12.9%, a year-on-year increase of 1.1%, and continuously optimizing the talent structure in the technology sector. 100% of the Group's production and operation bases have obtained ISO 45001 system certification, solidifying occupational health and safety assurance through a standardized management system and safeguarding employees' health and safety. Benefiting from its excellent ESG performance, the Group was awarded the provincial-level Green Factory certificate and Product Carbon Footprint certificate during the reporting period, and its Wind ESG rating was elevated from A to AA. For details on the Group's ESG performance, please refer to Honghua Group's 2025 ESG Report.

FUTURE OUTLOOK

In 2026, against the backdrop of deepening energy transition, evolving geopolitical landscapes, and accelerating technological iteration, the global oil and gas development industry will continue to present both opportunities and challenges. Focusing on industry trends and its own situation, the Group will anchor onto the main line of high-quality development, deeply implement the development philosophy of "thriving through innovation, winning through quality", adhere to an innovation-driven core, unswervingly follow the development path of "emphasizing both onshore and offshore, integrating equipment and services, and focusing on both domestic and international markets", and fully embark on a new journey to build a "New Quality Honghua".

I. Adopting the "Three Oceans Strategy" as our Overall Framework to Build Core Competitiveness in Offshore Equipment

Based on the strategic opportunity period of the "15th Five-Year Plan", the Group will closely focus on global oil and gas development and energy transition trends, establish the strategic goal of "becoming a first-class offshore engineering equipment supplier in the industry" and construct a mutually collaborative "Three Oceans" business system. **In the offshore oil and gas sector, on one hand, we will focus on deep water to overcome the "bottleneck" technologies.** To closely align with the national deep-underground and deep-sea strategic needs, we will firmly implement the dual-wheel drive of "technology leadership + domestic substitution", focusing on overcoming key technologies such as deepwater floating drilling packages and active heave compensation. Committed to transforming from an "equipment manufacturer" to a "system solution provider", we will strive to achieve domestic substitution of deep-sea equipment and secure a top-three global market position. **On the other hand, we will deeply cultivate shallow water areas to accelerate the replacement of existing assets.** The Group will seize the window of opportunity for upgrading and retrofitting old platforms for domestic and international clients, vigorously promoting mature products like modular rigs and automated tools. With our "equipment + service" model, we will provide clients with hardware equipment along with full life-cycle digital operation and maintenance services. **In the offshore engineering field, we aim to achieve a leap from "subcontracting" to "specialized integration".** Collaborating with Dongfang Electric Corporation, we will actively cultivate distinctive high-end offshore engineering equipment and system integration capabilities, gradually transitioning from structural component manufacturing to high-end offshore engineering EPC contracting. **In the offshore wind power field, we aim to upgrade from "scale" to "efficiency"**. The Group will focus on the niche markets of jackets and substations, and reduce costs through lean production and supply chain optimization to stabilize its market position in the domestic niche. Simultaneously, we will actively expand overseas markets, leveraging the Group's global marketing network to promote the "going global" of offshore wind power business and build an internationalized offshore wind equipment manufacturing base.

II. *Using "Intelligentization and Digitalization" as Dual Wings to Drive Industrial Transformation and Upgrading*

Facing the competitive landscape of the global oil and gas equipment market, the Group clearly recognizes the need to build a "New Quality Honghua" through management transformation and technological empowerment, with digital transformation and intelligent upgrading as the core driving forces. **First, build an intelligent equipment system to reshape core competitiveness.** We will continue to promote the iteration of intelligent drilling rigs, using the Opera intelligent drilling ecosystem as the lead to drive oil and gas equipment from "single-machine automation" to "full-process intelligence"; promote the development of drilling rigs towards reduced manning and unattended operation; research and develop all-electric intelligent workover systems to achieve precise positioning and online pre-maintenance of operations; and technologically reshape the fracturing business, leveraging digital empowerment to regain market competitiveness through the deep integration of remote autonomous decision-making systems with surface equipment and downhole data. **Second, deepen digital empowerment applications to create a new paradigm for global services.** We will integrate digitalization throughout the entire process of oil and gas equipment R&D, manufacturing, and operation and maintenance, overcoming challenges in intelligent equipment maintenance and fault diagnosis under extreme conditions, promoting digital transformation of production sites, and providing efficient digital value-added services to global clients. We will utilize digital means to optimize global resource allocation, advance the visualization and intelligent management of the supply chain, and support the development of localized service capabilities in key regions.

III. *Carrying Forward the Spirit of Dongfang Electric, Deeply Integrating into the New Landscape of High-Quality Development During the "15th Five-Year Plan" Period*

The Group will resolutely implement the strategic deployment of Dongfang Electric Corporation, anchor onto the main business of high-end oil and gas equipment, and deeply integrate into the Group's new landscape of high-quality development during the "15th Five-Year Plan" period. **First, deeply cultivate the "Three Oceans Strategy" to forge core strength in offshore equipment.** Utilizing our Qidong offshore equipment manufacturing base, we will transform the Group's technological accumulation in offshore oil and gas and offshore equipment manufacturing into key support for serving the Group's far-reaching sea strategy. We will deeply participate in the R&D and construction of Dongfang Electric Corporation's far-reaching sea floating wind power platforms, capitalizing on the Group's experience in jackets, substations, system integration, and customized equipment module production to transform into core competitiveness within Dongfang Electric Corporation's "large components" and "full system" solutions for offshore wind power. **Second, leverage Honghua's technological advantages to strengthen technological synergy.** In collaboration with the main energy equipment manufacturing business of Dongfang Electric Corporation, consistently focuses on its, we will make use of its "one core, two wings" industry layout, and be committed to building a premium group with core competitiveness. We will fully leverage our own technological advantages in drilling and completion equipment manufacturing, deeply integrate with Dongfang Electric Corporation in areas such as new energy development, and international business expansion, inspection, nuclear power, and hydropower and integrate our own development into the "one core, two wings" grand picture of Dongfang Electric Corporation.

FINANCIAL REVIEW

During the Year, the Group's gross profit and profit attributable to shareholders of the Company amounted to approximately RMB685 million and RMB38 million, respectively, and the gross margin and net profit margin was 12.5% and 0.7%, respectively. In the previous year, the Group's gross profit and profit attributable to shareholders of the Company amounted to approximately RMB677 million and RMB8 million, respectively, and gross margin and the net profit margin 12.0% and 0.1%, respectively. The Group, closely adhering to, persisted in the business strategy of "expanding the market externally and strengthening management internally". All employees united with a common purpose, withstood pressure and, aiming for higher goals and integrated development, thereby driving a steady improvement in operating quality and efficiency. Through strengthened cost control, the Group achieved a significant enhancement in profitability.

Turnover

During the Year, the Group's revenue amounted to approximately RMB5,493 million, representing a decrease of RMB140 million or 2.5% from RMB5,633 million for the previous year. The Group proactively promoted the optimization and adjustment of its business structure, focusing on the allocation of core resources and high-quality development. Meanwhile, affected by periodic fluctuations in the industry, the scale of revenue related to the fracturing business decreased compared with the same period last Year. These factors collectively led to a year-on-year decrease in the total operating revenue for the period.

Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB4,809 million, representing a decrease of RMB148 million or approximately 2.99% from RMB4,957 million for the previous year. The Group continued to advance the adjustment of its business structure and deepened various initiatives to reduce costs and enhance efficiency. By optimizing procurement management, strictly controlling operating costs, and improving the efficiency of resource utilization, the Group effectively squeezed its overall costs and expenses, contributing to a continuous improvement in profitability.

Gross Profit and Gross Margin

During the Year, the Group's gross profit amounted to approximately RMB685 million, representing an increase of RMB8 million or 1.2% from RMB677 million for the previous year. During the Year, the Group's overall gross margin was 12.5%, representing an increase of 0.5 percentage point from 12.0% for the previous year. The year-on-year improvement in gross profit and gross profit margin was primarily attributable to the Group's persistent efforts to promote the optimization and upgrading of its business structure, proactively contracting low-margin business segments such as steel structures, and further focusing on core business segments with high gross profit and high added value. This drove a year-on-year improvement in the gross profit margin of segments such as component sales. At the same time, with the continuous expansion of the marine segment's business scale, its contribution to both revenue and gross profit also increased, promoting the continuous optimization of overall profitability and profit quality.

Expenses in the Year

During the Year, the Group's distribution expenses amounted to approximately RMB190 million, representing a decrease of RMB21 million or 9.7% from RMB211 million for the previous year. This was mainly due to the Group's continued efforts to strengthen refined expense management and deepen various cost reduction and efficiency enhancement initiatives, leading to a year-on-year decrease in business expenses and traveling expenses.

During the Year, the Group's administrative expenses amounted to approximately RMB360 million, representing a decrease of RMB23 million or 6.1% from RMB383 million for the previous year. The main reasons were: firstly, following the proper settlement of matters related to the Tuimada bankruptcy and the TOPS litigation case, legal fees decreased by RMB8 million year-on-year; secondly, the Company deeply promoted lean management, actively advanced the revitalization of existing assets, optimized asset structure allocation, and improved asset operation efficiency. As a result, capacity utilization and asset utilization rates improved, and the amount of impairment losses on fixed assets recognized during the Period decreased year-on-year.

During the Year, the Group's research and development expenses amounted to approximately RMB164 million, representing an increase of RMB14 million or 8.7% from RMB150 million for the previous year. To actively respond to the national deep-underground strategy, meet the demands for green, digital, and intelligent drilling and production equipment, and promote the localization process of marine equipment, the Company continued to strengthen its R&D investment. The R&D expenditure for the year amounted to RMB287 million, representing a year-on-year increase of RMB30 million or 11.3% from RMB257 million for the previous year.

During the Year, the Group's net finance expenses amounted to approximately RMB93 million, representing a decrease of RMB37 million or 28.7% from RMB130 million for the previous year. This was primarily due to the Group's continuous optimization of its debt structure, active exploration of diversified, low-cost financing channels, and vigorous promotion of replacing high-cost financing, effectively reducing the overall financing cost and achieving significant results in finance expense control.

Profit before Income Tax

During the Year, the Group's profit before income tax amounted to approximately RMB71 million, representing an increase of RMB31 million as compared to the profit of RMB40 million for the previous year.

Income Tax Expense

During the Year, the Group's income tax expense amounted to approximately RMB31 million, a decrease of RMB4 million as compared to the income tax expense of non-controlling RMB35 million for the previous year.

Profit for the Year

During the Year, the Group's profit for the year amounted to approximately RMB39 million, compared to a profit of approximately RMB5 million for the previous year. Specifically, profit attributable to equity shareholders of the Company was approximately RMB38 million, while profit attributable to non-controlling interests was approximately RMB1 million. During the Year, the net profit margin was 0.7%, compared with a net profit margin of 0.1% for the previous year.

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

During the Year, EBITDA was approximately RMB525 million, compared with approximately RMB492 million in the corresponding period last year. The Group continued to advance the adjustment of its business structure and deepen various cost reduction and efficiency enhancement initiatives, effectively curbing overall costs and expenses. The EBITDA margin was 9.6%, compared with 8.7% in the corresponding period last year.

EBITDA is calculated as profit before tax plus net finance expenses, depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets and land use rights. EBITDA margin is calculated by dividing EBITDA by revenue.

Dividends

The Board does not recommend distribution of final dividend for the year ended 31 December 2025. (As of 31 December 2024: Nil)

Source of Capital and Borrowings

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

As at 31 December 2025, the Group's bank borrowings amounted to approximately RMB4,686 million, representing an increase of RMB536 million as compared to the amount as at 31 December 2024. Specifically, borrowings repayable within one year amounted to approximately RMB2,492 million, representing an increase of RMB381 million or 18.1%, as compared to 31 December 2024. This is primarily due to the Group's alignment with its strategic development plan, which involves continuing to advance capital expenditures related to production capacity expansion projects, as well as intelligent transformation and digital upgrades. At the same time, to meet the working capital requirements resulting from the Company's ongoing expansion, optimize the overall capital structure, ensure the Group's liquidity security, and maintain compliance in post-loan management, the Group has correspondingly increased the scale of external financing.

Deposits and Cash Flow

As at 31 December 2025, the Group's cash and cash equivalents amounted to approximately RMB1,000 million, representing an increase of approximately RMB209 million as compared to 31 December 2024.

During the Year, the Group's net cash inflow from operating activities amounted to approximately RMB27 million; net cash outflow from investing activities amounted to approximately RMB168 million; and net cash inflow from financing activities amounted to approximately RMB359 million.

Assets Structure and Changes

As at 31 December 2025, the Group's total assets amounted to approximately RMB12,612 million. Specifically, current assets amounted to approximately RMB8,366 million, accounting for approximately 66.3% of total assets, representing an increase of RMB732 million as compared to the amount as at 31 December 2024. This was mainly due to the increase in contract assets, cash and cash equivalents, and inventories. Non-current assets amounted to approximately RMB4,247 million, accounting for approximately 33.7% of total assets, representing a decrease of RMB48 million as compared to the amount as at 31 December 2024. This was mainly due to a year-over-year decrease in trade and other receivables.

Liabilities

As at 31 December 2025, the Group's total liabilities amounted to approximately RMB8,971 million. Specifically, current liabilities amounted to approximately RMB6,589 million, accounting for approximately 73.4% of total liabilities, representing an increase of RMB446 million as compared to 31 December 2024. And non-current liabilities amounted to approximately RMB2,382 million, accounting for approximately 26.6% of total liabilities, representing an increase of RMB262 million as compared to 31 December 2024. As at 31 December 2025, the Group's total liabilities/total assets ratio was 71.1%, representing an increase of 1.8 percentage points as compared to 31 December 2024. The gearing ratio of the Group is still calculated by dividing total liabilities by total assets.

Equity

As at 31 December 2025, the total equity amounted to approximately RMB3,641 million, representing a decrease of RMB24 million as compared to 31 December 2024. The total equity attributable to equity shareholders of the company amounted to approximately RMB3,446 million, representing a decrease of RMB24 million as compared to 31 December 2024. Non-controlling interests amounted to approximately RMB196 million, representing an increase of RMB1 million as compared to 31 December 2024. During the Year, the Group's basic profit per share was RMB0.43 cents, and diluted profit per share was RMB0.43 cents.

Capital Expenditure, Material Investment and Capital Commitments

During the Year, capital expenditure of the Group on infrastructure and technical improvements amounted to approximately RMB285 million, representing an increase of approximately RMB83 million compared to the previous year, primarily for infrastructure and technical alteration. The aforementioned capital expenditure was primarily funded through operating cash flows.

As at 31 December 2025, the capital commitment of the Group amounted to approximately RMB40 million, which was used to optimize and adjust the Group's business and production capacity.

Save as disclosed, the Group had no material investments during the twelve months ended 31 December 2025.

Foreign Exchange Risks

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

Contingencies

As at 31 December 2025, the Group had no material contingent liabilities.

Mortgages and Guarantees

Details of mortgages and guarantees of the Group are set out in Note 14 to the financial statements.

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

As at 31 December 2025 and during the Year, the Company did not hold any treasury shares (including any treasury shares held or deposited with the Central Clearing and Settlement System).

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

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in Note 16 to the financial statements set out in this announcement, there was no significant event that might affect the Group subsequent since the end of the reporting period and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with Listing Rules 3.21 and 3.22, with its written terms of reference set out accordingly. The main responsibilities of the Audit Committee include, but are not limited to, reviewing and overseeing the adequacy and effectiveness of the Group's financial reporting system, internal controls, and risk management systems and their related procedures, and providing recommendations and advice to the Board. The Audit Committee is also responsible for reviewing corporate governance compliance, the corporate governance report, and corporate governance policies.

The Audit Committee consists of three non-executive Directors, including two independent non-executive Directors, Ms. Li Yuedong (Chairman of the Audit Committee) and Mr. Zhang Shiju, and one non-executive Director, Mr. Liu Hui. One of the independent non-executive Directors has appropriate professional qualifications or expertise in accounting or related financial management.

The Audit Committee held five meetings during the Year and review opinions of internal auditors, matters in respects of internal control, risk management and financial reporting. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2025 and the accounting principles and practices adopted by the Group during the Year.

COMPLIANCE WITH THE CG CODE

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

Throughout the entire year from 1 January 2025 to 31 December 2025, the Company has complied with all provisions of the Corporate Governance Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code for Securities Trading regarding Directors' dealings in the Company's securities with terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Code for Securities Trading and the Model Code throughout the year ended 31 December 2025.

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

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2025

This annual results announcement is published on both the websites of the Company (www.hh-gltd.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2025 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

DEFINITION

"Audit Committee"	the audit committee of the Company
"Board"	the Board of Directors of the Company
"CG Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Code for Securities Trading"	code for securities trading regarding Directors' dealings in the Company's securities adopted by the Company since 14 September 2024
"Company"	Honghua Group Limited
"Directors"	directors of the Company
"Year/Period/Reporting Period"	for the year ended 31 December 2025
"Group", "Honghua", or "Honghua Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"previous year"	for the year ended 31 December 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"PRC" or "China"	the People's Republic of China, unless the context requires otherwise, reference in this announcement of the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares issued by the Company, with a nominal value of HK$0.10 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	the United States of America, including its territories and possessions
"US$"	United States dollars, the lawful currency of the US

On behalf of the Board
Honghua Group Limited
Wang Xu
Chairman

China, 25 March 2026

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