



宏华集团有限公司

HONGHUA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 196

2025
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xu (*Chairman*)

Mr. Zhu Hua

Mr. Yang Qiang

Non-Executive Directors

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

Independent Non-Executive Directors

Mr. Zhang Shiju

Ms. Li Yuedong

Mr. Wang Junren

SECRETARY OF BOARD OF DIRECTOR

Mr. He Bin

BOARD COMMITTEES

Audit Committee

Ms. Li Yuedong (*Committee Chairman*)

Mr. Zhang Shiju

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

Remuneration Committee

Mr. Zhang Shiju (*Committee Chairman*)

Mr. Wang Xu (*Resigned with effect from 19 January 2026*)

Ms. Li Yuedong

Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)

Mr. Wang Junren

Nomination Committee

Mr. Wang Xu (*Committee Chairman*)

Mr. Zhang Shiju

Ms. Li Yuedong

Strategic Investment Committee

Mr. Wang Xu (*Committee Chairman*)

Mr. Zhu Hua

Mr. Yang Qiang

Mr. Yang Yangzhuang (*Resigned with effect from 19 January 2026*)

Mr. Liu Xinggui (*Resigned with effect from 25 July 2025*)

Mr. Wang Junren

Mr. Liu Hui (*Appointed with effect from 19 January 2026*)

JOINT COMPANY SECRETARIES

Mr. He Bin

Ms. Lee Mei Yi

LEGAL ADVISOR

AS TO HONG KONG LAW

Haiwen & Partners LLP

CORPORATE INFORMATION

PRINCIPAL BANKERS AND NON-BANK FINANCIAL INSTITUTIONS

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

AUDITOR

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

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00196

WEBSITE

<http://www.hh-g ltd.com>

CHAIRMAN'S STATEMENT

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Dear Shareholders,

On behalf of the board of directors (the “Board”), I hereby present the Chairman’s Statement of Honghua Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year 2025.

In 2025, the world economy continued to navigate through turbulent waters, overriding obstacles created by geopolitical tensions, supply chain restructuring, the rapid advancement of AI, and the uncapturable oil price fluctuations all put the decision-makers of enterprises to the test. For the oil and gas industry, the year was full of challenges and uncertainties, as the sector has entered a critical period of transformation and adjustment.

The Group closely followed guidance of the country to serve its strategic needs, adhering to the business strategy of “expanding markets externally, strengthening management internally”. All employees united with one heart and forged ahead with determination, promoting steady improvement in operational quality and efficiency. For the full year, total operating revenue reached RMB5.493 billion, a year-on-year decrease of 2.49% due to business structure adjustments and a decline in the revenue scale of fracturing business. Through strengthened cost control, the Group significantly enhanced its profitability. During the reporting period, gross profit was RMB685 million, a year-on-year increase of 1.18% with a gross profit margin of 12.46% (an increase of 0.45 percentage point compared to the same period last year); net profit attributable to the parent company’s shareholders was RMB38 million, representing a substantial year-on-year increase of more than fourfold.

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CHAIRMAN'S STATEMENT

Advancing with Intelligence, Driving Smart Equipment and Service Upgrades through Digitalization. Facing the dramatic changes brought by technological waves, the Group continued to foster new drivers for high-quality development. From the successful application of software systems like Opera and Unison, to the inspiring launch of the iFracPlat intelligent fracturing system in 2025, Honghua has continuously provided clients with digital integrated drilling and completion solutions, effectively promoting the transformation of products towards intelligent operation; from the smooth progress in the iterative research and development of Intelligent Rig 2.0 to the successful implementation of the “gas power generation + electric fracturing” model, the Group has accelerated its transformation from a traditional oil and gas equipment manufacturer to a digital, intelligent, and green oil and gas equipment and service provider. The Group unswervingly follows an innovation-driven development path, with total R&D investment reaching RMB287 million for the year, an increase of 11.31% over the past year. R&D investment intensity was 5.2%, a year-on-year increase of 0.64 percentage point, and 14 R&D talents were newly recruited.

Focusing on Both Domestic and International Markets, Achieving Multi-Dimensional Breakthroughs in Market Expansion. During the year, the Group recorded newly secured orders of RMB8.235 billion, a year-on-year increase of 9.6%; of which overseas newly secured orders reached RMB4.733 billion, a year-on-year increase of over 39.5%. As a company with global operation, the Group continues to make breakthroughs in overseas market expansion. This year, we successfully secured follow-up orders of AI drilling rigs for clustered wells from a Middle Eastern client in the amount of RMB1.5 billion, signed contracts for several sets of desert fast-moving rigs valuing over USD100 million, provided several sets of new-type vehicle-mounted electric workover rigs for an Indonesian client, and secured orders for marine drilling platforms such as drilling barges delivered in whole vessel. These achievements further enhanced the recognition and brand influence of the Group's core products in the international market. Breakthroughs were also gained in new areas in the domestic market. The Group successfully entered the coal geological exploration sector, establishing in-depth cooperation with key domestic clients and seizing opportunities in China's unconventional oil and gas development market. We also secured bulk orders for modification of drilling rigs from domestic clients, and our upgrade solutions for core components gained market recognition, achieving a qualitative breakthrough in our “strengthening components” strategy.



CHAIRMAN'S STATEMENT

Putting Efforts in Both Onshore and Offshore, Achieving Leapfrog Development in Offshore Equipment. We firmly pursue the overall development strategy of “putting efforts in both onshore and offshore operations, integrating equipment and services, and focusing on both domestic and international markets”, promoting quality improvement and upgrading of onshore equipment and leapfrog development of offshore equipment. In the onshore equipment sector, we closely followed the national deep underground strategy, three major national science and technology special deep underground projects were progressing steadily according to schedule; the distributed new energy electric workover rig was successfully developed and achieved bulk sales. In the offshore equipment sector, milestone breakthrough was attained as 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 a domestic technological gap in this field and laying a solid technical foundation for the development of such offshore industry. Strategic cooperative relationships were established with more than ten leading units engaged in the industry, including No. 704 Research Institute of China State Shipbuilding Corporation, Shanghai Marine Equipment Research Institute and China Offshore Engineering & Technology Co., Ltd, adding strong momentum into the upgrading of the offshore equipment industry.

Refining Lean Management, Breaking Through the Uncertainties in Business Cycle with Improved Management Quality and Efficiency. The Group is currently undergoing a profound “transition period”. The short-term fluctuation in operating revenue was the result of our choice of scaling down low-margin businesses to focus on the high-end equipment sector. Over the past year, the Group has generated profit from lean management, and the inventory turnover ratio increased from 2.4 to 2.5. On the production front, through implementation of five-level planning and integrated warehousing, the delivery cycle for key products was significantly shortened, with the delivery rate for core high-end petrochemical equipment reaching 100%. The second 3,000-horsepower drilling rig for delivery to Abu Dhabi was completed one month ahead of the original schedule, once again breaking our record in terms of efficiency.

Standing at the critical year which marks the beginning of the “15th Five-Year Plan” period, the Group is also about to embark on a new journey of building a “New Quality Honghua”. We have to ask ourselves: in the macroeconomic environment of slowing global economic growth and intensified geopolitical confrontation, how can we achieve high-quality development? Facing the wave of AI technology and in the process of energy transition, how can we keep strengthening our core competitiveness? For Honghua, with half of its business relying on the overseas market, how can we further capture market share amidst risks and challenges? In finding an answer to these questions, Honghua aims at building a “New Quality Honghua”. We shall unswervingly follow the development path of “putting efforts in both onshore and offshore operations, integrating equipment and services, and focusing on both domestic and international markets”. On one hand, we shall carry forward Honghua’s 28 years of entrepreneurial spirit and innovative nature, make use of our resource advantages, focus on forming absolute competitive edges in core areas such as deep underground, deep-sea and green equipment to build our own core competitiveness. On the other hand, in addressing pressing issues such as historical burdens and the need to improve quality and efficiency, we will continue to uphold the concept of high-quality development, generate profit from cost management, raise efficiency from lean management, capture value from technology management, build strength from supply chain management, and paint our future with better risk management, to further promote the sustained improvement of the Company’s operating performance and create greater value for shareholders.

“The dream lofty, the journey long – bold strides will get us there”. Honghua is at a critical crossroads, moving from “reversing losses and overcoming difficulties” towards “from stability to prosperity.” Although there are thorns ahead, the Group will anchor onto the course of “New Quality Honghua”, maintain the courage to “thrive through innovation” and the patience to “win through quality”, navigate through the uncertainties in business cycle, and finally reach the vast market. We extend our special gratitude to all shareholders for your unwavering support during the difficult times in the past, and hope to continue working hand in hand with you to witness Honghua’s success blooming ahead.

MANAGEMENT DISCUSSION AND ANALYSIS



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 50 days as compared to the same period of the previous year. The average turnover days of inventory were 123 days, representing a decrease of 4 days as compared to the same period of the previous year. The average turnover days of trade payables and bills payable were 206 days, representing an increase of 2 days as compared to the same period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Regions	As at 31 December 2025		As at 31 December 2024		Change	Percentage
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	in Revenue (%)	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Types of Business	As at 31 December 2025		As at 31 December 2024		Change in	Percentage
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)	Revenue (%)	Change (%)
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	100.0%	5,633.3	100.0%	-2.5%	0.0%

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 USD100 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:

Regions	As at 31 December 2025		As at 31 December 2024		Change in	Percentage
	Revenue	Percentage	Revenue	Percentage	Revenue	change
	(RMB million)		(RMB million)		(%)	(%)
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	100.0%	1,951.3	100.0%	-0.3%	0.0%

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Regions	As at 31 December 2025		As at 31 December 2024		Change in Revenue (%)	Percentage change (%)
	Revenue (RMB million)	Percentage	Revenue (RMB million)	Percentage		
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Regions	As at 31 December 2025		As at 31 December 2024		Change in	Percentage
	Revenue	Percentage	Revenue	Percentage	Revenue	change
	(RMB million)		(RMB million)		(%)	(%)
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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), Shanghai Marine Equipment Research Institute and China Offshore Engineering & Technology Co., Ltd, bringing strong driving force for the upgrading of the offshore equipment industry.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Regions	As at 31 December 2025		As at 31 December 2024		Change in	Percentage
	Revenue	Percentage	Revenue	Percentage	Revenue	Change
	(RMB'million)		(RMB'million)		(%)	(%)
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%

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 were 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 the gross margin and the net profit margin were 12.0% and 0.1%, respectively. The Group closely aligned with the national strategic needs and adhered to the business strategy of "expanding the market externally and strengthening management internally". All employees united with a common purpose, withstood pressure, strived for higher goals and pursued 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 controlled 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 points 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 as follow: 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, Hong Kong dollar, Dirham, and Renminbi. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Group and its subsidiaries to manage their foreign exchange risk against their functional currency. The Group has issued a foreign exchange hedging policy, and the Group's management monitors foreign exchange risk and will consider hedging significant foreign exchange risk when necessary.

Contingencies

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

MANAGEMENT DISCUSSION AND ANALYSIS

Mortgages and Guarantees

Details of the Group's mortgages and guarantees are set out in Note 24 to the financial statements, respectively.

Principal Risks and Uncertainties

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

Meanwhile, the Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Details of these financial risks are set out in note 34 to the notes to the financial statements for the year ended 31 December 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Xu (王旭先生), aged 52, has been appointed as the Executive Director of the Company and Chairman of the Board since 25 November 2022. Mr. Wang has been appointed as a member of the Remuneration Committee and the chairmen of each of the Strategic Investment Committee and the Nomination Committee of the Board. Since 19 January 2026, he ceased to serve as the member of the Remuneration Committee. Mr. Wang joined Dongfang Electric Corporation ("Dongfang Electric"/"DEC") in 1995 and is currently an employee director of Dongfang Electric. Previously, he served as the head of the partymasses work department of Dongfang Electric and the head of the corporate culture department of Dongfang Electric Corporation Limited, the deputy secretary of the party committee and the secretary of the discipline inspection committee of Dongfang Electric Wind Power Co., Ltd. and the manager of the Coil Branch Factory of Dongfang Electric, as well as the secretary of the joint party branch of the production management department and the warehouse management center of DongFang Electric Machinery Corporation Limited, and deputy head of the production management department of DongFang Electric Machinery Corporation Limited. Mr. Wang has extensive experience in production management and enterprise management. Mr. Wang received his Bachelor's degree in Engineering from Chongqing University in 1995. Positions held by Mr. Wang in the Company's subsidiaries are set forth below.

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

Mr. Zhu Hua (朱驊先生), aged 42, has been appointed as the Executive Director of the Company since 4 July 2022 and has been the President of the Company with effect from 7 February 2024. Mr. Zhu is also a member of the Strategic Investment Committee of the Company. Mr. Zhu joined the DEC in 2009 and once served as a director, general manager and party secretary of MHI Power Dongfang Boiler Co., Ltd., a subsidiary of DEC. He once served as the deputy director of the boiler technology department, the deputy director of the product project management department, the director of the marketing center and the director of the thermal power marketing department of Dongfang Boiler Co., Ltd. Mr. Zhu has extensive experience in technology and corporate management. Mr. Zhu obtained a Bachelor's Degree in Thermal and Power Engineering from Zhejiang University in 2006, a Master's Degree in Mechanical Engineering from the Hong Kong University of Science and Technology in 2008, and a Doctorate Degree in Power Engineering and Engineering Thermophysics from Xi'an Jiaotong University in 2020. Mr. Zhu is currently the General Manager and Director of Sichuan Honghua Petroleum Equipment Co.,Ltd..

Mr. Yang Qiang (楊強先生), aged 45, has been appointed as an Executive Director of the Company since 17 May 2024. Mr. Yang is also a member of Strategic Investment Committee of the Board since 28 June 2024. He once worked in Dongfang Electric Machinery Co., Ltd from 2004, served as deputy director of the equipment department, deputy director of the material purchasing department and deputy director of the procurement centre, and was the deputy secretary of the Party Committee and employee representative of Dongfang Electric Autocontrol Engineering Co., Ltd.. At present, Mr. Yang serves as the Party Deputy Secretary of Honghua (China) Investment Co., Ltd. and an employee director of Sichuan Honghua Petroleum Equipment Co., Ltd., both being the subsidiaries of the Company. Mr Yang has extensive experience in material procurement, equipment management, technology management and human resources management. Mr. Yang holds a bachelor's degree.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Liu Hui (劉輝先生), aged 60, has been appointed as a Non-executive Director of the Company and the members of each of the Audit Committee and the Strategic Investment Committee of the Board since 19 January 2026. Prior to joining our Company, Mr. Liu served in various positions, including the deputy head, workshop director and secretary to the Party Committee of the Casting Plant of Dongfang Electrical Machinery Works (東方電機廠鑄造分廠); the deputy head of the personnel and labour relations department, deputy director of the human resources department, director of the materials procurement department, the deputy chief economist, an executive director and the deputy general manager of Dongfang Electrical Machinery Company Limited (東方電機股份有限公司); the director of the Party Committee work department and deputy secretary to the Party Committee of Dongfang Electric Corporation (中國東方電氣集團公司); the secretary to the Party Committee and the Chairman of Dongfang Electric Machinery Co., Ltd. (東方電機有限公司); the head of Dongfang Electrical Machinery Works (東方電機廠); the secretary to the Party Committee of Dongfang Electric Wind Power Co., Ltd. (東方電氣風電有限公司); and the secretary to the Party Committee and the Chairman of DEC Dongfang Stream Turbine Co., Ltd. (東方電氣集團東方汽輪機有限公司). Mr. Liu concurrently served as the secretary to the Party Committee and a director of Dongfang Electric Digital Technology Co., Ltd. (東方電氣集團數字科技有限公司). Mr. Liu possesses extensive experience in corporate management. Mr. Liu graduated from Southwest Jiaotong University with a master's degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Shiju (張士舉先生), aged 48, has been appointed as an Independent Non-executive Director of the Company since 4 July 2022. Mr. Zhang is also the chairman of the Remuneration Committee, the members of each of the Audit Committee and the Nomination Committee of the Board. Mr. Zhang is currently a partner of AllBright Law Firm Shanghai Office. Mr. Zhang holds a Master's Degree in Economic Law from Nanjing University. He is an external expert of the Shanghai Technology Exchange Expert Think Tank, and a member of the Management Consulting Professional Committee of the China Enterprise Confederation. Mr. Zhang served as the Deputy Secretary-General of Shanghai Youth Entrepreneurship and Employment Foundation, a co-tutor for graduate students of Tsinghua University and Shanghai Jiaotong University Law School, and an adjunct professor of Jilin University Business School. Mr. Zhang has extensive experience in legal services such as investment and mergers and acquisitions, IPO listing, corporate governance, and industrial funds.

Ms. Li Yuedong (李越冬女士), aged 49, has been appointed as an Independent Non-executive Director of the Company, the chairman of the Audit Committee and the members of each of the Remuneration Committee and the Nomination Committee of the Board since 28 June 2024. Ms. Li is currently a director of the audit Department of the Accounting School of Southwestern University of Finance and Economics, doctoral supervisor, one of the first international high-end accounting talents of the Ministry of Finance, and a certified public accountant of the United States and Australia. She served as an independent director of Chengdu Leejun Industrial Co., Ltd. (002651.SZ), Sichuan Kelun Pharmaceutical Co., Ltd. (002422.SZ), Chengdu High-Tech Development Group Co., Ltd. (000628.SZ), Chengdu Zhimingda Electronics Co., Ltd. (688636.SH), Sichuan Fengsheng Paper Technology Co., Ltd. and Sichuan Neautus Traditional Chinese Medicine Co., Ltd. She currently serves as the independent directors of Chengdu Sino Microelectronics Technology Co., Ltd. (688709.SH), Chengdu Shengbang Seals Co., Ltd. (301233.SZ) and Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (6990. HK). Ms. Li obtained her bachelor's degree in economics from Chongqing Technology and Business University in 2000, master's degree in Accounting (MAcc) from Georgia College & State University in 2004, and doctoral degree in Management (Accounting) from Southwestern University of Finance and Economics in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Junren (王俊仁先生), aged 65, has been appointed as an Independent Non-executive Director of the Company and the members of each of the Remuneration Committee and the Strategic Investment Committee of the Board since 20 August 2024. He started to work in 1982 and has successively served as director of Strategic Development Center of China National Oil and Gas Exploration and Development Corporation, deputy general director and general director of Kazakhstan PetroChina Aktobe Oil and Gas Co., Ltd., deputy general director of PetroChina Kazakhstan Company, deputy general director of PetroChina Central Asia Company, general director of PetroChina West Africa Company and other positions. Mr. Wang currently serves as an independent director of China National Uranium Co., Ltd. (Stock Code: 001280.SZ). Mr. Wang has rich experience in oil and gas exploration and development, international oil management and engineering construction management. Mr. Wang holds an Executive Master's degree in Business Administration from Peking University.

SENIOR MANAGEMENT

Mr. Su Mingchuan (蘇明川先生), aged 44, has been the Chief Financial Officer of the Company since 14 June 2024. Mr. Su joined Dongfang Boiler Co., Ltd. ("Dongfang Boiler") since 14 June 2004 and has served as the deputy head and head of the finance department of Dongfang Boiler, and the deputy head of the finance department of Dongfang Electric Corporation and Dongfang Electric Co., Ltd.. Mr. Su graduated from the School of Economics and Management of Southwest Jiaotong University in 2004, majoring in accounting, and is a senior accountant.

Mr. Lin Hai (林海先生), aged 55, has been the Vice President of the Company since 17 May 2024. Mr. Lin previously held the positions of assistant to the President of the Company, assistant to the General Manager of Sichuan Honghua Petroleum Equipment Co., Ltd., and Chairman and Party Branch Secretary of Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. He also served as director of the Deyang Manufacturing Center, Head of the Deyang Management Department, Party Branch Secretary, and director of the Combustion Workshop at Dongfang Furnace, a subsidiary of Dongfang Investment. Mr. Lin obtained a bachelor's degree in electromechanical integration engineering from the University of Electronic Science and Technology in 2000.

Mr. Li Liqiang (李利強先生), aged 50, has been the Vice President of the Company since 17 May 2024. Mr. Li previously held the positions of assistant to the President of the Company, assistant to the General Manager and Director of the project management center of Sichuan Honghua Petroleum Equipment Co., Ltd., and Chairman of Honghua Oil & Gas Engineering Technology Services Limited. He also served as director of the Generator Branch Factory and First Party Branch Secretary at Dongfang Electric Machine, a subsidiary of Dongfang Investment, and as general manager of the Energy Engineering Division and General Manager of the Guli Project Department at Dongfang Electric Machine Co., Ltd. Mr. Li obtained a bachelor's degree in electrical machinery and its control engineering from Shenyang University of Technology in 2001.

Ms. Lv Lan (呂蘭女士), aged 51, has been the Vice President of the Company since 17 May 2024. Ms. Lv previously held the positions of director of the technology innovation center at Sichuan Honghua Petroleum Equipment Co., Ltd., supervisor at Han Zheng Testing Technology Co., Ltd., and director at Honghua Offshore Oil and Gas Equipment Co., Ltd. Ms. Lv obtained a bachelor's degree in mechanical manufacturing processes and equipment engineering from Southwest Petroleum Institute in 1997 and a master's degree in mechanical engineering from Southwest Jiaotong University in 2014. Ms. Lv received a special allowance from the State Council in 2019 and was recognized as the chief technical expert (petrochemical equipment) in the fourth session of Dongfang Electric Corporation in 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Xiaodong (王筱東先生), aged 46, has served as the Vice President of the Company since 16 March 2026. Mr. Wang previously held positions such as Deputy General Manager of the Renewable Energy Division I, Secretary of the First Party Branch, and General Manager of the Import, Export, and Storage & Transportation Department at Dongfang Electric Corporation International Cooperation Co., Ltd., as well as Chairman of the Board and Secretary of the Party Branch at Sichuan Honghua International Science and Trade Co., Ltd. Mr. Wang obtained a master's degree in Water Resources and Hydroelectric Engineering from the Xi'an University of Technology's School of Water Resources and Hydroelectric Engineering in 2005.

COMPANY SECRETARY

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

Ms. Lee Mei Yi (李美儀女士), aged 58, has been a Joint Company Secretary of the Company since 7 July 2015. Ms. Lee is an executive director of corporate services division of Tricor Services Limited and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lee has over 30 years' experience in company secretarial area.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

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

The Group's corporate governance principles emphasize a quality Board, effective internal controls and accountability to Shareholders, to ensure transparency and accountability.

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting Shareholder value and investor confidence, formulating the Company's business strategies and policy frameworks, and increasing the company's overall value.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After the specific enquiries made by the Company, all Directors have confirmed that they have complied with the standards specified in both the Code for Securities Trading and the Model Code throughout the year ended 31 December 2025.

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

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

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

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

BOARD MEETINGS

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

As of the date of publication of this annual report, the Board currently comprises seven Directors, consisting of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

Executive Directors

Mr. Wang Xu (*Chairman*)

Mr. Zhu Hua

Mr. Yang Qiang

Non-executive Director

Mr. Liu Hui

Independent Non-executive Directors

Mr. Zhang Shiju

Ms. Li Yuedong

Mr. Wang Junren

The biographical information of Directors are set out under “Biographical Details of Directors and Senior Management” on pages 26 to 29 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there are no relationships (financial, business, family, or otherwise) between Board members, particularly between the Chairman and the President. Besides, all board members of the Company are not served as directors of any other companies listed on any securities market in Hong Kong or overseas and does not hold any other positions in the Company and other members of the Group for the past three years.

CHAIRMAN AND PRESIDENT

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

The position of Chairman is held by Mr. Wang Xu throughout the year ended 31 December 2025. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10 (1) and 3.10A of the Listing Rules during the year ended 31 December 2025.

The Company had three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise so that there is a strong independent element on the Board, which can effectively make independent judgment.

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Articles of Association, the Board of Directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy or as an addition to the Board, whose term of office shall expire at the first annual general meeting of the Company, and who shall be eligible for re-election, provided that such director shall not be taken into account in determining the number of directors required to retire by rotation at such meeting.

Furthermore, pursuant to the Articles of Association, at each annual general meeting, one-third of the directors for the time being (or, if the number of directors is not a multiple of three, the number closest to but not less than one-third) shall retire by rotation, provided that each director (including those appointed for a specific term) shall retire by rotation at least once every three years. Any retiring director shall be eligible for re-election.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

GENDER DIVERSITY

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

	Male	Female
Board	86% 6	14% 1
Senior Management	80% 4	20% 1
Other employees	80% 2,257	20% 574
Overall workforce	80% 2,267	20% 576

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

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

DIRECTOR NOMINATION POLICY

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

CORPORATE GOVERNANCE REPORT

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

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

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

- (a) The Nomination Committee shall nominate candidates for the consideration of the Board. The Board shall have the final decision on all matters in relation to its nomination of any candidates to stand for election at a general meeting of the Company.
- (b) A candidate nominated by the Board to stand for election at a general meeting (the "Board Candidate") will submit the necessary personal information, together with their written consent to be elected as a Director.
- (c) A circular will be available to Shareholders (the "Shareholder Circular") to provide information of the Board Candidate. The Shareholder Circular will include the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, their name, brief biography (including qualifications and relevant experience), independence and proposed remuneration.
- (d) The Board Candidate shall not assume that they have been nominated by the Board to stand for election at the general meeting prior to the despatch/publication of the Shareholder Circular.

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

During the year, the Board has reviewed the Director Nomination Policy to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

INDUCTION TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed director will receive formal, comprehensive and tailored made induction on the first occasion of his/her appointment, so as to ensure that he/she has adequate understanding of the business and operations and governance of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. During the year, the Board did not appoint any new directors.

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

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

During the year ended 31 December 2025, the following Directors attended seminars/training sessions/in-house briefing/reading materials:

Directors	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc.
<i>Executive Directors</i>		
Mr. Wang Xu	✓	✓
Mr. Zhu Hua	✓	✓
Mr. Yang Qiang	✓	✓
<i>Non-executive Directors</i>		
Mr. Yang Yangzhuang (Resigned with effect from 19 January 2026)	✓	✓
Mr. Liu Xinggui (Resigned with effect from 25 July 2025)	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Zhang Shiju	✓	✓
Ms. Li Yuedong	✓	✓
Mr. Wang Junren	✓	✓

As of the date of publication of this annual report, Mr. Liu Hui, the Non-executive Director of the Company, appointed on 19 January 2026, has obtained the legal advice referred to Rule 3.09D of the Listing Rules on 12 January 2026. Mr. Liu has confirmed that he has understood his obligations as a Director of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

There was no change to the Audit Committee during the year of 2025.

On 19 January 2026, Mr. Yang Yangzhuang has resigned as a member of the Audit Committee, and Mr. Liu Hui was appointed as a member of the Audit Committee.

As at the date of publication of this annual report, the Audit Committee comprises two Independent Non-executive Directors, namely Ms. Li Yuedong (Chairman of Audit Committee) and Mr. Zhang Shiju, and one Non-executive Director namely Mr. Liu Hui. One of them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following

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

CORPORATE GOVERNANCE REPORT

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

During the year under review, the Audit Committee has reviewed the Group's interim and annual financial results and reports for the year ended 31 December 2025, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, the compliance of the corporate governance issues, the corporate governance report and the corporate policy.

The Audit Committee held five meetings among of met with the external auditors twice without the presence of the Executive Directors during the year ended 31 December 2025. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 42 to 43 of this Corporate Governance Report.

REMUNERATION COMMITTEE

Mr. Liu Xinggui resigned as a member of the Remuneration Committee on 25 July 2025.

Mr. Wang Xu, due to adjustments in the Company's governance arrangements, ceased to serve as a member of the Remuneration Committee on 19 January 2026.

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

The main duties of the Remuneration Committee include the following:

- To make recommendations to the Board on the remuneration policy and structure of the Directors and the senior management, the incentive mechanism, and the establishment of procedures for developing the remuneration policy and the incentive mechanism;
- To review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions;
- To review and approve the compensation arrangements for the executive Directors and the senior management in connection with (i) any loss or termination of their office or appointment and (ii) any dismissal or removal of directors for misconduct to ensure such arrangements are determined in accordance with contractual terms and that such compensation is reasonable and appropriate; and
- To perform other duties as set out in the Corporate Governance Code and the Remuneration Committee's terms of reference and responsibilities. For details, please refer to the Remuneration Committee's terms of reference and responsibilities published by the Company on the Hong Kong Stock Exchange website on 27 August 2024.

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

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held a meeting during the year ended 31 December 2025. During the year under review, the Remuneration Committee has assessed the performance of all Directors, reviewed and made the recommendations to the Board on the remuneration policy, package and structure of the Directors and the senior management, the incentive mechanism and the compensation arrangement of the Group. The Remuneration Committee also reviewed and approved the terms of service contracts of the executive Directors. The Remuneration Committee further reviewed and monitored the overall operation and compliance of the Company's share schemes (including the Share Option Scheme and the Restricted Share Award Scheme). During the year, no share options or awards were granted under such share schemes. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 42 to 43 of this Corporate Governance Report.

Details of the remuneration of the senior management by band are set out in note 9 in the notes to the Consolidated Financial Statements for the year ended 31 December 2025.

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

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

NOMINATION COMMITTEE

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

There was no change to the Nomination Committee during the year of 2025.

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

The primary objectives of the Nomination Committee include the following:

- To make recommendations to the Board on the composition of Board members according to the scale of the Company's operations and corporate governance and on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

CORPORATE GOVERNANCE REPORT

- To review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- To identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors; and
- To perform other duties as set out in the Corporate Governance Code and the Nomination Committee's terms of reference and responsibilities. For details, please refer to the Nomination Committee's terms of reference and responsibilities published by the Company on the Hong Kong Stock Exchange website on 20 October 2025.

The Nomination Committee normally meets at least once a year to review the nomination policy, structure, size, and composition (including skills, knowledge, and experience), diversity policy, the appointment, re-election, and succession planning of Directors, and to make recommendations to the Board to complement the Company's corporate strategy and assess the independence of Independent Non-executive Directors. During the year ended 31 December 2025, the Nomination Committee held a meeting and has reviewed the structure, size and composition of the Board, identified and selected the suitable candidates for directorships and made the recommendation to the Board on the appointment of the Directors, reviewed the Board Diversity Policy of the Group and fulfilled its duties as stipulated by the Nomination Committee. The attendance records are set out under "Attendance Records of Directors and Committee Members" on pages 42 to 43 of this Corporate Governance Report.

STRATEGIC INVESTMENT COMMITTEE

Mr. Liu Xinggui resigned as a member of the Strategic Investment Committee on 25 July 2025.

Mr. Yang Yangzhuang resigned as a member of the Strategic Investment Committee and Mr. Liu Hui was appointed as a member of the Strategic Investment Committee on 19 January 2026.

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

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

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

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The Strategic Investment Committee normally meets at least once a year for reviewing the investment and risk control issues. The Strategic Investment Committee held a meeting and has studied the projects in respect of the disposal of assets and made recommendations to the Board during the year ended 31 December 2025. The attendance records are set out under “Attendance Records of Directors and Committee Members” on pages 42 to 43 of this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2025, the Board held eight meetings for reviewing and approving the interim and annual financial results and reports, the financial and operational performance, and considering and approving the overall strategies and policies of the Company.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 December 2025.

The summary of the attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings during the year ended 31 December 2025 is set out below:

Name of Director	Attendance / Number of meetings eligible to attend						Meeting between Chairman and Independent Non-executive Directors
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	(note 1) Annual General Meeting	
Mr. Wang Xu ^(note 2)	8/8	–	0/1	1/1	4/4	1/1	1/1
Mr. Zhu Hua ^(note 3)	7/8	–	–	–	4/4	1/1	–
Mr. Yang Qiang	8/8	–	–	–	4/4	1/1	–
Mr. Liu Xinggui (Resigned with effect from 25 July 2025)	3/3	–	–	1/1	1/1	1/1	–
Mr. Yang Yangzhuang ^(note 4) (Resigned with effect from 19 January 2026)	7/8	5/5	–	–	4/4	1/1	–
Mr. Zhang Shiju	8/8	5/5	1/1	1/1	–	1/1	1/1
Ms. Li Yuedong ^(note 5)	7/8	5/5	1/1	1/1	–	1/1	1/1
Mr. Wang Junren	8/8	–	1/1	–	4/4	1/1	1/1

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

Note 1: The annual general meeting of the Company was held on 27 June 2025.

Note 2: At the Remuneration Committee meeting held on 22 August 2025, regarding the review of the key performance assessment and remuneration scheme for the Company’s executive directors and senior management, Mr. Wang Xu did not attend the Remuneration Committee meeting due to a conflict of interest.

CORPORATE GOVERNANCE REPORT

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

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

Note 5: Ms. Li Yuedong was unable to attend one of Board meeting due to other arrangements. She has reviewed the relevant Board meeting proposals prior to the meeting and provided written authorization for a proxy to vote on her behalf to ensure her opinions were fully reflected at the meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 73 of this annual report.

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

AUDITORS AND AUDITORS' REMUNERATION

Since 1 November 2022, the Company's auditor has been changed from PricewaterhouseCoopers to Deloitte Touche Tohmatsu. For details, please refer to the Company's announcement dated 1 November 2022. Apart from the above disclosure, the Company has not changed its auditor in the past three years. During the year ended 31 December 2025, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu in respect of audit services and non-audit services are set out below:

Service Category	Fees (in Renminbi)
Audit Services	3,730,000
Non-Audit Services (Tax-Specific Services)	176,498
Total	3,906,498

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

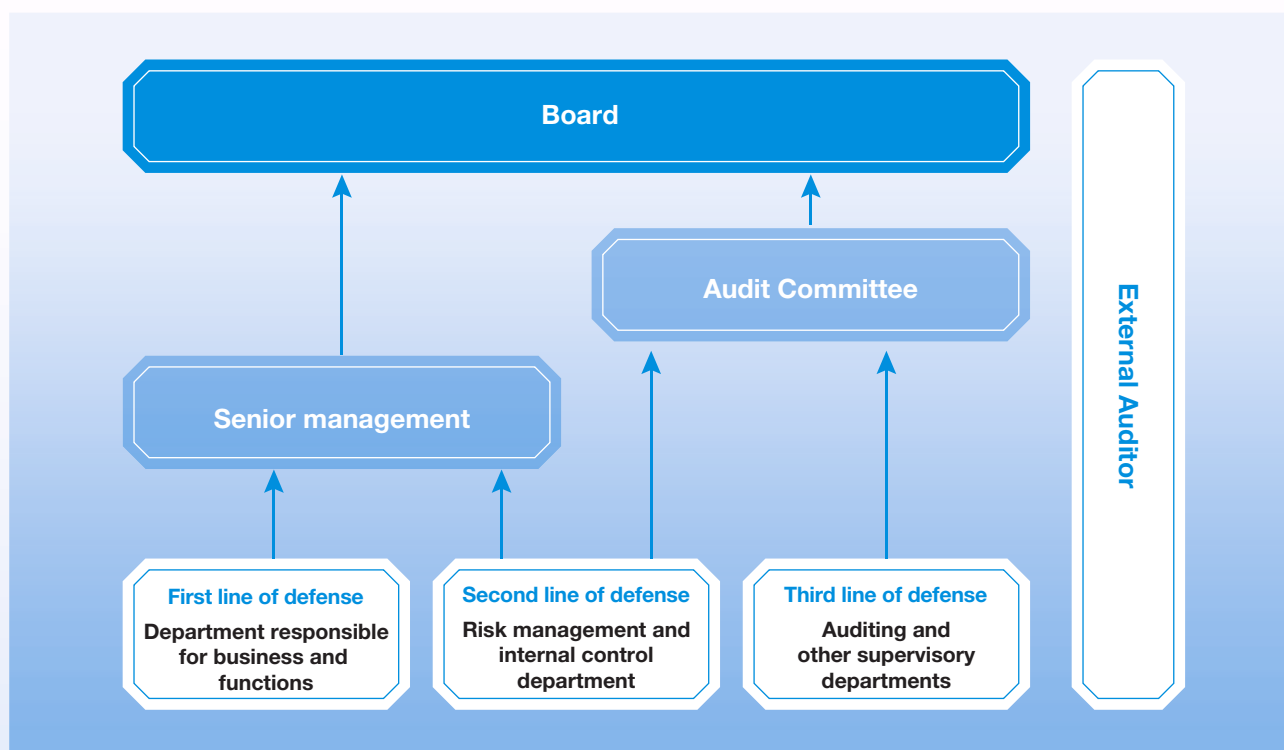
The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

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

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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



CORPORATE GOVERNANCE REPORT

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

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

During the year 2025, the Company has achieved the following key results in risk management system:

1. The Company further improved the risk management and internal control systems, continuously advanced the "abolishment, amendment, and establishment" of internal control policies, achieved "integrated" management and control of major policies across the Group, and strengthened the penetrating management of internal control systems. It revised and issued the Risk Management Provisions and formulated the accompanying Guidelines for the Identification and Control of Key Operational Risk Hazards, providing tools and methods for various units to identify and control risks in advance. The risk management department organized the identification and assessment of key risks at the corporate level, and the management discussed, agreed upon, and implemented relevant risk management countermeasures, and regularly reported the risk management and control status to the Board and the Audit Committee. The Company continued to consolidate the management mechanism of historical risks with "rating and classification" and "one strategy for one project", effectively promoting the resolution of various historical risks. In the ordinary course of business, the Company actively carried out specialized risk screening and risk warnings to ensure early detection and early handling of risks.

CORPORATE GOVERNANCE REPORT

2. The Company further consolidated the legal working system, continued to deepen the integration of legal services and businesses, solidly carried out the legal and compliance review of economic contracts, major decisions, and rules and regulations, providing legal services to ensure compliance with the law. The legal department deeply participated in major projects, assisting in the steady progress of the Company's reforms. It enhanced its capacity for proactive rights protection, resolutely combating intellectual property infringements to safeguard the Company's brand rights and interests. The Company also advanced the development of standard contract templates to improve the quality and efficiency of contract risk management.
3. The Company continuously improved the compliance management system. Pursuant to the "Guidelines for Compliance Management Personnel", the Chief Compliance Officer, department compliance heads, and compliance officers performed their compliance management duties as stipulated. The Company formulated the Business Supervision Duty List and Evaluation Criteria, further refining compliance performance requirements and clarifying the business supervision pathways for the first line of compliance defense. It continuously revised the list of business process controls in key areas, promoting the extension of compliance management to the front end of business operations. The Company compiled a library of laws and regulations and a list of compliance obligations covering its major management activities, and optimized the compliance lists for job responsibilities to provide a compliance basis for business operations. It specifically formulated the Export Control and Economic Sanctions Compliance Guidelines to establish a framework and procedures for cross-border compliance management. The Company also deepened the development of a culture of legal and compliance, further enhancing compliance awareness among all employees.
4. The Company incorporated risk management into the audit planning stage of its internal audit and internal control assessment, and prepared the internal control system self-assessment report for the year based on the identification and assessment of the Company's key risks.

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems of the year as at 31 December 2025.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, the Audit Committee and the Board were not aware of any key findings that would have any substantive impact on the business or financial condition of the Company, and of the opinion that the existing risk management and internal control systems are appropriate and effective in terms of sufficiency of resources, qualification and experience of staff, training program and financial budget, internal audit and financial report for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

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

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

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

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

INFORMATION DISCLOSURE

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

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

COMPANY SECRETARY

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

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

During the year 2025, Mr. He Bin and Ms. Lee Mei Yi, the Joint Company Secretaries, have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

Email: ir@hhcp.com.cn

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

SHAREHOLDERS COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy. During the reporting period, the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy.

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

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

(a) Corporate Communication

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

CORPORATE GOVERNANCE REPORT

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

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

(c) Corporate Website

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

(d) Shareholders' Meetings

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

(e) Shareholders' Enquiries

Enquiries about Shareholdings

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

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

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

(f) Other Investor Relations Communication Platforms

Investors/analysts briefings, roadshows, media interviews etc.

CORPORATE GOVERNANCE REPORT

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

DIVIDEND POLICY

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

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

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

REPORT OF THE DIRECTORS

The Board presents this annual report, together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

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

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements on pages 74 to 183 of this annual report. The Board recommends that no final dividend be declared for the year 2025. During the financial year, there was no arrangement whereby any shareholder of the Company waived or agreed to waive any dividend declared or payable by the Company, and no shareholder has agreed to waive future dividends.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands stipulating that the Company shall offer new Shares to existing Shareholders in proportion.

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

As at 31 December 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 (including sold treasury shares).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business operations are subject to applicable laws and regulatory requirements in relevant jurisdictions, covering areas such as production safety, environmental protection, occupational health and safety, anti-corruption, and business compliance. During the reporting period, the Group continued to enhance its internal compliance management systems and supervisory mechanisms to ensure that its daily operations comply with relevant legal and regulatory requirements, and no material non-compliance incidents that had a significant impact on the Group's business, financial position or operating results were recorded.

In respect of environmental protection and production safety, the Group strictly complies with applicable environmental and safety laws and regulations, and reduces compliance risks through the implementation of standardised management systems and continuous improvement measures. The Group will continue to monitor updates to relevant laws and regulatory requirements and adjust its internal policies and management measures in a timely manner to ensure ongoing compliance.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group attaches great importance to its relationships with key stakeholders, including employees, customers and suppliers, and considers such relationships to be of significant importance to its business development and long-term success. With respect to employees, the Group is committed to providing a safe, healthy and development-oriented working environment. Through the improvement of training systems and career development mechanisms, the Group enhances employees' professional capabilities and cohesion, while promoting workforce stability and diversity. With respect to customers, the Group's key customers mainly include domestic and overseas oilfield operators and energy service companies. By continuously improving the performance of oilfield equipment products and engineering service capabilities, the Group further strengthens project delivery capability and technical service standards to meet the needs of customers in complex geological conditions and international projects, and maintains long-term and stable relationships with major customers. With respect to suppliers, the Group relies on the oilfield equipment manufacturing industrial chain and maintains stable cooperation with suppliers of core components and raw materials through a standardised procurement management system, while continuously optimising supply chain management and quality control systems to ensure continuity and stability in production and project execution. The Group will continue to strengthen communication and collaboration with key stakeholders, further enhance supply chain resilience, customer service capabilities and talent development systems, thereby supporting the Group's long-term and sustainable development.

RESERVES

As of 31 December 2025, the Group has a total of approximately RMB2,622 million worth of reserve. Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity in the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2025 are set out in note 11 to the consolidated financial statements.

DIRECTORS

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

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

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

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

REPORT OF THE DIRECTORS

UPDATE ON DIRECTORS' INFORMATION

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

On 25 July 2025, Mr. Liu Xinggui has tendered his resignation as Non-Executive Director, the members of each of the Remuneration Committee and the Strategic Investment Committee of the Company due to having reached the statutory retirement age (60 years old).

With effect from 19 January 2026, (1) Mr. Yang Yangzhuang has resigned as a Non-executive Director of the Company, and as the members of each of the Audit Committee and the Strategic Investment Committee of the Board due to work reallocation; (2) Mr. Liu Hui has been appointed as a Non-executive Director of the Company, and as the members of each of the Audit Committee and the Strategic Investment Committee of the Board; and (3) Mr. Wang Xu, due to adjustments in the Company's governance arrangements, has ceased to serve as a member of the Board's Remuneration Committee, but his other positions in the Company remain unchanged.

ARRANGEMENTS FOR DIRECTORS' ACQUISITION OF SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Restricted Share Award Scheme" in this report, at no time during the financial year were there any arrangements to which the Company, its parent, subsidiary or fellow subsidiary was a party and whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the Director of the Company is engaged on a service contract for a term of 3 years. The appointment may be terminated by not less than 1 or 3 months' written notice. The Directors shall retire by rotation and be eligible for re-election subject to the Articles of Association.

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

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, subject to the Companies Law, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group. Such insurance was in force during the year ended 31 December 2025 and remains in force as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed under the section headed "Continuing Connected Transactions" below, neither the Company nor its holding company, subsidiaries or fellow subsidiaries entered into or had subsisting at any time during the financial year or as at the end of the financial year any transaction, arrangement or contract of significance to the Group's business, in which a director of the Company or any entity connected with a director had, directly or indirectly, a material interest.

SIGNIFICANT CONTRACTS WITH THE CONTROLLING SHAREHOLDER

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

REPORT OF THE DIRECTORS

REMUNERATION FOR DIRECTORS AND SENIOR MANAGEMENT

For the year ended 31 December 2025, details of remuneration for the Directors and Senior Management of the Company are set out in notes 8 and 9 to the consolidated financial statements.

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

	2025 Number of individuals
RMB0 to RMB1,000,000	5
RMB1,000,001 to RMB2,000,000	4
RMB2,000,001 to RMB3,000,000	—
RMB3,000,001 to RMB4,000,000	—
RMB4,000,001 to RMB5,000,000	—
RMB5,000,001 to RMB6,000,000	—

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

At 31 December 2025, none of the Directors or the Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that, as at 31 December 2025, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives of the Company.

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

Notes:

- (1) Tricor Equity Trustee Limited, as the trustee of 3 Family Trusts, holds 491,576,29 Shares in total.
- (2) Dongfang Electric International Investment Co., Limited is owned 100% by Dongfang Electric Corporation and holds 5,290,494,251 Shares.

REPORT OF THE DIRECTORS

Save as disclosed above, to the best of the Directors and the Chief Executives of the Company's knowledge, as at 31 December 2025, none of the persons, other than the Directors or the Chief Executives of the Company, had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register as required under Section 336 of the SFO.

SHARE OPTION SCHEME

(A) SHARE OPTION SCHEME

Upon conditional approval by resolution in writing by all shareholders of the Company on 21 January 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The Pre-IPO Share Option Scheme will remain in force for a period of ten years from the date of grant until 20 January 2018. Save as disclosed below, no options were granted or to be granted under the Share Option Scheme. As at 1 January 2025 and 31 December 2025, no options were available for grant under the scheme mandate. For the year ended 31 December 2025, no shares may be issued in respect of options granted under the Share Option Schemes. Details of the Share Option Scheme are as follows:

Purpose

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

Participants

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

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

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

REPORT OF THE DIRECTORS

Maximum entitlement of each Participant

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

Time of exercise of option

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

Vesting period

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

Amounts to be paid on acceptance of share options

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

Basis of determining the exercise price

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

Details of the grant share options under the Share Option Scheme ended 31 December 2025 were as follows:

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

REPORT OF THE DIRECTORS

Particulars and movements of share options under the Share Option Scheme during the year ended 31 December 2025 were as follows:

Name or category of participant	Number of share options						Date of grant (DD/MM/YY)	Exercise period (DD/MM/YY)	Exercise price per Share HK\$	Price immediately preceding the grant date of share options HK\$
	Outstanding as at 01/01/2025	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31/12/2025				
Employee	29,501,000	-	-	1,100,000	-	28,401,000	21/09/2016	21/09/2017-20/09/2026	0.44	0.435
Total	29,501,000	-	-	1,100,000	-	28,401,000				

(B) SHARE OPTION SCHEME OF 2017

The 2017 Share Option Scheme was conditionally adopted by the Shareholders at the annual general meeting held on 14 June 2017. As at 31 December 2025, no options were granted or to be granted under the 2017 Share Option Scheme. No share options were granted to the following persons under the 2017 Share Option Scheme since the adoption thereof and up to the date of this report:

- (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) each participant with options to be granted in excess of the 1% individual limit;
- (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company;
- (iv) the five highest paid individuals during the financial year; and
- (iv) other employee participants, related entity participants and service providers.

As at 1 January 2025 and 31 December 2025, 513,742,090 and 513,742,090 options (each being 5.68% of the issued share capital of the Company as at 31 December 2025) were available for grant under the scheme mandate. No service providers were included as the eligible participants under the 2017 Share Option Scheme. During the reporting period, no share options were granted under the 2017 Share Option Scheme, and accordingly, the number of shares that may be issued in respect of options granted represented 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period.

REPORT OF THE DIRECTORS

Details of the 2017 Share Option Scheme are as follows:

Purpose

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

Participants

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

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

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

Maximum entitlement of each participant

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

REPORT OF THE DIRECTORS

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

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

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

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

Time of exercise of option

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

Amounts to be paid on acceptance of share options

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

Basis of determining the exercise price

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

The remaining life of the 2017 Share Option Scheme

Subject to early termination of the Share Option 2017 Scheme pursuant to the terms thereof, the 2017 Share Option Scheme shall remain valid and effective for 10 years commencing on the date of its adoption on 14 June 2017. As at the date of this annual report, the remaining life of the 2017 Share Option Scheme is around 1 year and 2 months.

REPORT OF THE DIRECTORS

RESTRICTED SHARE AWARD SCHEME

Reference is made to the announcement of the Company dated 30 December 2011 (the “2011 Announcement”). Capitalized terms used in this paragraph shall have the same meanings as those defined in the 2011 Announcement. On 30 December 2011, the Board approved and adopted a restricted share award scheme (“the Original Scheme”). The Original Scheme has expired at 30 December 2021 for a term of 10 years commencing on the Adoption Date. As at 30 December 2021, in accordance with the Original Scheme Rules, the Trustee has purchased 97,817,000 of the Company’s Shares, accounting for 1.08% of the issued share capital of the Company and total of 36,917,700 shares were granted to the Selected Participants and out of which 190,000 Shares were subsequently cancelled. 61,089,300 Shares may be administered and have not yet been granted (representing approximately 0.67% of the total number of issued Shares of the Company).

Reference is made to the announcement of the Company dated 30 December 2021 (the “2021 Announcement”). Capitalized terms used in this paragraph shall have the same meanings as those defined in the 2021 Announcement. At the Board meeting of the Company held on 29 December 2021, the Board approved and adopted the 2021 Restricted Share Award Scheme (the “2021 Restricted Share Award Scheme”). The 2021 Restricted Share Award Scheme shall be effective for a term of 10 years commencing on the adoption date (29 December 2021). As at the date of this interim report, the remaining life of the 2021 Restricted Share Award Scheme is less than 6 years. Pursuant to the terms of the Scheme and with the prior approval of the Board, the trustee may purchase on the market a maximum of 5% of the Company’s issued share capital as at the adoption date of the Scheme (i.e., 267,799,745 shares, including 61,089,300 shares available for future awards under the Original Scheme) and hold such shares in trust for the relevant selected participants until such shares vest in accordance with the terms of the Scheme. No service provider sublimit is specified under the Scheme. The Board will implement the Scheme in accordance with its terms, and selected participants shall not be entitled to any dividends on unvested restricted shares. From the date of adoption of the Scheme up to the date of this report, no restricted shares have been granted. Accordingly, as at 1 January 2025 and 31 December 2025, the number of restricted shares authorised to be granted under the 2021 Restricted Share Award Scheme was 267,799,745 shares (being 2.96% of the issued share capital of the Company as at 31 December 2025) in each case. Details of the 2021 Restricted Share Award Scheme and its terms are set out in the Company’s announcement dated 30 December 2021.

Purpose

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

Participants

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

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

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

Maximum entitlement of each participant

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

Vesting Period

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

REPORT OF THE DIRECTORS

Amounts to be paid on acceptance of the restricted shares

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

Basis of determining the purchase price

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

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

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

During the reporting period, no options or awards were granted under any of the Company's share schemes. Accordingly, the number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the interim period represented 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the reporting period.

CONTINUING CONNECTED TRANSACTIONS

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

PURCHASE FRAMEWORK AGREEMENT

On 10 December 2024, the Company entered into the Purchase Framework Agreement with Dongfang Electric Corporation ("DFEC Group"), pursuant to which the Group shall purchase products (including but not limited to materials such as steel and paint, equipment, accessories, auxiliary materials and other related products) and services (including but not limited to processing services, technical services, inspection and testing services, transportation services, logistics services and other related services) from Dongfang Electric Corporation and its associates from 1 January 2025 to 31 December 2027. The annual cap under the Purchase Framework Agreement is RMB1,000 million and the actual amount was RMB472.509 million.

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

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

REPORT OF THE DIRECTORS

For further details regarding the pricing standards of products and services provided by DFEC Group to the Group under the Purchase Framework Agreement, as well as the reasons for and benefits of the transactions, please refer to the Company's circular dated 13 December 2024.

As at the date of this report, as Dongfang Electric Corporation directly and indirectly holds approximately 58.52% of the issued share capital of the Company, it is a controlling shareholder within the meaning of the Listing Rules and is therefore a connected person of the Company. Accordingly, the entering into of the Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Except for Directors Mr. Wang Xu, Mr. Zhu Hua, Mr. Yang Qiang, Mr. Yang Yangzhuang (who has resigned) and Mr. Liu Xinggui (who has resigned), who were nominated by DFEC Group and its associates, no other Directors have any material interest in the continuing connected transactions under the Purchase Framework Agreement. Such Directors are regarded as having an interest in the continuing connected transactions solely by virtue of their nomination by DFEC Group and its associates, and not because they have any direct or indirect actual economic interest in the relevant transactions or arrangements. The above-mentioned Directors have abstained from voting on the Board resolutions approving the Purchase Framework Agreement (including the relevant continuing connected transactions and annual caps).

SALES FRAMEWORK AGREEMENT

On 10 December 2024, the Company entered into the Sales Framework Agreement with Dongfang Electric Corporation, pursuant to which the Group will sell products (including but not limited to structural parts such as weldments products for containers and steel structure products, semi-finished products, accessories, equipment, parts and components and others) and provide services (including but not limited to processing services, technical services, inspection and testing services, engineering services and other related services) to Dongfang Electric Corporation and its associates from 1 January 2025 to 31 December 2027. The annual cap under the Sales Framework Agreement is RMB400 million and the actual amount was RMB236.542 million.

Pursuant to the Sales Framework Agreement, the relevant terms for the provision of the products and services by the Group to Dongfang Electric Corporation and its associates will be determined based on the nature of each transaction. The details of pricing will be determined on an arm's length basis after taking into account a combination of factors such as the quality of the products and services provided by the Group as requested by the Dongfang Electric Group and its associates, payment terms and transportation conditions, with reference to the prevailing market prices (including the quotation for similar products and services offered by Independent Third Parties), and on normal commercial terms and terms no less favourable than the terms of the transactions between the Group and Independent Third Parties. In particular, where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices and where there are no market prices for the relevant products and services which meet the specific business needs of DFEC Group, the prices shall be determined after arm's length negotiation based on the costs of the materials and services plus a charge of not less than 5%.

The entering into of the Sales Framework Agreement is conducive to selling relevant products and technical services to Dongfang Electric Corporation and its associates, thus increasing the Group's revenue. In addition, the entering into of the Sales Framework Agreement is in line with the business development needs of the Group, both the Group and Dongfang Electric Corporation and its associates will benefit from the synergy in a fair and reasonable manner and realise the complementarity of resources and a presents win-win situation for both parties.

For further details regarding the pricing standards of products and services provided by the Group to DFEC Group under the Sales Framework Agreement, as well as the reasons for and benefits of the transaction, please refer to the Company's circular dated 13 December 2024.

REPORT OF THE DIRECTORS

As at the date of this report, as Dongfang Electric Corporation directly and indirectly holds approximately 58.52% of the issued share capital of the Company, it is a controlling shareholder within the meaning of the Listing Rules and is therefore a connected person of the Company. Accordingly, the entering into Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Except for Directors Mr. Wang Xu, Mr. Zhu Hua, Mr. Yang Qiang, Mr. Yang Yangzhuang (who has resigned) and Mr. Liu Xinggui (who has resigned), who were nominated by DFEC Group and its associates, no other Directors have any material interest in the continuing connected transactions under the Sales Framework Agreement. Such Directors are regarded as having an interest in the continuing connected transactions solely by virtue of their nomination by DFEC Group and its associates, and not because they have any direct or indirect actual economic interest in the relevant transactions or arrangements. The above-mentioned Directors have abstained from voting on the Board resolutions approving the Sales Framework Agreement (including the relevant continuing connected transactions and annual caps).

LEASE FRAMEWORK AGREEMENT BETWEEN HONGHUA LEASING AND THE GROUP

On 10 December 2024, the Company entered into the Lease Framework Agreement with Honghua Financial Leasing (Shanghai) Co., Ltd. ("Honghua Leasing"), pursuant to which the Group shall purchase drilling and energy equipment leasing services from Members of Honghua Leasing, including but not limited to direct financial leasing services and operating leasing services, and shall pay rent to the Members of Honghua Leasing for the provision of the aforementioned leasing services from 1 January 2025 to 31 December 2027. Under the Lease Framework Agreement, the annual caps of the direct financial leasing services is RMB 150 million and the actual amount was RMB0 million; the annual caps of the operating leasing services is RMB350 million and the actual amount was RMB0 million.

Pursuant to the Lease Framework Agreement, in terms of the direct finance leasing services, the lease consideration is made up of the purchase price of the leased equipment, the lease interest and handling fee (if any) agreed by both parties. The lease consideration will be determined after arm's length negotiations between the Group and the Members of Honghua Leasing with reference to the market price of finance leased assets of the same type. In terms of the operating leasing services, the lease consideration is made up of the corresponding rent and handling fee (if any) payable during the lease term. The lease consideration will be determined after arm's length negotiations between the Group and the Members of Honghua Leasing with reference to the market price of operating leased assets of the same type.

The entering into of the Leasing Framework Agreement is conducive to broadening the customer base and service channels of the Group, expanding the market share of the Group and increasing the sales revenue of the Group. The Group and Dongfang Electric Corporation and its associates have between them a well-established cooperation foundation and smooth communication, which is conducive to the implementation and furtherance of transactions. In addition, through business cooperation in multiple projects, the Company and Dongfang Electric Corporation can make full use of the industrial foundation and advantages of both parties, and further enhance the strength of both parties.

For further details regarding the pricing standards of leasing services provided by Honghua Leasing to the Group under the Leasing Framework Agreement, as well as the reasons for and benefits of the transaction, please refer to the Company's circular dated 13 December 2024.

As at the date of this report, as Dongfang Electric Corporation directly and indirectly holds approximately 58.52% of the issued share capital of the Company, it is a controlling shareholder within the meaning of the Listing Rules and is therefore a connected person of the Company. Honghua Leasing is a wholly-owned subsidiary of Dongfang Electric Corporation and, as such, an associate of Dongfang Electric Corporation, thereby also constituting a connected person of the Company. Accordingly, the entering into Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Except for Directors Mr. Wang Xu, Mr. Zhu Hua, Mr. Yang Qiang, Mr. Yang Yangzhuang (who has resigned) and Mr. Liu Xinggui (who has resigned), who were nominated by DFEC Group and its associates, no other Directors have any material interest in the continuing connected transactions under the Lease Framework Agreement. Such Directors are regarded as having an interest in the continuing connected transactions solely by virtue of their nomination by DFEC Group and its associates, and not because they have any direct or indirect actual economic interest in the relevant transactions or arrangements. The above-mentioned Directors have abstained from voting on the Board resolutions approving the Lease Framework Agreement (including the relevant continuing connected transactions and annual caps).

REPORT OF THE DIRECTORS

FINANCIAL SERVICES FRAMEWORK AGREEMENT BETWEEN DONGFANG ELECTRIC FINANCE AND THE GROUP

On 10 December 2024, the Company entered into the Financial Services Framework Agreement with Dongfang Electric Finance Co., Ltd. ("Dongfang Electric Finance"), pursuant to which Dongfang Electric Finance will provide the Group with deposit services, loan advancement services and settlement services from 1 January 2025 to 31 December 2027. During the year, the maximum daily balance of deposits to be placed by the Group with Dongfang Electric Finance (including accrued interest) was RMB2,000 million and the actual amount was RMB811.128 million; the maximum daily balance of secured loan(including accrued interest) to be advanced by Dongfang Electric Finance to the Group was RMB500 million and the actual amount was RMB0 million; the maximum daily balance of unsecured loan (including accrued interest) to be advanced by Dongfang Electric Finance to the Group was RMB2,000 million and the actual amount was RMB1,911.26 million; the settlement Services was RMB10 million and the actual amount was RMB0 million.

In addition, Dongfang Electric Finance has provided the Group with a loan of RMB230 million; pursuant to Rule 14A.90 of the Listing Rules, this loan is eligible for a full waiver.

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

- (i) in respect of the Deposit Services: the deposit interest rate applicable to state-owned the Group's deposits at Dongfang Electric Finance shall not be lower than the interest rate offered by major state-owned commercial banks in the PRC for comparable deposits for the same periods, and shall be determined on normal commercial terms;
- (ii) in respect of the Loan Advancement Services: the interest rates for the loans granted by Dongfang Electric Finance to the Group shall be in accordance with the relevant regulations of the PBOC and the relevant lending interest rate policies and regulations of Dongfang Electric Finance. At the time of entering into each loan contract, both parties shall negotiate with each other based on the then market conditions, and the interest rate shall generally not exceed the interest rate of comparable loans obtained by the Group from major commercial banks in the PRC during the same period; and
- (iii) in respect of the Settlement Services: the cumulative settlement fees to be charged by Dongfang Electric Finance for the provision of the Settlement Services for the Group during the agreement period shall not exceed RMB10 million per year.

The entering into of the Financial Services Framework Agreement: (i) with the deposit arrangements with Dongfang Electric Finance, the Group could handle the settlement activities through its internal accounts at Dongfang Electric Finance with reduced charges, which can reduce the financial handling fees of the Group; (ii) the Deposit Services of Dongfang Electric Finance will strengthen the Company's centralised management of the funds of its subsidiaries and shorten the time for capital transfers, which is beneficial for the Group to enhance fund management and control and to reduce the time for funds in transit, thereby accelerating cash flows; (iii) Dongfang Electric Finance has a cutting-edge information system, through which the Group can access the latest information on its collection and payment of funds as well as the status of fund balance, thereby reducing and avoiding operational risks; (iv) by entering into the Financial Services Framework Agreement with Dongfang Electric Finance, the Group will be able to obtain such loans that meet the needs for working funds for actual business operations, particularly, given the overall business environment of the global oil and gas sectors, and difficulties in obtaining third party borrowings from the market at low costs in a stable manner. In addition, in respect of the Settlement Services, as Dongfang Electric Finance is familiar with the business and transaction pattern of the Group, the Settlement Services provided by Dongfang Electric Finance tend to provide a more efficient settlement platform than those provided by commercial banks. The Settlement Services enable the Group to achieve same-day low-rate settlement at low costs. This also helps to reduce the transaction costs of the Group, such as handling fees for fund transfers and other administrative and management fees.

For further details regarding Financial Services Framework Agreement, please refer to the Company's circular dated 13 December 2024.

REPORT OF THE DIRECTORS

As at the date of this report, as Dongfang Electric Corporation directly and indirectly holds approximately 58.52% of the issued share capital of the Company, it is a controlling shareholder within the meaning of the Listing Rules and is therefore a connected person of the Company. DFEC is a subsidiary of Dongfang Electric Corporation and holds 95% of the shares of Dongfang Electric Finance. Dongfang Electric Corporation holds the remaining 5% of the shares of Dongfang Electric Finance. Therefore, Dongfang Electric Finance is an associate of Dongfang Electric Corporation and a connected person of the Company. Accordingly, the entering into Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Except for Directors Mr. Wang Xu, Mr. Zhu Hua, Mr. Yang Qiang, Mr. Yang Yangzhuang (who has resigned) and Mr. Liu Xinggui (who has resigned), who were nominated by DFEC Group and its associates, no other Directors have any material interest in the continuing connected transactions under the Financial Services Framework Agreement. Such Directors are regarded as having an interest in the continuing connected transactions solely by virtue of their nomination by DFEC Group and its associates, and not because they have any direct or indirect actual economic interest in the relevant transactions or arrangements. The above-mentioned Directors have abstained from voting on the Board resolutions approving the Financial Services Framework Agreement (including the relevant continuing connected transactions and annual caps).

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

- (1) in the ordinary and usual course of the business of the Group;
- (2) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

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

- (1) have not been approved by the board of directors of the company;
- (2) were not made in accordance with the pricing policy of the Company;
- (3) were not conducted, in all material respects, in accordance with the relevant agreement governing those transactions;
- (4) have exceeded the cap disclosed in previous announcements.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued to the Board an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 62 to 66 of this annual report in accordance with Rule 14A.56 of Listing Rules.

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

REPORT OF THE DIRECTORS

BANK LOANS

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

FINANCIAL SUMMARY

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

STAFF RETIREMENT AND BENEFIT SCHEME

During the reporting period, the Group’s subsidiaries located in the PRC complied with relevant PRC labor regulations and participated in the fixed-contribution social insurance schemes and housing provident fund plans organized by municipal government agencies in the PRC. The funding sources for these plans are contributions from both the employer and the employees. Social insurance contributions are made by both the employer and employees at a certain percentage as stipulated by the local human resources and social security departments. Housing provident fund contributions are made by both the employer and employees, with contribution rates ranging from 6% to 10% based on the actual circumstances of each company. The Group does not have any related forfeited contributions, as all contributions are fully vested in the employees immediately upon payment to the plans. Details of the staff retirement and benefit schemes are set out in notes 9 and 30 to the consolidated financial statements.

FIXED ASSETS

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

MAJOR CUSTOMERS AND SUPPLIERS

1. During the year, the Group’s five largest suppliers in total accounted for approximately 23.81% of total purchase, and the largest supplier accounted for approximately 8.49% of total purchase.
2. During the year, the Group’s five largest customers accounted for approximately 44.75% of total sales and the largest customer accounted for approximately 23.95% of revenue.
3. The directors of the Company and their associates, as well as any shareholder who, to the knowledge of the Board, holds 5% or more of the Company’s shares (excluding any treasury shares), have no interest in the above suppliers or customers.

ENTRUST DEPOSITS AND ENTRUST LOANS

As at 31 December 2025, the Company has no entrust deposits or entrust loans being placed with commercial banks or non-commercial banks and other finance institutions.

TAXATION POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed “Share Option Scheme” and “Restricted Share Award Scheme” in this report, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Period or subsisted as at 31 December 2025.

AUDITOR

The financial statements of the Group for the year ended 31 December 2025 have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming annual general meeting and being eligible, offer themselves for reappointment. The Company has not changed its auditor in the past three years.

By the order of the Board

Honghua Group Limited

Chairman

Wang Xu

China, 25 March 2026

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HONGHUA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Honghua Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 7 to 112, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment assessment on trade receivables from a customer domicile in Ukraine

We identified the impairment assessment on trade receivables due from a customer domicile in Ukraine as a key audit matter due to the significance of the balance to the Group's consolidated financial statements, combined with the involvement of significant management estimations in assessing the expected credit loss ("ECL") of the trade receivables due from such customer.

As disclosed in notes 3(a) and 34.3.2(i) to the consolidated financial statements, the provision of ECL was assessed by the management with the support of an independent qualified professional valuer engaged by the Company and approved by management and the ECL is determined by the Group based on loss rate given default and default probability. During the year ended 31 December 2024, in view of the Russia-Ukraine War, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. The provision is made based on key assumption that the management expect to recover 15% of the uncollectible balance upon necessary collection actions being taken.

As disclosed in Note 21(b) to the consolidated financial statements, as at 31 December 2024, carrying amount of trade receivables from the customer domicile in Ukraine amounting to approximately RMB249,232,000 (net of cumulative impairment loss of approximately RMB149,520,000). During the year ended 31 December 2024, the Group reversed ECL of approximately RMB104,758,000 in respect of such receivables.

Our procedures in relation to the impairment assessment on trade receivables from a customer domicile in Ukraine include:

- Obtaining an understanding on the process of how the management determined the ECL of trade receivables including the individual assessment on the credit-impaired trade receivables with the involvement of independent qualified professional valuer engaged by the Company, including but not limited to an understanding on the methodology and key assumptions made in determining the default probability and default loss rate for the ECL assessment;
- Testing the accuracy and completeness on key data sources applied in the ECL assessment by checking to the Group's relevant sales contracts and other supporting information;
- Evaluating, together with our internal valuation specialists, the reasonableness and appropriateness on the ECL methodology and key assumptions applied in determining the default probability and default loss rate, with reference to the economic information related to the customer; and
- Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer engaged by the Company and obtaining an understanding on their scope of work.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Allowance for inventories

We identified the allowance for inventories as a key audit matter due to the significance of the balance to the Group's consolidated financial statements as a whole, combined with the involvement of significant management estimations in assessing of net realisable value ("NRV") of inventories.

As disclosed in note 3(b) to the consolidated financial statements, inventories are stated at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The management reviews the aging of inventories at the end of the reporting period and estimates allowance for obsolete and slow-moving inventory items identified, as well as those inventories with carrying amount less than NRV, using the key inputs including the latest selling prices, and estimated costs of completion.

As set out in Note 20 to consolidated financial statements, the carrying amount of the Group's inventories was approximately RMB1,495,792,000 (net of provision of inventory of approximately RMB285,954,000) as at 31 December 2025. During the year ended 31 December 2025, the Group recognised allowance for inventories of approximately RMB53,587,000.

Our procedures in relation to allowance for inventories include:

- Obtaining an understanding on the process of how the management estimates the allowance for inventories;
- Assessing the appropriateness on the management's estimation of cost necessary to make the sale included in NRV assessments;
- Testing the estimated selling prices by referencing to the selling prices of the recent sales transactions from customers and/or the contract prices, on a sample basis; and
- Evaluating the reasonableness on the estimated costs of completion by comparing the estimated gross margin ratio with the similar historical contracts with customers, on a sample basis.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yip, Tin Hang, Michael (Practising Certificate Number: P07906).

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2026

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	4	5,493,330	5,633,410
Cost of sales	6	(4,808,828)	(4,956,906)
Gross profit		684,502	676,504
Distribution costs	6	(190,044)	(210,516)
Administrative expenses	6	(360,034)	(383,231)
Research and development expenses	6	(163,572)	(150,457)
Net impairment reversal on financial assets and contract assets	34.3.2	94,912	124,347
Other income	5	66,260	67,416
Other gains or losses, net	7	40,340	24,116
Operating profit		172,364	148,179
Finance income	10	27,764	24,770
Finance expenses	10	(120,689)	(155,110)
Finance expenses – net	10	(92,925)	(130,340)
Share of results of an associate and a joint venture accounted for using the equity method	18	(8,727)	21,984
Profit before income tax		70,712	39,823
Income tax expense	12	(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)	14	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)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
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
<i>Items that will not be reclassified subsequently to profit or loss</i>		
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

		At 31 December	
	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	2,497,882	2,541,627
Right of use assets	16	586,440	414,398
Intangible assets	17	441,299	391,337
Investments accounted for using the equity method	18	44,401	55,455
Deferred tax assets, net	27	261,693	268,163
Financial assets at FVTOCI	34.4.1	95,329	95,329
Trade and other receivables	21	202,182	472,391
Contract assets	4	71,276	–
Other non-current assets	19	46,042	55,909
		4,246,544	4,294,609
Current assets			
Inventories	20	1,495,792	1,303,599
Contract costs		239,591	194,913
Contract assets	4	1,884,378	1,472,915
Trade and other receivables	21	3,635,164	3,638,072
Current tax recoverable		15,154	12,545
Financial assets at fair value through profit or loss (“FVTPL”)	34.4.1	678	–
Financial assets at FVTOCI	34.4.1	37,027	170,544
Pledged bank deposits	22	45,175	50,418
Cash and cash equivalents	22	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
Current liabilities			
Contract liabilities	4	486,226	514,307
Trade and other payables	23	3,437,815	3,407,501
Income tax payable		30,951	25,676
Borrowings	24	2,492,155	2,110,702
Other financial liabilities	34.4.1	5,184	10,454
Provisions for other liabilities and charges	25	26,023	34,499
Deferred income	26	34,482	1,120
Lease liabilities	16	75,921	39,173
		6,588,757	6,143,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

		At 31 December	
	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Borrowings	24	2,193,522	2,039,052
Deferred income	26	13,121	28,655
Lease liabilities	16	175,425	52,473
		2,382,068	2,120,180
Total liabilities		8,970,825	8,263,612
EQUITY			
Share capital	28	823,804	823,804
Other reserves	30	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

The consolidated financial statements on pages 74 to 183 were approved and authorised for issue by the board of directors on 25 March 2026 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company											
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30)	Other Reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Surplus reserve RMB'000 (Note 30)	Exchange reserve RMB'000 (Note 30)	Fair value reserve RMB'000 (Note 30)	Shares held for share	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
								award scheme RMB'000 (Note 29)				
Balance at 1 January 2024	823,804	4,076,012	61,199	511,967	469,857	(276,196)	14,288	(124,618)	(2,172,084)	3,384,229	197,533	3,581,762
Profit/(loss) for the year	-	-	-	-	-	-	-	-	7,576	7,576	(2,840)	4,736
Other comprehensive income	-	-	-	-	-	76,525	1,566	-	-	78,091	-	78,091
Total comprehensive income/(expense)	-	-	-	-	-	76,525	1,566	-	7,576	85,667	(2,840)	82,827
Transactions with owners												
Disposal of subsidiaries	-	-	-	-	-	-	(12,775)	-	12,775	-	-	-
Options lapsed under share option schemes	-	-	-	(4,912)	-	-	-	-	4,912	-	-	-
Utilisation of surplus reserve	-	-	-	-	(11,205)	-	-	-	11,205	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	(4,912)	(11,205)	-	(12,775)	-	28,892	-	-	-
Balance at 31 December 2024	823,804	4,076,012	61,199	507,055	458,652	(199,671)	3,079	(124,618)	(2,135,616)	3,469,896	194,693	3,664,589
Profit for the year	-	-	-	-	-	-	-	-	38,320	38,320	982	39,302
Other comprehensive income	-	-	-	-	-	(41,685)	4,478	-	-	(37,207)	-	(37,207)
Total comprehensive (expense)/income	-	-	-	-	-	(41,685)	4,478	-	38,320	1,113	982	2,095
Transactions with owners												
Options lapsed under share option schemes	-	-	-	(442)	-	-	-	-	442	-	-	-
Transaction costs attributable to issue of shares	-	-	(25,417)	-	-	-	-	-	-	(25,417)	-	(25,417)
Utilisation of surplus reserve	-	-	-	-	(5,013)	-	-	-	5,013	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(25,417)	(442)	(5,013)	-	-	-	5,455	(25,417)	-	(25,417)
Balance at 31 December 2025	823,804	4,076,012	35,782	506,613	453,639	(241,356)	7,557	(124,618)	(2,091,841)	3,445,592	195,675	3,641,267

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	31	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 (as defined in Note 35)		–	(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	22	999,972	790,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

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

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

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

The material accounting policy information are set out below.

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

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
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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.

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

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

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

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures 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.

2.2 Subsidiaries

2.2.1 *Consolidation*

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

2.2.2 *Separate financial statements*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Associates

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

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

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

2.4 Joint arrangements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Foreign currency translation

2.5.1 *Functional and presentation currency*

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

2.5.2 *Transactions and balances*

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

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

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

2.5.3 *Group companies*

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

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.4 Disposal of foreign operation and partial disposal

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

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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

2.7 Intangible assets

Capitalised development costs

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

2.8 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets

2.9.1 *Classification*

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

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

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

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

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

2.9.2 *Recognition and derecognition*

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

2.9.3 *Measurement*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets *(Continued)*

2.9.3 *Measurement (Continued)*

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains or losses, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other gains or losses, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains or losses, net' and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within 'other gains or losses, net' in the period in which it arises.

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Financial assets *(Continued)*

2.9.4 Impairment

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

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

2.10 Offsetting financial instruments

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

2.11 Inventories

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

2.12 Trade and other receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.13 Trade and other payables

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

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

2.14 Borrowings

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

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

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

2.15 Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Current and deferred income tax

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

2.16.1 Current income tax

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

2.16.2 Deferred income tax

Inside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Current and deferred income tax *(Continued)*

2.16.2 Deferred income tax *(Continued)*

Outside basis differences

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

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

Offsetting

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

2.17 Employee benefits

2.17.1 Pension obligations

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

2.17.2 Housing fund and other benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.17 Employee benefits *(Continued)*

2.17.3 Short-term employee benefits

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

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

2.18 Provision

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

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

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

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

2.19 Revenue recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

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

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

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

2.19.1 Sales of goods

Revenue recognised at a point of time

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

Revenue recognised over time

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

2.19.1 Sales of goods *(Continued)*

Revenue recognised over time (Continued)

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

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

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

2.19.2 Sales of services

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

2.19.3 Contract costs – costs to fulfil a contract

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases

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

Contracts may contain both lease and non-lease components. As a lessee, for lease that contains both lease and non-lease components, the Group has elected not to separate lease and non-lease components and instead accounts the lease as a single lease component.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

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

- the amounts of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs.

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Short-term leases are leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option.

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

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

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

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

2.21 Government grants

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

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

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

2.22 Interest income

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

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

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

2.23 Research and development

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.23 Research and development *(Continued)*

- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

During the year ended 31 December 2025, in view of the Russia-Ukraine War, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. The reversal of ECL was assessed by the management with the support of an independent qualified professional valuer engaged by the Company and approved by the management. When determines the ECL of such receivables, the Group takes into account the compensation from insurance company received in 2024, amounting to USD46,143,000 (equivalent to approximately RMB328,951,000), as well as the economic information related to the customer. As at 31 December 2025, carrying amount of trade receivables due from the customer domicile in Ukraine amounted to approximately RMB204,916,000 (2024: RMB249,232,000), net of ECL of approximately RMB49,654,000 (2024: RMB149,520,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

(b) Allowance for inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The management reviews the aging of inventories at the end of the reporting period and estimates allowance for obsolete and slow-moving inventory items identified, as well as those inventories with carrying amount less than NRV, using the key inputs including the latest selling prices, and estimated costs of completion. Due to changes in market conditions, actual selling price and costs of completion may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2025, the carrying amount of inventories amounted to RMB1,495,792,000 (2024: RMB1,303,599,000). During the year ended 31 December 2025, the Group recognised allowance for inventories of approximately RMB53,587,000 (2024: RMB101,174,000).

(c) Deferred tax assets

As at 31 December 2025, a deferred tax asset of RMB115,168,000 (2024: RMB83,488,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,515,684,000 (2024: RMB1,847,477,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(d) Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION (Continued)

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 Year ended 31 December		Parts and components and others Year ended 31 December		Drilling engineering services Year ended 31 December		Fracturing services Year ended 31 December		Offshore engineering Year ended 31 December		Total Year ended 31 December	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Segment revenue	2,342,895	2,034,969	1,460,221	2,542,015	439,104	355,149	647,423	1,035,741	2,237,790	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	1,945,182	1,951,318	989,272	1,662,216	420,524	336,936	619,366	823,138	1,518,986	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
<i>Other segment information:</i>												
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 presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION *(Continued)*

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	1,945,182	1,951,318
Offshore engineering	1,518,986	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Middle East	2,547,130	1,881,781
<i>Including: United Arab Emirates</i>	1,763,976	739,620
<i> Iraq</i>	343,521	303,721
<i> Oman</i>	334,410	253,562
<i> Kuwait</i>	61,676	454,441
<i> Saudi Arabia</i>	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 RMB'000	2024 RMB'000
The PRC (country of domicile)	3,139,115	3,037,834
Middle East	501,971	377,919
<i>Including: Iraq</i>	472,815	345,794
Africa	37,757	41,863
Americas	6,806	74
Europe	1,691	1,036
	3,687,340	3,458,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2025 RMB'000	2024 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 RMB'000	2024 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, see Note 34.3.2 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SEGMENT INFORMATION *(Continued)*

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

(b) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<i>Revenue recognised that was included in the contract liabilities balance at the beginning of the year</i>		
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.

5. OTHER INCOME

	Year ended 31 December	
	2025 RMB'000	2024 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. EXPENSES BY NATURE

	Year ended 31 December	
	2025 RMB'000	2024 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
<i>Less: amount capitalised into intangible assets</i>	<i>(96,245)</i>	<i>(74,659)</i>
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), which are included in the total staff costs as disclosed in Note 9 and total depreciation and amortisation in Notes 15 and 17, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. OTHER GAINS OR LOSSES, NET

	Year ended 31 December	
	2025 RMB'000	2024 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	8,256
	40,340	24,116

8. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

For the year ended 31 December 2025

Names	Fees RMB'000	Basic salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Chairman and Executive Director						
Mr. Wang Xu	–	1,062	43	124	–	1,229
Executive Directors						
Mr. Zhu Hua	–	1,055	43	135	–	1,233
Mr. Yang Qiang (iv)	–	770	43	95	–	908
Non-executive Directors						
Mr. Yang Yangzhuang (iii)	–	–	–	–	–	–
Mr. Liu Xinggui (i)	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Zhang Shiju	137	–	–	–	–	137
Ms. Li Yuedong (viii)	137	–	–	–	–	137
Mr. Wang Junren (ix)	137	–	–	–	–	137
Total	411	2,887	129	354	–	3,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2024

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

Notes:

- (i) Mr. Liu Xinggui was appointed as the Non-executive Director of the Company with effect from 28 June 2024 and tendered his resignation as the Non-executive Director of the Company with effect from 25 July 2025.
- (ii) Mr. Yang Yong tendered his resignation as the Non-executive Director of the Company with effect from 7 February 2024.
- (iii) Mr. Yang Yangzhuang was appointed as the Non-executive Director of the Company with effect from 28 June 2024.
- (iv) Mr. Yang Qiang was appointed as the Executive Director of the Company with effect from 17 May 2024.
- (v) Ms. Su Mei tendered her resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2024 (Continued)

Notes: *(Continued)*

- (vi) Mr. Chang Qing tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.
- (vii) Mr. Wei Bin tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.
- (viii) Ms. Li Yuedong was appointed as the Independent Non-executive Director of the Company with effect from 28 June 2024.
- (ix) Mr. Wang Junren was appointed as the Independent Non-executive Director of the Company with effect from 20 August 2024.
- (x) Mr. Chen Guoming tendered his resignation as the Independent Non-executive Director of the Company with effect from 28 June 2024.

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

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

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

(b) Directors' retirement benefits and termination benefits

For the years ended 31 December 2025 and 2024, no special retirement and termination benefits plans to the directors for the year. No other retirement and termination benefits were paid to or receivable by those directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

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

During the year ended 31 December 2025, the Company did not provide any consideration to any third party for making available director's services (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

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

During the year ended 31 December 2025, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2024: nil).

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

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

9. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Contributions to defined contribution retirement schemes	208,503	194,775
Salaries, wages and other benefits	476,172	465,108
	684,675	659,883

Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year ended 31 December 2025 did not include any director (2024: nil). The emoluments of the directors are reflected in the analysis disclosed as Note 8. The emoluments payable to the five (2024: five) individuals for the years ended 31 December 2025 and 2024 are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Basic salaries, allowances and other benefits in kind	1,321	1,323
Discretionary bonuses	5,204	5,652
Contributions to defined contribution retirement schemes	226	533
	6,751	7,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

9. EMPLOYEE BENEFIT EXPENSE (Continued)

Five highest paid individuals (Continued)

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

	Number of individuals	
	2025	2024
HKD1,000,001 to HKD1,500,000	3	1
HKD1,500,001 to HKD2,000,000	2	4

10. FINANCE EXPENSES, NET

	Year ended 31 December	
	2025 RMB'000	2024 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2025 and 2024:

Name of companies	Place of incorporation	Place of operation	Particulars of issued and paid-up capital	Attributable equity interest		Principal activities
				2025	2024	
<i>Directly held:</i>						
Honghua Holdings Limited ("Honghua Holdings")	Hong Kong	Hong Kong	1 ordinary share	100%	100%	Investment holding
<i>Indirectly held:</i>						
Honghua (China) Investment Co., Ltd. ("Honghua China") ((b) and (c))	The PRC	The PRC	Registered capital United States Dollars ("USD") 320,000,000	100%	100%	Investment holding
Sichuan Honghua Petroleum Equipment Co., Ltd. ("Honghua Company") ((a) and (c))	The PRC	The PRC	Registered capital RMB2,200,000,000	100%	100%	Manufacturing of petroleum equipment
Sichuan Honghua Electric Co., Ltd. ("Honghua Electric") ((a) and (c))	The PRC	The PRC	Registered capital RMB100,000,000	84%	84%	Manufacturing of panel of drilling rigs
Honghua International Co., Ltd. ("Honghua International") ((a) and (c))	The PRC	The PRC	Registered capital RMB51,200,000	91%	91%	Trading of drilling rigs and related parts
Honghua Oil & Gas Engineering Technology Services Limited ("Sichuan Oil & Gas Services") ((a) and (c))	The PRC	The PRC	Registered capital RMB732,600,000	100%	100%	Drilling engineering service and fracturing service
Gansu Hongteng Oil & Gas Equipment Co., Ltd. ("Gansu Hongteng") ((a) and (c))	The PRC	The PRC	Registered capital RMB120,000,000	70%	70%	Manufacturing of related parts of drilling rigs
Honghua Oil & Gas Engineering Services Limited ("Hongkong Oil & Gas Services")	Hong Kong	Iraq	Registered capital USD41,080,000	100%	100%	Drilling engineering service and fracturing service
Newco (H.K.) Limited	Hong Kong	Hong Kong	1,000 ordinary shares	100%	100%	Trading of drilling rigs and related parts
Honghua America, LLC	United States of America	United States of America	Registered capital USD3,414,000	100%	100%	Trading of drilling rigs and related parts
Han Zheng Testing Technology Co., Ltd. ("Han Zheng Testing") ((b) and (c))	The PRC	The PRC	Registered capital RMB11,103,000	100%	100%	Testing service
Honghua Golden Coast Equipment FZE	United Arab Emirates	United Arab Emirates	Registered capital Arab Emirates Dirham 1,000,000	100%	100%	Trading of drilling rigs and related parts
Honghua Energy Equipment Limited	Russia Federation	Russia Federation	Registered capital RUB13,340,000	100%	100%	Trading of drilling rigs and related parts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. PARTICULARS OF SUBSIDIARIES (Continued)

Name of companies	Place of incorporation	Place of operation	Particulars of issued and paid-up capital	Attributable equity interest		Principal activities
				2025	2024	
Honghua Offshore Oil and Gas Equipment (Jiangsu) Co., Ltd. ("Honghua (Jiangsu)") (a) and (c)	The PRC	The PRC	Registered capital RMB2,737,139,000	100%	100%	Manufacturing of wind power equipment

Notes:

- (a) These entities are domestic limited liability companies established in the PRC.
- (b) The entity is a wholly-owned foreign invested company established in the PRC.
- (c) The official names of these companies are in Chinese. The English translation of the company name is for reference only.

Material non-controlling interests

The total non-controlling interests as at 31 December 2025 was approximately RMB195,675,000 (2024: RMB194,693,000), of which approximately RMB174,232,000 (2024: RMB174,569,000) is attributed to Honghua Electric, approximately RMB23,427,000 (2024: RMB23,086,000) is attributed to Honghua International and approximately RMB1,984,000 of net liabilities (2024: RMB2,962,000 of net liabilities) is attributed to Gansu Hongteng. The summarised financial information on Honghua Electric with material non-controlling interests is set out below. The amounts disclosed are before inter-company eliminations.

Summarised financial information on subsidiaries with material non-controlling interests

Summarised statement of financial position

	Honghua Electric As at 31 December	
	2025 RMB'000	2024 RMB'000
Current		
Assets	2,979,877	2,766,432
Liabilities	(1,937,257)	(1,911,469)
Total current net assets	1,042,620	854,963
Non-current		
Assets	883,309	671,176
Liabilities	(776,824)	(374,962)
Total non-current net assets	106,485	296,214
Net assets	1,149,105	1,151,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. PARTICULARS OF SUBSIDIARIES (Continued)

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

Summarised statement of profit or loss and other comprehensive income

	Honghua Electric Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	1,273,678	1,378,710
Profit before income tax	8,328	22,790
Income tax (credit)/charge	(806)	2,649
Profit for the year	7,522	25,439
Other comprehensive income for the year	–	–
Total comprehensive income for the year	7,522	25,439
Total comprehensive income allocated to non-controlling interests	1,223	3,401

Summarised cash flows

	Honghua Electric Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Cash flows generated from operating activities		
Cash generated from operations	18,524	10,130
Net cash generated from operating activities	18,524	10,130
Net cash used in investing activities	(34,109)	(77,765)
Net cash generated from financing activities	112,758	65,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Current income tax – Hong Kong Profits Tax (a)		
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 (b)		
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 (c)		
Provision for the year	27,003	23,638
Total current income tax	25,730	30,695
Deferred income tax (Note 27)		
– Current year	5,680	4,392
Income tax expense	31,410	35,087

(a) Hong Kong

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the subsidiaries of the Group incorporated in Hong Kong for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. INCOME TAX EXPENSE *(Continued)*

(b) The PRC

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Group in the PRC are subject to PRC enterprise income tax at a rate of 25% for the years ended 31 December 2025 and 2024, except for the following companies:

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

Corporate income tax ("CIT") of Honghua Company, Han Zheng Testing, Gansu Hongteng, and Honghua (Jiangsu) is accrued at a tax rate of 15% applicable for Hi-tech enterprises pursuant to the relevant PRC tax rules and regulations for the years ended 31 December 2025 and 2024.

(ii) Honghua Electric and Sichuan Oil & Gas Services

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

(c) Others

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

(d) Withholding tax

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

The Company's directors revisited the dividend policy of the Group in 2025 and 2024. In order to retain the fundings for operations and future development, it was resolved that the Group's PRC subsidiaries will not distribute dividend to the offshore holding companies in the foreseeable future. Any dividends to be declared by the Company will be distributed from the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. INCOME TAX EXPENSE (Continued)

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 RMB'000	2024 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 RMB'000	2024 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13. DIVIDENDS

No dividend was approved or paid in respect of the previous financial years for the years ended 31 December 2025 and 2024.

No dividend was proposed for the year ended 31 December 2025.

14. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

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 RMB'000	2024 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. LEASES

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

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

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Right of use assets		
Lease prepayments for land use rights	273,594	300,008
Buildings and equipment	312,846	114,390
	586,440	414,398
Lease liabilities		
Current	75,921	39,173
Non-current	175,425	52,473
	251,346	91,646

Additions to the right of use assets during the year ended 31 December 2025 was approximately RMB262,303,000 (2024: RMB120,053,000).

Lease liabilities are payable at the followings:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within one year	75,921	39,173
Within a period of more than one year but not exceeding two years	59,554	23,217
Within a period of more than two years but not exceeding five years	96,160	7,692
More than five years	19,711	21,564
	251,346	91,646

The incremental borrowing rates applied to lease liabilities range from 3.35% to 7.50% (2024: from 3.35% to 5.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. LEASES

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

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

	Note	2025 RMB'000	2024 RMB'000
Depreciation charge of right of use assets			
Lease prepayments for land use rights		9,494	8,880
Buildings and equipment		57,768	6,867
Interest expense (included in finance cost)	10	6,098	1,775
Expense (included in cost of goods sold and distribution expenses) relating to:			
– short-term leases		307,916	387,583
– variable lease payment (not included in short-term leases)		15,524	107,464

The total cash outflow for leases in 2025 was RMB376,388,000 (2024: RMB521,573,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. INTANGIBLE ASSETS

	Technical know-how RMB'000	Development cost and others RMB'000	Total RMB'000
At 1 January 2024			
Cost	348,839	499,906	848,745
Accumulated amortisation and impairment	(348,839)	(146,215)	(495,054)
Net book amount	–	353,691	353,691
Year ended 31 December 2024			
Opening net book amount	–	353,691	353,691
Additions	–	85,837	85,837
Amortisation charge	–	(48,178)	(48,178)
Disposal of subsidiaries (Note 35)	–	(13)	(13)
Closing net amount	–	391,337	391,337
At 31 December 2024			
Cost	348,839	585,743	934,582
Accumulated amortisation and impairment	(348,839)	(194,406)	(543,245)
Net book amount	–	391,337	391,337
Year ended 31 December 2025			
Opening net book amount	–	391,337	391,337
Additions	–	90,840	90,840
Amortisation charge	–	(40,878)	(40,878)
Closing net amount	–	441,299	441,299
At 31 December 2025			
Cost	348,839	676,583	1,025,422
Accumulated amortisation and impairment	(348,839)	(235,284)	(584,123)
Net book amount	–	441,299	441,299

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

Development cost and others 5 to 10 years

Amortisation expense of approximately RMB8,237,000 (2024: RMB10,349,000) has been charged in cost of sales, and RMB31,664,000 (2024: RMB37,829,000) in research and development expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Investment in an associate and a joint venture	44,401	55,455

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Investment in an associate and a joint venture	(8,727)	21,984

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
At 1 January	55,455	38,096
Share of post-acquisition (losses)/profit and other comprehensive (expense)/income, net of dividends received	(10,257)	16,584
Currency translation differences	(797)	775
At 31 December	44,401	55,455

Investment in an associate

Set out below is the associate of the Group as at 31 December 2025, which is held directly by the Group.

Name of company	Place of establishment	% of ownership interest		Measurement method
		2025	2024	
Honghua Financial Leasing (Shenzhen) Co., Ltd. ("Honghua (Shenzhen)")	The PRC	45%	45%	Equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Investment in an associate *(Continued)*

Honghua (Shenzhen) was incorporated in 2014 and mainly engages in providing leasing services. As at 31 December 2022, the Group's voting rights in the board of directors of Honghua (Shenzhen) is 50%, and Honghua (Shenzhen) was accounted as a joint venture.

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

Honghua (Shenzhen)

Summarised statement of financial position

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Current assets	96,955	83,314
Non-current assets	446,374	405,131
Current liabilities	(330,501)	(296,487)
Non-current liabilities	(202,579)	(164,788)
Net assets	10,249	27,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Investment in an associate *(Continued)*

Honghua (Shenzhen) (Continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	124,917	183,507
Depreciation and amortisation	(58,892)	(37,509)
(Loss)/profit for the year	(13,521)	46,223
Total comprehensive (expense)/income	(13,521)	46,223

Reconciliation of summarised financial information

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

	2025 RMB'000	2024 RMB'000
Opening net assets 1 January	27,170	(7,053)
(Loss)/profit for the year	(13,521)	46,223
Dividends paid during the year	(3,400)	(12,000)
Closing net assets	10,249	27,170
Proportion of the Group's interest in Honghua (Shenzhen)	45%	45%
The Group's share of net assets of Honghua (Shenzhen)	4,612	12,227
Adjustment (i)	2,032	1,365
Carrying value	6,644	13,592

- (i) During the current year, the adjustment recognised includes a realised profit of RMB2,032,000 resulting from the recognition of transactions between the Group and Honghua (Shenzhen).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Investment in a joint venture

Set out below are a joint venture of the Group as at 31 December 2025, which are held directly by the Group.

Nature of investment in joint ventures as at 31 December 2025 and 2024:

Name of company	Place of establishment	% of ownership interest		Measurement method
		2025	2024	
Egyptian Petroleum HH Rigs Manufacturing Co. S.A.E. ("HH Egyptian Company")	Egypt	50%	50%	Equity

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

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

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

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

HH Egyptian Company

Summarised statement of financial position

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Current assets	44,271	63,225
Non-current assets	102,943	108,805
Current liabilities	(71,498)	(87,676)
Non-current liabilities	(201)	(629)
Net assets	75,515	83,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Investment in a joint venture *(Continued)*

HH Egyptian Company (Continued)

Summarised statement of comprehensive (expense)/income

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	18,367	64,264
(Loss)/profit for the year	(6,454)	6,337
Other comprehensive (expense)/income	(1,756)	1,200
Total comprehensive (expense)/income	(8,210)	7,537

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Opening net assets 1 January	83,725	76,188
(Loss)/profit for the year	(6,454)	6,337
Currency translation differences	(1,756)	1,200
Closing net assets	75,515	83,725
Proportion of the Group's interest in HH Egyptian Company	50%	50%
The Group's share of net assets of HH Egyptian Company	37,757	41,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Investment properties (Note)	44,145	53,287
Right of use assets improvements	1,897	2,226
Others	–	396
	46,042	55,909

Note: The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years (2024: 1 to 2 years). Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

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

Movement of the investment properties is as below:

	RMB'000
COST	
At 1 January 2024	78,511
Transfer	4,470
At 31 December 2024	82,981
Transfer	(13,504)
At 31 December 2025	69,477
DEPRECIATION AND AMORTISATION	
At 1 January 2024	(24,018)
Transfer	(1,120)
Charge for the year	(4,556)
At 31 December 2024	(29,694)
Transfer	8,195
Charge for the year	(3,833)
At 31 December 2025	(25,332)
CARRYING AMOUNT	
At 31 December 2025	44,145
At 31 December 2024	53,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

20. INVENTORIES

	As at 31 December	
	2025 RMB'000	2024 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 RMB'000	2024 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 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 (Note 33(d))		
– 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 (Note 33(d))	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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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 RMB'000	2024 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

	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). Note 34.3.2(i) provides details about the impairment assessment.

- (c) Except for the non-current trade and other receivables, all of the other trade and other receivables are expected to be recovered within one year.
- (d) Non-current trade and other receivables as at 31 December 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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	47,223	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Finance lease receivables *(Continued)*

The net investment in finance leases is analysed as follows:

	As at 31 December	
	2025 RMB'000	2024 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. Note 34.3.2 provides details about the calculation of the allowance.

22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Cash on hand	308	340
Cash at bank	999,664	790,246
Cash and cash equivalents	999,972	790,586

Pledged bank deposits

As at 31 December 2025, the deposits are pledged to banks as security against letters of guarantee for bills payable and performance-related bonds (2024: letters of guarantee for bills payable and performance-related bonds).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. TRADE AND OTHER PAYABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade payables	2,573,298	2,182,072
Amounts due to related companies (Note 33(e))		
– 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 RMB'000	2024 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

24. BORROWINGS

	As at 31 December	
	2025 RMB'000	2024 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

24. BORROWINGS (Continued)

Notes:

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

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 RMB'000	Drawdowns in the Year RMB'000	Repayments in the Year RMB'000	As at 31 December 2025 RMB'000
Honghua China	13/3/2023	6/3/2026	2.45%	688,860	–	224,000	464,860
Sichuan Honghua	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 (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	–
	10/7/2025	10/7/2026	2.28%	–	15,000	–	15,000
Honghua Electric	19/8/2025	19/8/2026	2.11%	–	20,000	–	20,000
Total				1,108,860	1,757,400	725,000	2,141,260

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FOR THE YEAR ENDED 31 DECEMBER 2025

24. BORROWINGS (Continued)

Notes: (Continued)

- (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 RMB'000	2024 RMB'000	2025 RMB'000	2024 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 RMB'000	2024 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 RMB'000	2024 RMB'000
Expiring within 1 year	3,960,000	7,163,000

These facilities have been arranged for financing daily operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Compensation to shareholder RMB'000	Legal claims RMB'000	Product warranties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	15,919	200	22,781	2,125	41,025
Provisions during the year	–	–	41,602	–	41,602
Utilised during the year	(5,694)	(200)	(40,366)	(1,868)	(48,128)
At 31 December 2024	10,225	–	24,017	257	34,499
Provisions during the year	–	–	32,097	–	32,097
Utilised during the year	(10,225)	–	(30,091)	(257)	(40,573)
At 31 December 2025	–	–	26,023	–	26,023

26. DEFERRED INCOME

Deferred income of the Group represented the grant received from the government in relation to the acquisition of certain property, plant and equipment and costs incurred for certain operating projects. Movement on the deferred income is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	29,775	23,728
Government grants received during the year	56,280	17,686
Credited to profit or loss	(38,452)	(11,639)
At 31 December	47,603	29,775
Representing by:		
– Current portion	34,482	1,120
– Non-current portion	13,121	28,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

27. DEFERRED TAXATION

The analysis of deferred tax assets/(liabilities) is as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deferred tax assets	355,090	336,241
Deferred tax liabilities	(93,397)	(68,078)
Deferred tax assets, net	261,693	268,163

Movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for inventories and contract cost RMB'000	Provision for product warranties RMB'000	Unrealised profit on inventories RMB'000	Provision for Property, Plant and Equipment RMB'000	Impairment losses on financial assets, contract assets and prepayments RMB'000	Accruals RMB'000	Government grants RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Provision for investment in a former associate RMB'000 (Note)	Changes in fair value of FVTOCI RMB'000	Total RMB'000
At 1 January 2024	35,266	3,447	11,937	-	120,286	29,920	3,580	302	76,447	61,634	-	342,819
Credited/(charged) to profit or loss	1,285	(114)	2,950	-	(32,062)	4,490	880	7,384	7,041	-	-	(8,146)
Credited to other comprehensive income	-	-	-	-	-	-	-	-	-	-	1,568	1,568
At 31 December 2024	36,551	3,333	14,887	-	88,224	34,410	4,460	7,686	83,488	61,634	1,568	336,241
(Charged)/credited to profit or loss	(1,261)	158	(3,511)	81	(24,519)	(11,829)	2,681	26,159	31,680	-	-	19,639
Charged to other comprehensive income	-	-	-	-	-	-	-	-	-	-	(790)	(790)
At 31 December 2025	35,290	3,491	11,376	81	63,705	22,581	7,141	33,845	115,168	61,634	778	355,090

Note: The amount represents deferred tax previously recognised in relation to the impairment loss on the investment in Honghua (Jiangsu), which was previously an associate of the Group with 49% interest, by Honghua Company. During 2021, the remaining 51% interest in Honghua (Jiangsu) was acquired by another wholly-owned subsidiary of the Group and Honghua (Jiangsu) became a subsidiary of the Group thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

27. DEFERRED TAXATION (Continued)

Movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred tax liabilities

	Changes in fair value of property, plant and equipment RMB'000	Right of use assets RMB'000	Instalment sales RMB'000	Changes in fair value of FVTOCI RMB'000	Total RMB'000
At 1 January 2024	(47,308)	(394)	(22,040)	(795)	(70,537)
Credited/(charged) to profit or loss	5,099	(12,727)	11,382	–	3,754
Charged to other comprehensive income	–	–	–	(1,295)	(1,295)
At 31 December 2024	(42,209)	(13,121)	(10,658)	(2,090)	(68,078)
Credited/(charged) to profit or loss	5,106	(29,084)	(1,341)	–	(25,319)
Credited to other comprehensive income	–	–	–	–	–
At 31 December 2025	(37,103)	(42,205)	(11,999)	(2,090)	(93,397)

The Group has not recognised deferred income tax assets in respect of tax losses of approximately RMB1,515,684,000 as at 31 December 2025 (2024: RMB1,847,477,000) as it is not probable that future taxable profits against which the losses can be utilised in the relevant tax jurisdictions of those entities. These tax losses will be expired in 5 to 10 years.

As at 31 December 2025, deferred income tax liabilities of approximately RMB60,923,000 (2024: RMB59,743,000) had not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled approximately RMB1,218,469,000 as at 31 December 2025 (2024: RMB1,194,868,000). The Group does not intend to remit these unremitted earnings from the relevant subsidiaries in the foreseeable future.

28. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of Shares (thousands)	Amount RMB'000
At 31 December 2024 and 31 December 2025	9,040,489	823,804

The total authorised number of ordinary shares is 10,000,000,000 shares (2024: 10,000,000,000 shares) with a par value of HKD0.1 per share (2024: HKD0.1 per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. SHARE-BASED PAYMENTS

Share Option Scheme

The Company adopted a share option scheme (“the Share Option Scheme”) on 21 January 2008 for any eligible employees of the entities within the Group. The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

Options granted date	Number of share options (thousands)	Vesting conditions	Contractual life of options
On 15 April 2009	60,000	(i) 30% on 1 December 2009 (ii) 30% on 14 April 2010 (iii) 40% on 15 April 2011	10 years
On 11 October 2010	2,200	(i) 30% on 25 October 2010 (ii) 30% on 10 October 2011 (iii) 40% on 11 October 2012	10 years
On 20 June 2011	7,600	(i) 30% on 19 July 2011 (ii) 30% on 19 June 2012 (iii) 40% on 20 June 2013	10 years
On 5 April 2012	15,400	(i) 30% on 5 April 2013 (ii) 30% on 5 April 2014 (iii) 40% on 5 April 2015	10 years
On 24 March 2014	3,200	(i) 30% on 24 April 2014 (ii) 30% on 24 April 2015 (iii) 40% on 24 April 2016	10 years
On 2 July 2014	40,575	Vesting of the share options is conditional upon the achievement of corporate goals of the company and the individual performance of the respective grantees. The share options of any portion thereof shall lapse if the relevant corporate goals cannot be achieved. Up to 30% of the share options granted to each grantee after April 2015; up to 60% of the share options granted to each grantee after April 2016; all the remaining share options granted to each grantee after April 2017	10 years
On 21 September 2016	41,350	(i) 30% on 21 September 2017 (ii) 30% on 21 September 2018 (iii) 40% on 21 September 2019	10 years
Total share options	108,125		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. SHARE-BASED PAYMENTS *(Continued)*

Share Option Scheme *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2025		2024	
	Weighted average exercise price	Number of share options (thousands)	Weighted average exercise price	Number of share options (thousands)
At 1 January	HKD0.44	29,501	HKD0.97	48,691
Lapsed	HKD0.44	(1,100)	HKD1.78	(19,190)
At 31 December	HKD0.44	28,401	HKD0.44	29,501

Number of share options outstanding as at 31 December 2025 and 2024 are as below:

	Number of outstanding options	
	2025	2024
Options grant date		
On 21 September 2016	28,401,000	29,501,000

The share options outstanding at 31 December 2025 had an exercise price HKD0.44 (2024: HKD0.44) and a weighted average remaining contractual life of 0.72 years (2024: 1.72 years).

No share options were exercised during the years ended 31 December 2025 and 2024.

Share Award Scheme

On 30 December 2011, the board of directors approved to adopt a Restricted Share Award Scheme (the "Scheme"). Under the Scheme, the Company may grant shares of the Company to certain selected participants at specified consideration.

Pursuant to the Scheme rules, existing issued shares will be purchased by the trustee of the Scheme (the "Trustee") from the market out of funds provided by the Company in accordance with the Scheme rules.

As at 31 December 2025 and 2024, no restricted shares has been granted or vested.

No shares were acquired by the Trustee under the Scheme for the years ended 31 December 2025 and 2024. As at 31 December 2025, 61,089,300 shares were held by the Trustee under the Scheme (2024: 61,089,300 shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. OTHER RESERVES

Share premium

The application of the share premium account is governed by the Companies Law (Revised) of the Cayman Islands. The balance in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Other reserve

The other reserve represents the difference between the nominal value of share of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange; the difference between acquisitions of non-controlling interests and entities under common control over the consideration given; and the contribution of technology licenses by a shareholder in previous years.

Capital reserve

Capital reserve represents the value of employee services in respect of the equity-settled share-based payments as set out in Note 29, waiver of debts by the immediate holding company and capital contribution arising on shareholders' indemnity.

Surplus reserve

Surplus reserve comprises of the statutory reserve and maintenance and production reserve.

Statutory reserve

Pursuant to the applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that the balance after such issue is not less than 50% of its registered capital.

Maintenance and production reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as revenue amount, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in Note 2.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. OTHER RESERVES (Continued)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVTOCI and cash flow hedge reserve at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 2.9.

31. CASH GENERATED FROM OPERATIONS

Reconciliation of loss before income tax to net cash generated from operations:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Profit before income tax	70,712	39,823
Adjustments for:		
– Depreciation of property, plant and equipment and investment properties	253,954	259,359
– Depreciation of right of use assets	67,262	15,747
– Amortisation of intangible assets	40,878	48,178
– Interest expense	120,689	155,110
– Share of results of an associate and a joint venture	8,727	(21,984)
– Gains on disposals of property, plant and equipment	(11,200)	(515)
– Gains on disposals of right of use assets	(8,782)	–
– Foreign exchange losses/(gains)	6,165	(31,836)
– Provision for impairment of property, plant and equipment	5,557	18,920
– Share issue cost	9,304	–
– Release of deferred income	(38,452)	(11,639)
Operating cash flows before movements in working capital	524,814	471,163
Changes in working capital:		
– (Increase)/decrease in inventories and contract costs	(306,571)	378,752
– Decrease in trade and other receivables	279,692	817,266
– Decrease/(Increase) pledged bank deposits	5,243	(7,026)
– Decrease in trade and other payables	(5,437)	(390,174)
– Increase in contract assets	(411,463)	(530,709)
– Decrease in contract liabilities	(28,081)	(24,658)
– Decrease in provisions for other liabilities and charges	(8,476)	(6,526)
Cash generated from operations activities	49,721	708,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. CASH GENERATED FROM OPERATIONS *(Continued)*

Proceeds from disposal of property, plant and equipment

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Net book amount (Note 15)	34,422	842
Gains on disposals of property, plant and equipment	11,200	515
Proceeds received/receivable from disposal of property, plant and equipment	45,622	1,357

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Cash and cash equivalents (Note 22)	999,972	790,586
Borrowings – repayable within one year (Note 24)	(2,492,155)	(2,110,702)
Borrowings – repayable after one year (Note 24)	(2,193,522)	(2,039,052)
Net debt	(3,685,705)	(3,359,168)
Cash and cash equivalents (Note 22)	999,972	790,586
Gross debt – fixed interest rates	(2,301,567)	(1,189,896)
Gross debt – variable interest rates	(2,384,110)	(2,959,858)
Net debt	(3,685,705)	(3,359,168)

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31. CASH GENERATED FROM OPERATIONS (Continued)

Net debt reconciliation (Continued)

	Assets Cash and cash equivalents RMB'000	Liabilities from financing activities Borrowings RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2024	777,660	(4,470,069)	(36,049)	(3,728,458)
Cashflows	(41,781)	468,065	26,526	452,810
New Lease entered	–	–	(120,053)	(120,053)
Foreign exchange adjustments	21,094	–	–	21,094
Other non-cash movements	33,613	(147,750)	37,930	(76,207)
At 31 December 2024	790,586	(4,149,754)	(91,646)	(3,450,814)
Cashflows	217,374	(535,265)	52,948	(264,943)
New Lease entered	–	–	(262,303)	(262,303)
Foreign exchange adjustments	(7,988)	–	–	(7,988)
Other non-cash movements	–	(658)	49,655	48,997
At 31 December 2025	999,972	(4,685,677)	(251,346)	(3,937,051)

32. CAPITAL COMMITMENTS

Capital expenditure contracted for or authorised but not contracted for at the date of consolidated statement of financial position but not yet incurred is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Contracted for	39,603	16,085

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33. RELATED PARTIES DISCLOSURE

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2025 and 2024, and balances arising from related party transactions as at 31 December 2025 and 2024.

(a) Related parties relationship

Name of related parties	Relationship
HH Egyptian Company	Joint venture of the Group
Honghua (Shenzhen)	Associate of the Group
Dongfang Investment	Subsidiary of DEC
Dongfang Electric Finance Co., Ltd 東方電氣集團財務有限公司 ("Dongfang Electric Finance")	Subsidiary of DEC
Dongfang Electric Corporation International Cooperation Co., Ltd. 東方電氣集團國際合作有限公司 ("International Cooperation")	Subsidiary of DEC
Dongfang Electric Cooperation Dongfang Furnace Share Co., Ltd. 東方電氣集團東方鍋爐股份有限公司 ("Dongfang Furnace")	Subsidiary of DEC
Dongfang Electric Corporation Dongfang Turbine Co., Ltd. 東方電氣集團東方汽輪機有限公司 ("Dongfang Turbine")	Subsidiary of DEC
Dongfang Electric Corporation (Sichuan) Property Co., Ltd. 東方電氣集團(四川)物產有限公司 ("Sichuan Property")	Subsidiary of DEC
Dongfang Electric Shares Co., Ltd. 東方電氣股份有限公司 ("Dongfang Shares")	Subsidiary of DEC
Dongfang Toshiba (Chengdu) Electric Control Equipment Co., Ltd. 東方日立(成都)電控設備有限公司 ("Electric Control")	Subsidiary of DEC
Dongfang Electric Auto Control Engineering Co., Ltd. 東方電氣自動控制工程有限公司 ("Auto Control Engineering")	Subsidiary of DEC
Dongfang Electric Corporation Dongfang Electric Machine Co., Ltd. 東方電氣集團東方電機有限公司 ("Dongfang Electric Machine")	Subsidiary of DEC
Dongfang Electric Wind Power Share Co., Ltd. 東方電氣風電股份有限公司 ("Wind Power")	Subsidiary of DEC
Dongfang Electric Jieneng Technology Chengdu Co., Ltd. 東方電氣潔能科技成都有限公司 ("Jieneng Technology")	Subsidiary of DEC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. RELATED PARTIES DISCLOSURE (Continued)

(a) Related parties relationship (Continued)

Name of related parties	Relationship
Dongfang Electric (Deyang) Electric Auto Technology Co., Ltd. 東方電氣(德陽)電動機技術有限責任公司 ("Deyang Electric Auto Technology")	Subsidiary of DEC
Dongfang Electric Corporation Science Technology Research Institute 東方電氣集團科學技術研究院有限公司 ("Science Technology Research")	Subsidiary of DEC
Dongfang Electric (Guangzhou) Heavy Machine Co., Ltd. 東方電氣(廣州)重型機器有限公司 ("GZ Heavy Machine")	Subsidiary of DEC
Dongfang Electric New Energy Technology (Chengdu) Co., Ltd. 東方電氣新能科技(成都)有限公司 ("New Energy Chengdu")	Subsidiary of DEC
Dongfang Electric Group Dajian Logistics Co., Ltd. 東方電氣集團大件物流有限公司 ("Dajian Logistics")	Subsidiary of DEC
Dongfang Electric Qineng (Shenzhen) Technology Co., Ltd. 東方電氣啟能(深圳)科技有限公司 ("Electric Qineng")	Subsidiary of DEC
Dongfang Lingri Boiler Co., Ltd. 東方菱日鍋爐有限公司 ("Lingri boiler")	Joint venture of DEC
Sichuan Dongshu New Material Co., Ltd. 四川東樹新材料有限公司 ("Dongshu New Material")	Subsidiary of DEC
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. 東方凱特瑞(成都)環保科技有限公司 ("Dongfang KWH")	Subsidiary of DEC
Honghua Huyi Financial leasing(Shanghai) Co., Ltd. 宏華滬一融資租賃(上海)有限公司 ("Huyi Leasing")	Subsidiary of DEC
Dongfang Electric (Indonesia) Co., Ltd. 東方電氣(印尼)有限公司 ("Dongfang Electric (Indonesia)")	Subsidiary of DEC
Dongfang Electric Group Digital Technology Co., Ltd. 東方電氣集團數字科技有限公司 ("Dongfang Digital Technology")	Subsidiary of DEC
Dongfang Electric (Chengdu) Innovation Research Co., Ltd. 東方電氣(成都)創新研究有限公司 ("Dongfang Innovation (Chengdu)")	Subsidiary of DEC
Honghua Financial Leasing (Shanghai) Co., Ltd. 宏華融資租賃(上海)有限公司 ("Shanghai Leasing")	Subsidiary of DEC
Dongfang Electric Zhongneng Industrial Control Network Security Technology (Chengdu) Co., Ltd. ("Dongfang Zhongneng(Chengdu)") 東方電氣中能工控網絡安全技術(成都)有限責任公司	Subsidiary of DEC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE (Continued)

(b) Significant related party transactions

Purchases of parts and components and others

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Sichuan Property	417,426	374,804
Dajian Logistics	5,087	—
Electric Qineng	2,318	—
Wind Power	1,743	8,933
Dongfang Digital Technology	873	—
Electric Control	814	1,956
Auto Control Engineering	211	16,590
Dongfang Zhongneng (Chengdu)	112	—
Dongshu New Material	38	370
	428,622	402,653

Sales of drilling rigs, parts and components and others

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Dongfang Electric Machine	76,888	52,901
Dongfang Furnace	28,162	51,933
Dongfang Turbine	24,603	25,971
HH Egyptian Company	24,387	12,246
Lingri boiler	14,435	16,371
Deyang Electric Auto Technology	13,536	11,390
Dongfang Electric (Indonesia)	11,135	—
Auto Control Engineering	6,332	5,634
Dongfang KWH	4,328	4,765
Dongfang Digital Technology	3,987	—
Dongfang Innovation (Chengdu)	3,327	—
International Cooperation	2,078	—
Sichuan Property	1,923	5,749
Science Technology Research	748	7,956
Wind Power	—	2,079
Other related companies	769	702
	216,638	197,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE (Continued)

(b) Significant related party transactions (Continued)

Service income

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Science Technology Research	18,587	21,704
Dongfang Furnace	9,284	3,769
Dongfang Turbine	7,982	10,868
GZ Heavy Machine	3,595	5,416
Dongfang Electric Machine	2,589	4,226
Deyang Electric Auto Technology	863	491
Sichuan Property	819	–
Honghua (Shenzhen)	47	100
Other related companies	748	667
	44,514	47,241

Service provided

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Dajian Logistics	32,540	50,764
Dongfang Digital Technology	10,840	–
Dongfang Electric (Indonesia)	148	–
Wind Power	–	2,147
Sichuan Property	–	207
Other related companies	150	–
	43,678	53,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE (Continued)

(b) Significant related party transactions (Continued)

Rental income

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Honghua (Shenzhen)	224	357

Short-term lease expenses

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Honghua (Shenzhen)	15,524	107,464
Dajian Logistics	100	87
Dongfang Turbine	60	35
Science Technology Research	50	—
	15,734	107,586

Leasing activities

According to the tripartite agreements signed by the Group, Honghua (Shenzhen) and third party leasing companies, for the year ended 31 December 2019, the Group sold products amounted to approximately RMB960,177,000 to those third party leasing companies, meanwhile, those third party leasing companies have provided finance lease on these products to Honghua (Shenzhen), and the risk and rewards of those products have been transferred to Honghua (Shenzhen).

After the completion of the above transactions, Honghua (Shenzhen) and the subsidiaries of the Group have entered into operating lease agreements which leased the above-mentioned products to the subsidiaries of the Group under variable lease payments arrangement, and then the subsidiaries of the Group have leased those products to third party companies.

For the year ended 31 December 2025, the total operating lease expense incurred charged to the profit or loss in respect of these lease agreements entered by the Group stated above approximately RMB15,524,000 (2024: RMB107,464,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE (Continued)

(b) Significant related party transactions (Continued)

Financing activities

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Receipt of loan from – Dongfang Electric Finance	1,757,400	935,700
Repayment of loan from – Dongfang Electric Finance	725,000	804,840
Financial expenses – Dongfang Electric Finance	29,811	33,481

(c) Cash and cash equivalents

	As at 31 December	
	2025 RMB'000	2024 RMB'000
– Dongfang Electric Finance	532,989	11,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE *(Continued)*

(d) Amounts due from related parties

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade-related (Notes 4 and 21)		
– Honghua (Shenzhen)	210,458	215,902
– HH Egyptian Company	45,038	63,850
– Dongfang Electric Machine	43,432	52,212
– Dongfang Turbine	18,517	52,166
– International Cooperation	16,493	24,352
– Deyang Electric Auto Technology	15,016	12,864
– Dongfang Furnace	9,381	37,619
– Science Technology Research	5,976	10,722
– Lingri boiler	5,585	11,965
– Auto Control Engineering	4,900	6,555
– Dongfang Digital Technology	2,493	–
– Dongfang Electric (Indonesia)	1,878	–
– Wind Power	1,202	15,012
– Sichuan Property	884	1,916
– Electric Control	693	–
– GZ Heavy Machine	620	3,169
– Dongfang Innovation (Chengdu)	428	–
– Electric Qineng	27	118
– Dongfang KWH	–	5,291
– Other related companies	241	261
	383,262	513,974
Non trade-related (Note 21)		
– Honghua (Shenzhen)	65,042	65,606
– HH Egyptian Company	14,198	14,032
– Huyi Leasing	1,374	1,375
– Shanghai Leasing	600	–
– Other related companies	–	1
	81,214	81,014

The non-trade amounts due from related companies are unsecured, interest-free and repayable on demand (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTIES DISCLOSURE (Continued)

(e) Amounts due to related companies

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade (Notes 4 and 23)		
– Sichuan Property	394,477	342,512
– Honghua (Shenzhen)	41,444	9,019
– Dajian Logistics	29,480	39,070
– Auto Control Engineering	8,312	16,590
– Wind Power	5,701	16,555
– Dongfang Furnace	4,153	3,109
– International Cooperation	3,626	2,675
– Dongfang Electric Machine	3,491	4,054
– Electric Qineng	2,619	–
– Electric Control	2,167	1,866
– HH Egyptian Company	2,221	1,870
– Science Technology Research	–	3,483
– Other related companies	5,837	4,333
	503,528	445,136
Non-trade (Notes 23 and 24)		
– Dongfang Electric Finance	2,141,260	1,108,860
– Huyi Leasing	2,756	2,756
– HH Egyptian Company	1,456	1,489
– Other related companies	62	53
	2,145,534	1,113,158

The non-trade amounts due to related companies are unsecured, interest-free and have no fixed repayment terms.

(f) Key management compensation

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Basic salaries, allowances and other benefits in kind	2,111	1,993
Contributions to defined contribution retirement schemes	391	839
Discretionary bonus	6,467	6,839
	8,969	9,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS

34.1 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure is regularly reviewed and managed in accordance with the capital management practices of the Group and in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

Consistent with others in the industry, the Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

For the year ended 31 December 2025, the Group's strategy, which was unchanged from 2024, was to maintain sufficient capital to cover any net debt position by adjusting the amount of dividends paid to shareholders or issue new shares. The gearing ratios as at 31 December 2025 and 2024 were as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Total borrowings (Note 24)	4,685,677	4,149,754
Less: cash and cash equivalents (Note 22)	(999,972)	(790,586)
Net debt	3,685,705	3,359,168
Total equity	3,641,267	3,664,589
Total capital	7,326,972	7,023,757
Gearing ratio	50%	48%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.2 Categories of financial instruments

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at amortised cost	3,681,201	4,014,119
Financial assets at FVTOCI	132,356	265,873
Financial assets at FVTPL	678	–
	3,814,235	4,279,992
Financial liabilities		
Financial liabilities at amortised cost	8,049,428	7,490,319
Derivative financial liabilities	5,184	10,454
Lease liabilities	251,346	91,646
	8,305,958	7,592,419

The Group's exposure to various risks associated with the financial instruments is discussed in this note. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

34.3 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior executive management of the Group. The senior executive management of the Group identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.1 Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, Euros ("EUR") and RMB. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the commercial banks that are based on the middle price quoted by People's Bank of China and determined largely by supply and demand.

The following tables detailed the Group's exposure at 31 December 2025 and 2024 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at 31 December 2025 and 2024.

	Exposure to foreign currency		
	USD items RMB'000	EUR items RMB'000	RMB items RMB'000
At 31 December 2025			
Cash and cash equivalents	378,182	2,248	606,450
Trade and other receivables	629,929	165	74,238
Trade and other payables	(320,010)	(7,870)	(6,616)
Overall net exposure	688,101	(5,457)	674,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.1 Market risk (Continued)

Foreign exchange risk (Continued)

	Exposure to foreign currency		
	USD items RMB'000	EUR items RMB'000	RMB items RMB'000
At 31 December 2024			
Cash and cash equivalents	147,508	1,769	1,228
Trade and other receivables	525,822	34	25,821
Trade and other payables	(236,692)	(1,364)	(1,519)
Overall net exposure	436,638	439	25,530

The Group currently has issued the policies on foreign exchange hedging. And, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

As at 31 December 2025, if RMB had weakened/strengthened by 5% (2024: 5%) against the USD with all other variables held constant, the Group's post-tax profit for the year then ended would have been approximately RMB29,244,000 higher/lower (2024: post-tax profit for the year then ended would have been approximately RMB18,557,000 higher/lower), mainly as a result of foreign exchange (losses)/gains on translation of USD-denominated assets and liabilities.

The sensitivity analysis above represents an aggregation of the instantaneous effects on each of the group entities profit after tax (2024: profit after tax) measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.1 Market risk (Continued)

Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. All borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group does not use derivative financial instruments to hedge its fixed and variable rate debt obligations.

As at 31 December 2025, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax by approximately RMB5,561,000 (2024: would have decreased/increased the Group's profit after tax by approximately RMB9,219,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (2024: profit after tax) that would arise assuming that the change in interest rates had occurred as at end of the year, the impact on the Group's profit after tax (2024: profit after tax) is estimated as annualised impact on interest expense of such a change in interest rates.

34.3.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at FVTOCI and deposits with banks, as well as credit exposures to customers, including outstanding receivables.

Risk management

Credit risk is managed on a group basis. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry in which the customers operate. Significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. As at 31 December 2025, 8% (2024: 9%) and 22% (2024: 26%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also has significant concentration of credit risk on customers in the oil drilling industry and the volatility in global oil prices may affect the financial results and ability of customers to make payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Risk management (Continued)

The credit risk on cash at bank, pledged bank deposits and term deposit is limited as the counterparties are banks with sound credit standing. Majority of the Group's cash and cash equivalents at bank and pledged bank deposits were deposited at the state owned commercial banks in the PRC.

Impairment of financial assets

The Group has the following types of financial assets and contract assets that are subject to the ECL model:

- trade receivables (including bills receivables and amounts due from related parties) for sales of goods and from the provision of services
- contract assets for sales of goods and from the provision of services
- Bill receivables at FVTOCI
- finance lease receivables
- other financial assets (including amounts due from related parties) at amortised cost
- pledged bank deposits, and
- cash and cash equivalents

While pledged bank deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

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

If the balances are significant and/or credit-impaired, the credit losses of those trade receivables are assessed separately. If not, to measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2025 or 1 January 2025, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services and the international crude oil price index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2025 and 2024 was determined as follows for both trade receivables and contract assets:

- (i) As at 31 December 2025 and 2024, receivables with amounts subject to separate assessment for impairment are as below:

31 December 2025	More than 90 days past due	Total
Expected loss rate	49.29%	N/A
Gross carrying amount		
– trade receivables (RMB'000)	397,483	397,483
– contract assets (RMB'000)	45,621	45,621
Loss allowance (RMB'000)	(218,406)	(218,406)
	More than 90 days past due	Total
31 December 2024		
Expected loss rate	56.70%	N/A
Gross carrying amount		
– trade receivables (RMB'000)	578,323	578,323
– contract assets (RMB'000)	47,873	47,873
Loss allowance (RMB'000)	(355,049)	(355,049)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS *(Continued)*

34.3 Financial risk factors *(Continued)*

34.3.2 Credit risk *(Continued)*

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

- (i) As at 31 December 2025 and 2024, receivables with amounts subject to separate assessment for impairment are as below: *(Continued)*

As the above debtors suffered in several lawsuits, operation difficulty or payment restriction due to current Russia-Ukraine War, the Group estimated it is not able to collect these amount under the original terms, provisions for impairment on those receivables were made.

As set out in Note 21, the Group made individual assessment on trade receivables due from a customer domicile in Ukraine. During the year ended 31 December 2025, the Group reversed provision of approximately RMB116,372,000 (2024: the Group reversed provision RMB104,758,000) for such customer. The provision is made based on the key assumption that the management expect to recover 12.5% (2024: 15%) of the remaining uncollectible balance upon necessary collection action being taken.

- (ii) As at 31 December 2025 and 2024, trade receivables and contract assets that are not separately assessed have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

- bank acceptance bill receivables group at amortised cost

As at 31 December 2025, the total amount of bank acceptance bills was RMB16,758,000 (As at 31 December 2024: RMB10,955,000), these bills will be accepted by large state-owned banks or commercial banks. The Group believes that there is no significant credit losses due to the bank default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

(iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

- revenue of land drilling rigs group

31 December 2025	Current	1-30 days past due	31- 60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.18%	0.81%	N/A	1.44%	1.87%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	253,019	84,936	–	139	422,471	760,565
– contract assets (RMB'000)	469,733	–	–	–	–	469,733
Loss allowance (RMB'000)	(1,277)	(686)	–	(2)	(7,890)	(9,855)

31 December 2024	Current	1-30 days past due	31- 60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.47%	0.05%	N/A	0.12%	2.56%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	92,380	40,677	–	827	580,988	714,872
– contract assets (RMB'000)	635,843	–	–	–	–	635,843
Loss allowance (RMB'000)	(3,426)	(20)	–	(1)	(14,850)	(18,297)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

(iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: (Continued)

- revenue of fracturing group

31 December 2025	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.44%	0.53%	0.54%	0.54%	6.21%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	266,191	15,234	2,228	1,673	48,188	333,514
Gross carrying amount						
– contract assets (RMB'000)	412,134	-	-	-	-	412,134
Loss allowance (RMB'000)	(2,962)	(80)	(12)	(9)	(2,993)	(6,056)

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.41%	0.51%	N/A	N/A	7.92%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	180,521	11,876	-	-	3,547	195,944
Gross carrying amount						
– contract assets (RMB'000)	400,451	-	-	-	-	400,451
Loss allowance (RMB'000)	(2,385)	(60)	-	-	(281)	(2,726)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

(iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: (Continued)

- revenue of parts and components and others group

31 December 2025	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	1.13%	1.95%	3.32%	6.00%	18.91%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	315,893	147,973	16,378	12,012	342,055	834,311
– contract assets (RMB'000)	129,102	–	–	–	–	129,102
Loss allowance (RMB'000)	(5,032)	(2,885)	(544)	(721)	(64,680)	(73,862)

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
Expected loss rate	0.81%	1.57%	3.05%	5.26%	16.58%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	791,671	79,869	15,416	23,135	366,385	1,276,476
– contract assets (RMB'000)	5,087	–	–	–	–	5,087
Loss allowance (RMB'000)	(6,441)	(1,250)	(470)	(1,217)	(60,763)	(70,141)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

(iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: (Continued)

- revenue of drilling engineering services group

31 December 2025	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.09%	0.11%	N/A	N/A	0.39%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	132,741	23,537	-	-	1,281	157,559
Gross carrying amount						
– contract assets (RMB'000)	41,257	-	-	-	-	41,257
Loss allowance (RMB'000)	(151)	(27)	-	-	(5)	(183)

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.07%	0.15%	0.15%	N/A	0.35%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	73,463	11,389	16,036	-	4,913	105,801
Gross carrying amount						
– contract assets (RMB'000)	82,810	-	-	-	-	82,810
Loss allowance (RMB'000)	(110)	(17)	(24)	-	(17)	(168)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

(iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: (Continued)

- revenue of offshore engineering

31 December 2025	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.03%	0.10%	N/A	0.12%	5.15%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	118,693	5,218	-	1,735	155,932	281,578
Gross carrying amount						
– contract assets (RMB'000)	895,262	-	-	-	-	895,262
Loss allowance (RMB'000)	(292)	(5)	-	(2)	(8,032)	(8,331)

31 December 2024	Current	1-30 days past due	31-60 days past due	61-90 Days past due	More than 90 days past due	Total
Expected loss rate	0.13%	0.00%	0.00%	0.68%	5.83%	N/A
Gross carrying amount						
– trade receivables (RMB'000)	80,153	47,380	41,932	2,055	100,822	272,342
Gross carrying amount						
– contract assets (RMB'000)	339,204	-	-	-	-	339,204
Loss allowance (RMB'000)	(533)	-	-	(14)	(5,881)	(6,428)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

- (iii) As at 31 December 2025 and 2024, trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL: (Continued)

The closing loss allowances for trade receivables and contract assets as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Opening loss allowance as at 1 January	(38,353)	(37,809)	(414,456)	(552,657)
Increase/(decrease) in loss allowance recognised in profit or loss during the year	898	(10,073)	91,489	118,513
Receivables written off during the year as uncollectible	–	9,529	40,749	36,070
Exchange rate changes	–	–	2,990	(47,063)
Other changes	–	–	–	30,681
Closing loss allowances as at 31 December	(37,455)	(38,353)	(279,228)	(414,456)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Financial assets at FVTOCI

Bill receivables at FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for the instruments as the issuers have strong capacity to meet its contractual cash flow obligations in the near term.

Finance lease receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for finance lease receivables.

To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it rents its inventory out through financing lease and the International crude oil price index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2025 and 2024 was determined as follows for finance lease receivables:

- (i) As at 31 December 2025 and 2024, finance lease receivables with amounts subject to separate assessment for impairment are as below:

31 December 2025	Credit-impaired
Expected loss rate	100%
Gross carrying amount	
– finance lease receivables (RMB'000)	52,860
Loss allowance (RMB'000)	(52,860)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Finance lease receivables (Continued)

- (i) As at 31 December 2025 and 2024, finance lease receivables with amounts subject to separate assessment for impairment are as below: (Continued)

31 December 2024	Credit-impaired
Expected loss rate	100%
Gross carrying amount	
– finance lease receivables (RMB'000)	53,555
Loss allowance (RMB'000)	(53,555)

As the above debtors suffered in several lawsuits or operation difficulty, the Group cannot be able to collect the amount under the original terms, provisions for impairment on those receivables were made.

- (ii) As at 31 December 2025 and 2024, finance lease receivables, which are not credit impaired, have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of ECL:

31 December 2025	Current	Total
Expected loss rate	0.00%	N/A
Gross carrying amount		
– finance lease receivables (RMB'000)	106,106	106,106
Loss allowance (RMB'000)	–	–
31 December 2024	Current	Total
Expected loss rate	1.53%	N/A
Gross carrying amount		
– finance lease receivables (RMB'000)	166,096	166,096
Loss allowance (RMB'000)	(2,541)	(2,541)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.2 Credit risk (Continued)

Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The closing loss allowances for other financial assets as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	2025 RMB'000	2024 RMB'000
Opening loss allowance as at 1 January	(300,994)	(141,400)
Changes in the allowance recognised in profit or loss during the year	(590)	8,077
Receivables written off during the year as uncollectible	35,693	216
Exchange rate changes	4,358	1,028
Other changes	–	(168,915)
Closing loss allowance as at 31 December	(261,533)	(300,994)

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 RMB'000	2024 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

34.3.3 Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.3 Financial risk factors (Continued)

34.3.3 Liquidity risk (Continued)

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and long term.

The Group has significant concentration of credit risk on customers in the oil and gas industry. The volatility in global oil prices may affect the ability of customers to make payments and demand of the Group's goods and services and hence may affect the liquidity of the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31 December 2025	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
Trade and other payables (Note)	3,363,751	–	–	–	3,363,751
Borrowings	2,570,750	1,039,808	1,209,444	–	4,820,002
Lease liabilities	86,287	65,626	103,363	23,955	279,231
	6,020,788	1,105,434	1,312,807	23,955	8,462,984
Derivatives					
Foreign currency forward contracts	5,184	–	–	–	5,184
Total financial liabilities	6,025,972	1,105,434	1,312,807	23,955	8,468,168
31 December 2024	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
Trade and other payables (Note)	3,340,565	–	–	–	3,340,565
Borrowings	2,202,181	1,581,719	505,101	–	4,289,001
Lease liabilities	42,331	25,117	11,080	26,943	105,471
	5,585,077	1,606,836	516,181	26,943	7,735,037
Derivatives					
Foreign currency forward contracts	10,454	–	–	–	10,454
Total financial liabilities	5,595,531	1,606,836	516,181	26,943	7,745,491

Note: Trade and other payables include trade payables, bills payable, amounts due to related companies and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.4 Fair value estimation

34.4.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group has an established control framework with respect to the measurement of fair values. Management of the Group has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values and reports directly to the management.

Management of the Group regularly reviews significant unobservable inputs and valuation adjustments. If third-party information is used to measure fair values, then management of the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2025 and 2024.

31 December 2025	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	95,329	95,329
– Bill receivables at FVTOCI	–	–	37,027	37,027
	–	–	132,356	132,356
Financial assets at FVTPL				
– Investment in unlisted companies	–	–	678	678
Derivative financial liabilities				
– Foreign currency forward contracts	–	(5,184)	–	(5,184)
31 December 2024	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
– Investment in unlisted companies	–	–	95,329	95,329
– Bill receivables at FVTOCI	–	–	170,544	170,544
	–	–	265,873	265,873
Derivative financial liabilities				
– Foreign currency forward contracts	–	(10,454)	–	(10,454)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS *(Continued)*

34.4 Fair value estimation *(Continued)*

34.4.1 Fair value hierarchy *(Continued)*

There were no transfers among levels 1, 2 and 3 during 2025 and 2024. There were no other changes in valuation techniques during 2025 and 2024. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

34.4.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.4 Fair value estimation (Continued)

34.4.3 Fair value measurements using significant unobservable inputs (level 3)

	Investments in unlisted companies RMB'000 (Note)	Bill receivables at FVTOCI RMB'000	Total RMB'000
Opening balance 1 January 2024	86,440	26,539	112,979
Acquisitions	–	571,920	571,920
Disposals	–	(427,915)	(427,915)
Changes in fair value	8,889	–	8,889
Closing balance 31 December 2024	95,329	170,544	265,873
Acquisitions	678	89,107	89,785
Disposals	–	(222,624)	(222,624)
Closing balance 31 December 2025	96,007	37,027	133,034

Note: The above unlisted equity investment represents the Group's equity interest in two private entities (2024: one). The investment held in the prior year, which related to a private entity incorporated in the PRC, is planned to be disposed of during the year of 2026 and was previously classified as FVTOCI. The remaining unlisted equity investment was newly acquired by the Group in 2025. Given the Group's intention to hold this investment for short-term purposes with the objective of realising gains from changes in fair value, the directors have designated it as FVTPL.

There is no unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and other payables and borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of term deposit and non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. FINANCIAL INSTRUMENTS (Continued)

34.4 Fair value estimation (Continued)

34.4.4 Valuation inputs and relationships to fair value

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques	Significant inputs	Relationship of unobservable inputs to fair value
	2025 RMB'000	2024 RMB'000				
Unlisted companies	96,007	95,329	Level 3	Market approach	Adjustments (size alignments) to recent transaction price	Positive
Bill receivables at FVTOCI	37,027	170,544	Level 3	Discounted cash flow method	Discount rate	Negative
Foreign currency forward contracts	(5,184)	(10,454)	Level 2	Discounted cash flow method	Discount rate	Negative

35. DISPOSAL OF A SUBSIDIARY

On 12 December 2023, to streamline its organisation structure and improve liquidity, Honghua Holdings Limited ("Honghua Holdings"), a wholly subsidiary of the Company, signed an agreement with Dongfang Investment to transfer entire equity interest and obligation it held in Honghua Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Leasing"), at an aggregate consideration of RMB195,677,000. On 29 February 2024, Honghua Holdings entered into a supplemental agreement to transfer operation management right it held in Shanghai Leasing to Dongfang Investment, and the Group loss of control over Shanghai Leasing accordingly. The net assets of Shanghai Leasing at the date of disposal were as follows:

Consideration

	RMB'000
Consideration received	195,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

35. DISPOSAL OF A SUBSIDIARY (Continued)

Analysis of assets and liabilities over which control was lost:

	29 February 2024 RMB'000
Cash and cash equivalents	34,492
Financial assets at f FVTOCI	30,306
Trade and other receivables	5,581
Amounts due from related parties (Note)	161,605
Intangible assets	13
Property, plant and equipment	5
Deferred tax liabilities	(2,903)
Income tax payable	(1,427)
Trade and other payables	(32,580)
Dividends Payable	(11,482)
Net assets disposed of	183,610

Note: The amounts represent consideration receivable of RMB13,855,000 for the disposal of partial interest in HongHua (Shenzhen) to the other Group's subsidiaries before the disposal and loans of RMB147,750,000 to other Group's subsidiaries.

Loss on disposal of Shanghai Leasing:

	RMB'000
Net consideration	195,677
Net assets disposed of	(183,610)
Reclassification of cumulative translation reserve upon disposal of Shanghai Leasing	(28,868)
Loss on disposal	(16,801)

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	195,677
Less: cash and cash equivalents disposed of	(34,492)
	161,185
Less: receipt of deposits from Dongfang Investment	(100,000)
	61,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Non-current assets		
Investments in subsidiaries	3,345,843	3,426,495
Amounts due from subsidiaries	796,269	819,185
	4,142,112	4,245,680
Current assets		
Other receivables	1,394	224
Amounts due from subsidiaries	19,175	26,122
Cash and cash equivalents	1,698	749
	22,267	27,095
Total assets	4,164,379	4,272,775
Current liabilities		
Trade and other payables	1,802	–
Other payables	5,274	5,441
	7,076	5,441
EQUITY		
Equity attributable to owners of the Company		
Share capital	823,804	823,804
Other reserves	4,282,611	4,413,720
Accumulated losses	(949,112)	(970,190)
	4,157,303	4,267,334
Total liabilities and equity	4,164,379	4,272,775

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2026 and was signed on its behalf:

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Reserve movement of the Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	823,804	4,076,012	389,691	92,369	(106,081)	(124,618)	(960,134)	4,191,043
Loss for the year	-	-	-	-	-	-	(14,968)	(14,968)
Other comprehensive income	-	-	-	-	91,259	-	-	91,259
Total comprehensive income/(expense)	-	-	-	-	91,259	-	(14,968)	76,291
Transactions with owners								
Issue of shares	-	-	-	-	-	-	-	-
Options lapsed under share option schemes	-	-	-	(4,912)	-	-	4,912	-
Total transactions with owners, recognised directly in equity	-	-	-	(4,912)	-	-	4,912	-
Balance at 31 December 2024	823,804	4,076,012	389,691	87,457	(14,822)	(124,618)	(970,190)	4,267,334
Profit for the year	-	-	-	-	-	-	20,636	20,636
Other comprehensive income	-	-	-	-	(105,250)	-	-	(105,250)
Total comprehensive (expense)/income	-	-	-	-	(105,250)	-	20,636	(84,614)
Transactions with owners								
Options lapsed under share option schemes	-	-	(442)	-	-	442	-	-
Transaction costs attributable to issue of shares	-	-	(25,417)	-	-	-	-	(25,417)
Total transactions with owners, recognised directly in equity	-	-	(25,417)	(442)	-	-	442	(25,417)
Balance at 31 December 2025	823,804	4,076,012	364,274	87,015	(120,072)	(124,618)	(949,112)	4,157,303

37. EVENTS AFTER REPORTING PERIOD

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

On 28 February 2026, the conflict between the United States, Israel, and Iran erupted in which has intensifying tensions in the Middle East. It may affect the Group's drilling rig sales, drilling services, and supporting procurement and transportation in the relevant regions if the situation got further escalated. The Group will continue to monitor the situation closely and assess its potential effects on the financial position and operating results.

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Consolidated Statement of profit or loss					
Revenue	5,493,330	5,633,410	5,473,234	4,476,104	2,936,604
Cost of sales	(4,808,828)	(4,956,906)	(4,931,461)	(4,016,211)	(2,573,600)
Gross profit	684,502	676,504	541,773	459,893	363,004
Distribution costs	(190,044)	(210,516)	(249,175)	(215,290)	(161,975)
Administrative expenses	(360,034)	(383,231)	(424,799)	(356,056)	(480,621)
Research and development expenses	(163,572)	(150,457)	(112,415)	(123,587)	0
Impairment losses on financial and contract assets	94,912	124,347	(18,983)	(299,193)	(363,100)
Other income	66,260	67,416	44,871	68,367	89,308
Other gains/(losses), net	40,340	24,116	18,866	32,663	(56,829)
Operating profit/(loss)	172,364	148,179	(199,862)	(433,203)	(610,213)
Finance expenses – net	(92,925)	(130,340)	(175,600)	(189,249)	(132,671)
Share of net losses of associates and joint ventures accounted for using the equity method	(8,727)	21,984	(35,544)	(2,331)	(2,460)
Profit/(loss) before income tax	70,712	39,823	(411,006)	(624,783)	(745,344)
Income tax (expense)/credit	(31,410)	(35,087)	(8,259)	(328)	11,343
Profit/(loss) from continuing operations	39,302	4,736	(419,265)	(625,111)	(734,001)
Discontinued operations					
Loss from discontinued operations	–	–	–	–	–
Profit/(loss) for the year	39,302	4,736	(419,265)	(625,111)	(734,001)
Profit/(loss) attributable to:					
Owners of the company	38,320	7,576	(386,597)	(634,418)	(717,191)
Non-controlling interests	982	(2,840)	(32,668)	9,307	(16,810)
Basic profit/(loss) per share	0.43	0.08	(5.54)	(11.98)	(13.54)
Diluted profit/(loss) per share	0.43	0.08	(5.54)	(11.98)	(13.54)
Dividend	–	–	–	–	–
Dividends declared and paid	–	–	–	–	–
Dividends declared and paid per share	–	–	–	–	–
Dividend proposed after balance sheet date	–	–	–	–	–
Dividend proposed after balance sheet date per share	–	–	–	–	–

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Consolidated Balance Sheet					
Total non-current assets	4,246,544	4,294,609	4,453,314	4,436,036	4,998,483
Total current assets	8,365,548	7,633,592	8,066,225	7,886,451	6,749,427
Total assets	12,612,092	11,928,201	12,519,539	12,322,487	11,747,910
Total current liabilities	6,588,757	6,143,432	6,762,104	8,377,067	7,793,243
Total non-current liabilities	2,382,068	2,120,180	2,175,673	751,425	208,271
Total liabilities	8,970,825	8,263,612	8,937,777	9,128,492	8,001,514
Total equity	3,641,267	3,664,589	3,581,762	3,193,995	3,746,396
Key financial ratios					
Profitability					
Gross margin from continuing operations	12.5%	12.0%	9.9%	10.3%	12.4%
EBITDA margin/(loss margin)	9.6%	8.7%	1.3%	(2.3)%	(14.7)%
Net margin/(loss margin)	0.7%	0.1%	(7.1)%	(14.2)%	(24.4)%
Return					
Return on average equity	1.1%	0.2%	(12.2)%	(19.5)%	(18.4)%
Return on average assets	0.3%	0.1%	(3.1)%	(5.3)%	(6.0)%
Liquidity					
Current ratio	1.27	1.24	1.19	0.94	0.87
Quick ratio	1.01	1.00	0.90	0.74	0.63
Turnover					
Turnover of average trade and bills receivable	154	204	210	267	386
Turnover of average trade and bills payable	206	204	187	189	292
Turnover of average inventory	123	127	134	158	225
Gearing					
Total debts/Total assets	37.2%	34.8%	35.7%	40.2%	43.8%
Gearing ratio	71.1%	69.3%	71.4%	74.1%	68.1%
EBIT/Interest expenses	1.42	1.11	(1.09)	(2.08)	(2.73)

FIVE-YEAR FINANCIAL HIGHLIGHTS

Note:

Profitability

Gross margin	=	Gross profit/Revenue
EBITDA	=	(Loss)/profit from operations + Share of net losses of associates and joint ventures accounted for using the equity method + Depreciation + Amortisation
EBITDA (loss margin)/margin	=	EBITDA/Revenue
Net (loss margin)/margin	=	(Loss)/profit attributable to equity shareholders of the Company/Revenue

Return

Return on average assets	=	(Loss)/profit attributable to equity shareholders of the Company/Average assets
Return on average equity	=	(Loss)/profit attributable to equity shareholders of the Company/Average equity attributable to equity shareholders of the Company

Liquidity

Current ratio	=	Current assets/Current liabilities
Quick ratio	=	(Current assets – Inventory)/Current liabilities

Turnover

Turnover of average trade and bills receivable	=	365.25 * Average trade and bills receivable/Revenue
Turnover of average trade and bills payable	=	365.25 * Average trade and bills payable/Cost of sales
Turnover of average inventory	=	365.25 * Average inventory/Cost of sales

Gearing

Total debts/Total assets	=	(Long term interest-bearing borrowings + Short term interest-bearing borrowings)/Total assets
Gearing ratio	=	Total liabilities/Total assets
EBIT/Interest expenses	=	((Loss)/profit from operations + Share of net losses of associates and joint ventures accounted for using the equity method)/Interest expenses (including capitalised interest)

