

# China PengFei Group Limited 中国鹏飞集团有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 3348



## 2025

Environmental, Social And Governance Report  
環境、社會及管治報告

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# BOARD STATEMENT

Dear Stakeholders:

On behalf of the Board (the “**Board**”) of Directors (the “**Director(s)**”) of the China PengFei Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**we**” or “**us**”), I hereby present to you the 2025 Environmental, Social and Governance (“**ESG**”) Report (this “**Report**”), providing an overview of the Group’s management on significant matters (including ESG matters) that have impacts on our operation.

The Board has always been committed to promoting sustainable development and implementing ESG policies and measures across business segments continuously. The Board enjoins senior management and external independent consultants to identify, monitor and review ESG-related risk, and is committed to maintaining a high level of corporate governance. We lead our departments to implement related policies and measures, and continuously optimise the Group’s sustainable development strategies and performance.

The Group actively responded to China’s strategic initiative of “Reaching Peak Carbon Emission and Achieving Carbon Neutrality” while constantly increasing its investment in independent technological innovation, embarking on the research and development of new technologies, new processes and new equipment such as energy-saving roasting, utilisation of resources, and intelligent control systems in the fields of building materials, metallurgy, and environmental protection. The Group proactively promotes clean, efficient, low-consumption and low-carbon emission technologies and methods, integrates green concepts into the equipment design and manufacturing process, and reduces the consumption of raw materials and energy, including key energy-saving technologies for large-scale cement calcination, green and clean utilisation of low-grade coal, and efficient pre-grinding systems, as well as various green, low-carbon, energy-saving, and environmentally friendly process technologies and complete sets of equipment. The application of rotary kilns in lime calcination by our group has played a positive role in energy conservation, emission reduction, and the development of a circular economy. The Company’s production incorporates the latest manufacturing technologies, providing important guarantees for the development of lime rotary kiln equipment in our country. The Group received numerous authoritative accolades in the 2025, including the Jiangsu Governor Quality Award and the title of Jiangsu Provincial Advanced Smart Factory, which fully demonstrates the Group’s outstanding capabilities in quality management and intelligent manufacturing.

Since the beginning of this year, Pengfei Group has managed to completely, precisely and comprehensively implement its new development strategy while earnestly aligning itself with the industry leaders, focusing on solving problems and shoring up its shortcomings, concentrating on practical work and pursuit of breakthroughs, making all-out efforts in promoting safe production, project construction and green, low-carbon and high-quality development, maintaining tight control of the quality of its products as well as turn-around time and contract fulfilment rate, and coordinated optimisation of its production and processes, resulting in continuous improvement on the quality of the Group’s development. Going forward, in view of increasing awareness of environmental protection and the PRC government’s strong desire to eliminate backward production capacity and excessive capacities in the building materials industry and reducing pollution from cement industry, we will continue to expand the Group’s products and services to customers in other industries such as metallurgy, chemical and environmental protection industries.

Stakeholder engagement is an indispensable part of sustainable strategies. It helps us respond to existing and potential risks and opportunities (including climate-related issues) in the market, and is also the basis for strategy formulation and decision making. In addition to daily communication with stakeholders, we conducted a materiality assessment during the Reporting Period and invited major stakeholders to prioritise the identified issues in the form of survey to establish the most concerned sustainable development issues, thereby adjusting resources allocation and formulating more appropriate policies and measures to respond to the needs and expectations of stakeholders and make this Report more targeted.

The operational activities of the Group inevitably cause environmental impacts. We advocate waste reduction and improve the efficiency of use of resources in our business operations, based on the interests of stakeholders. In order to promote the sustainable development of the Group, we are committed to retaining talents to ensure the soundness of our business. We retain employees by measures like improving welfare conditions, caring for the needs of employees and regularly reviewing employee treatments, etc. We recognise the importance of managing environmental and social impacts of our supply chain, protecting the interests of the local communities in which we operate, and ensuring that all operating units comply with local laws and regulations.

Looking ahead, the Group will adhere to the pursuit of a better society, commit itself to the common prosperity of enterprises, society and the environment, create a win-win situation for all stakeholders, and continue to be a force for social stability and upward improvement.

**China PengFei Group Limited**

**Wang Jiaan**

*Chairman*

Jiangsu, China

31 March 2026

# ABOUT THIS REPORT

This Report summarises the Group's policies, measures and performance on the key ESG issues. The Group's Sustainable Development Committee members are responsible for communicating and collaborating with external consultants to compile this Report. In the event of any contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail. The English translation of Chinese names or words in this Report, where indicated, are included for information purpose only, and should not be regarded as its official English translation of such Chinese names or words.

## Reporting Period

This Report covers the period from 1 January 2025 to 31 December 2025 (the "**Reporting Period**").

## Reporting Scope and Boundary

This Report discloses the policies and measures of the core and material business of the Group, i.e. the manufacturing of equipment business in HaiAn city at Jiangsu Province, the People's Republic of China (the "**PRC**"), which accounted for around 85% of the Group's total revenue in the Reporting Period. The disclosure of environmental key performance indicators (the "**KPI(s)**") mainly covers the production plant(s) in HaiAn city at Jiangsu Province, the PRC (the "**plant(s)**"). If the scopes and boundaries of the specific contents vary, they are noted in the relevant sections of this Report. Although this Report does not cover all the operations of the Group, we are committed to improving internal data collection procedures and gradually expanding the scope of the disclosure.

## Reporting Basis and Principle

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Code" (the "**Code**") as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group has reported on the "comply or explain" provisions of the Code and the following four reporting principles underpinning the preparation of this Report: materiality, quantitative, balance and consistency.

- "**Materiality**" Principle:

The Group determines relevant ESG issues through stakeholder engagement and materiality assessment. For details, please refer to "Stakeholders Engagement" and "Materiality Assessment". For the purpose of Part D of this Code, the Group discloses information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.

- "**Quantitative**" Principle:

The Group's disclosure of KPIs related to historical data can be measured and the Group is committed to disclosing information on standards, methods, assumptions or calculation tools used in quantitative data and the source of conversion factors used when feasible.

- "**Balance**" Principle:

The Group's disclosure avoids selections, omissions or presentation formats that may inappropriately affect a decision or judgment by the Report reader.

- **“Consistency”** Principle:

The Group is committed to using consistent disclosure methodologies for meaningful comparisons of ESG data provided in previous reports, and describe any changes that may affect them.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries following the Group’s relevant policies. A complete content index is appended to the last chapter hereof for quick reference. This Report is prepared and published in both Chinese and English and is available on the website of The Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website (<http://www.pengfei.com.cn/>).

### Review and Approval

This Report has been reviewed and approved by the Board on 31 March 2026.

### Information and Feedback

Should you have any suggestions or enquiries regarding this Report, you are welcomed to contact the Group at:

Office

Telephone no.: +86-513-88758898

E-mail address: [pf@pengfei.com.cn](mailto:pf@pengfei.com.cn)

# ESG MANAGEMENT STRUCTURE

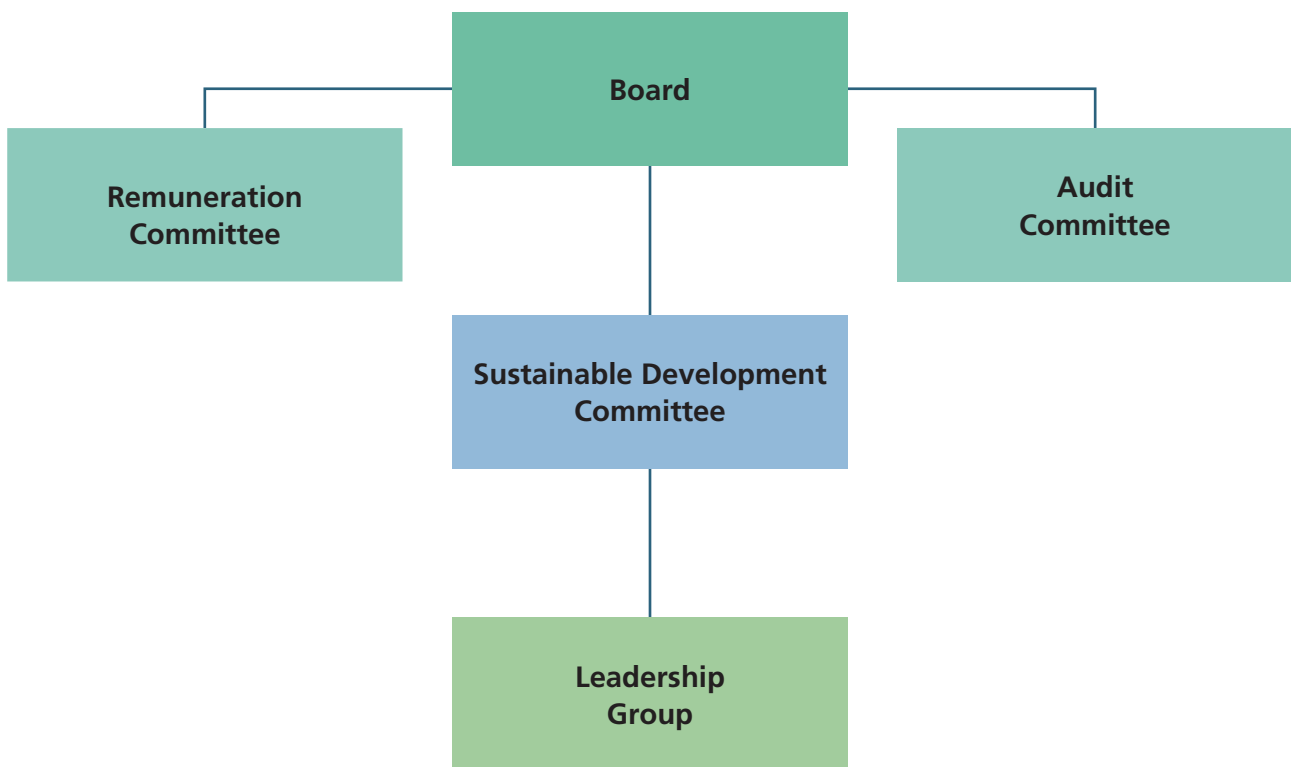
## Environmental, Social and Corporate Governance Policy

The Group is committed to integrating ESG factors into its operations to create sustainable value for our stakeholders and to fulfil our responsibility as a corporate citizen. The Group has established an “Environmental, Social and Corporate Governance Policy”. The Group ensures that it will:

- Integrate environmental and social elements into the decision-making process in daily operations implemented by Directors, management and supervisors;
- Satisfy or go beyond legal and regulatory requirements applicable to our business operations, including environmental and social requirements;
- Provide all staff and related parties with the required resources, including support, guidance and encouragement, to meet all relevant requirements commensurate with their roles;
- Provide services effectively and efficiently to minimise emissions and impacts on the environment and natural resources;
- Adopt “reduction, reuse and recycling” approach where economically and operationally feasible to reduce and manage waste effectively;
- Establish a safe, healthy, fair and dynamic working environment where all employees are respected and are able to unleash their talents;
- Collaborate with suppliers to strengthen social and environmental elements in products and services;
- Provide products and services that fulfil our responsibilities to customers, the environment and society;
- Commit to promoting community development in the areas where our business operates, and devoting manpower and financial support for the projects that are of most concern to the Group; and
- Monitor the Group’s energy-saving performance regularly and look for continuous improvement solutions.

## Governance Structure

To continuously enhance the Group's governance structure for sustainable development, a multi-tiered ESG governance framework has been established, comprising the Board, Audit Committee, Remuneration Committee, Sustainable Development Committee and Environmental Protection Leadership Group (the "**Leadership Group**"). Through clearly defined roles and authorities at each level, the framework systematically identifies, assesses and manages a full spectrum of ESG issues, including climate-related risks and opportunities. Relevant considerations are fully integrated into the Group's strategic decision-making, business planning, risk management and day-to-day operations, ensuring that all objectives and strategies are effectively formulated, implemented, monitored and reported. The Group remains committed to deeply embedding environmental, social and governance factors into its management and operations, striving to create long-term sustainable value for stakeholders and faithfully fulfilling its corporate citizenship responsibilities.



# ESG MANAGEMENT STRUCTURE

<b>Roles and Responsibilities within the ESG Structure</b>	
<b>Board</b>	
<ul style="list-style-type: none"> <li>• Lead and oversee the formulation of the Group’s ESG (including climate-related) strategies, policies, principles and objectives, drive the implementation of the Group’s core values, and bear ultimate responsibility for the Group’s overall ESG matters.</li> <li>• Monitor the identification and management of climate-related risks and opportunities, ensure the effective progression and compliant delivery of climate-related issues, and establish and enhance governance mechanisms for integrating climate-related risks and opportunities into decision-making.</li> <li>• Deliberate and approve major operational matters (including climate-related strategies and policies), monitor the progress and performance of climate-related initiatives (such as target achievement), and conduct dedicated annual discussions on ESG (including climate-related) matters.</li> </ul>	
<b>Audit Committee (Board-level)</b>	
<ul style="list-style-type: none"> <li>• Ensure the timely disclosure of high-quality, investor-grade information covering climate-related issues, and strict compliance with relevant new regulatory requirements.</li> <li>• Integrate climate-related risks into the Group’s enterprise risk management framework, oversee operational risks and conduct risk prioritisation, and report annually to the Board of Directors on relevant matters.</li> <li>• Be responsible for following up on and resolving various non-compliance incidents.</li> </ul>	
<b>Remuneration Committee (Board-level)</b>	
<ul style="list-style-type: none"> <li>• Formulate and review the Group’s overall remuneration structure, remuneration policies and relevant guidelines, ensuring alignment with the Group’s overall strategies and sustainable development objectives.</li> <li>• Oversee the implementation of remuneration policies to ensure remuneration arrangements are fair and transparent, and comply with relevant regulatory requirements.</li> <li>• Submit an annual report on remuneration-related work to the Board.</li> </ul>	

## ESG MANAGEMENT STRUCTURE

Sustainable Development Committee (Management-level)
<ul style="list-style-type: none"><li>• The committee comprises a Chairman, three committee members and functional department heads of the subsidiaries.</li><li>• Responsible for formulating, reviewing and overseeing the Group’s overall strategies, guidelines and emission reduction targets relating to sustainable development and ESG (including climate-related matters), and leading the implementation of relevant initiatives.</li><li>• Oversee ESG affairs in full, identify, assess and manage climate-related risks and opportunities, and approve and review ESG targets and corresponding measures on a regular basis.</li><li>• Research and propose policy recommendations on sustainable development issues including health and safety, community relations, the environment, human rights and anti-corruption, ensuring compliance with international and modern standards.</li><li>• Guide, assess and monitor the Group’s ESG management framework, risk management, internal controls and cultural development, driving continuous improvement of the system.</li><li>• Co-ordinate research on ESG-related resources, markets, investments and risk prevention, and report work progress and performance to the Board annually.</li></ul>
Leadership Group (Operational Level)
<ul style="list-style-type: none"><li>• Assist in implementing the Group’s ESG (including climate-related) action plans, internal policies and strategies, and deliver various environmental and social initiatives.</li><li>• Responsible for the collection and consolidation of ESG (including climate-related) data and information, conduct regular performance reviews and report to the Sustainable Development Committee.</li><li>• Facilitate internal departmental discussions and feedback on ESG (including climate-related) risks and opportunities, and maintain communication with stakeholders.</li><li>• Comply with national environmental protection laws and regulations, formulate the Group’s environmental strategies, rules and work plans, and conduct supervision and assessment on their implementation.</li><li>• Responsible for submitting environmental impact assessments for construction projects, managing the “three simultaneous” principle for environmental facilities (refers to simultaneous construction, production and uses), and monitoring pollutant emissions to ensure compliance with discharge standards.</li></ul>

The Group has formulated a dedicated improvement plan to continuously enhance the professional knowledge and performance capabilities of the Board and senior management in climate change matters through timely delivery of climate-related thematic training. Meanwhile, the Group will establish a formalised selection and appointment mechanism for Board members to ensure the effective recruitment and retention of outstanding talents with relevant expertise, further optimising the structure of the governance team.

The Sustainable Development Committee regularly reviews the Group’s overall ESG (including climate-related) performance and progress against targets on an annual basis, and submits the review findings and improvement recommendations to the Board. The Board conducts oversight accordingly to ensure the effective implementation of ESG strategies, maintains strong alignment with the Group’s overall business strategy, and continuously improves sustainable development performance and governance standards. In addition, the Board is responsible for reviewing and approving the annual ESG Report. The Group is committed to achieving a balance between corporate development, social value creation and environmental protection, and integrates the concept of sustainable development throughout its strategic planning and daily operations.

# STAKEHOLDER ENGAGEMENT

The Group values stakeholder engagement. Whether they are our employees, customers, suppliers and other stakeholders, they all have a significant impact on the success of our business or activities. The following are the relevant stakeholders of the Group. We actively communicate with various stakeholders through different channels to monitor and manage our impact on the environment and society.

<b>Stakeholder</b>	<b>Engagement Platform</b>
<b>Government and regulatory agency</b>	<ul style="list-style-type: none"><li>• Annual reports, interim reports, ESG reports and other public information</li></ul>
<b>Shareholder and investor</b>	<ul style="list-style-type: none"><li>• Annual general meetings and other general meetings of shareholders</li><li>• Company website</li><li>• Press releases/announcements</li><li>• Annual reports, interim reports, ESG reports and other public information</li></ul>
<b>Peer industry</b>	<ul style="list-style-type: none"><li>• Exhibitions</li></ul>
<b>Employee</b>	<ul style="list-style-type: none"><li>• Training</li><li>• Meetings</li><li>• Employee organisations</li><li>• Performance evaluation</li><li>• Networking events</li></ul>
<b>Customer</b>	<ul style="list-style-type: none"><li>• Fax, email and customer service hotline</li><li>• Product and service feedback</li></ul>
<b>Supplier</b>	<ul style="list-style-type: none"><li>• Annual audit</li><li>• Meetings</li><li>• On-site visits</li></ul>

# MATERIALITY ASSESSMENT

## Process

The Group identifies issues for disclosure in this Report through internal and external materiality assessment. Having considered stakeholders' dependence on and influence over the Group, together with the Group's resources, the management has identified key stakeholders, including members of the Board, senior management, employees, shareholders and investors, industry organisations, customers and suppliers, and conducted a questionnaire survey accordingly. They have provided views and suggestions on matters arising from the Group's operations. Meanwhile, climate-related risks and opportunities are also identified as critical issues, which are expected to affect the Group's capital position and financial performance in the short-term, medium-term and long-term. The materiality assessment process is as follows:

### Stage 1 Identification

A list of ESG issues was compiled from a variety of channels, including the Main Board Listing Rules requirements, industry trends and internal policies. We identified 28 issues and grouped them into four categories: environment, employment and labour practices, operating practices, and community.



### Stage 2 Prioritisation

An online survey was conducted to evaluate the impact of various issues from the perspectives of stakeholders or the Group. The rating on a scale of 1 to 5 (1 being very low impact, 5 being very high impact). According to the result from the survey, a materiality matrix is compiled, threshold of the materiality matrix was set (i.e. the average of the data) and the issues are prioritised according to the rating.



### Stage 3 Validation

The materiality matrix and its threshold was reviewed by the management. Out of the total of 28 issues, 12 issues were rated at or above the average of the data overall in order of the most important ESG issues for the Group to address and report on, as assessed from either a stakeholder or business perspective.

# MATERIALITY ASSESSMENT

## Results

Consolidating the results of internal assessment and the survey, the Group has identified the most material ESG issues in this year according to the stakeholders' rating regarding the materiality of each item:

Energy efficiency	Environmental regulations compliance	Employment practices	Occupational health and safety	Development and training of staff	Responsible supply chain management
Customers' privacy and confidentiality	Customer satisfaction	Intellectual property	Product safety	Product quality	Business ethics

Materiality Matrix



- |  |  |  |
|--|--|--|
| 1 Air emissions                                | 11 Employment practices  | 21 Customer satisfaction                                 |
| 2 Greenhouse gas emissions                     | 12 Diversity and equal opportunities                                       | 22 Intellectual property                                 |
| 3 Effluents management                         | 13 Anti-discrimination   | 23 Product safety  |
| 4 Waste management                             | 14 Occupational health and safety  | 24 Product quality                                       |
| 5 Energy efficiency                            | 15 Development and training of staff                                       | 25 Business ethics                                       |
| 6 Water efficiency                             | 16 Prohibition of child labour and forced labour                           | 26 Anti-corruption training for management and employees |
| 7 Use of raw materials and packaging materials | 17 Responsible supply chain management                                     | 27 Contributions to the society                          |
| 8 Environmental regulations compliance         | 18 Environmental friendliness on products or service purchased             | 28 Communication and connection with local community     |
| 9 Land use, pollution and restoration          | 19 Compliance with regulations on marketing, product and service labelling |  |
| 10 Climate change                              | 20 Customers' privacy and confidentiality                                  |  |

## A. ENVIRONMENTAL

As a manufacturer of rotary kiln, milling equipment and related equipment, the Group is committed to mitigating the impact on the natural environment, managing emissions and saving resources during operation. The Group strives to implement the strategy of “Technology utilisation, Green transformation, and Internationalisation”, and accelerated project construction and the green transformation of the enterprise. Taking advantage of the implementation of major scientific and technological projects, we focus on the theme of green, low-carbon, high-efficiency and energy-saving innovation, and continue to promote basic research and industrial technology innovation. Looking ahead, in response to the local government’s efforts to promote the upgrading and restructuring of the construction and building materials industry, the Group will continue to assist its customers in carrying out new energy-saving technology renovation projects. Despite the growth and demand slowdown within the building materials industry, the Group will continue to enhance its innovation capabilities, foster the promotion of key innovation tasks such as key core technologies, digital and intelligent transformation and upgrading, and pursue the development goals of seeking development through innovation and enhancing core competitiveness through innovation.

The Group has formulated a series of environmental protection and natural resource conservation measures, so as to help ensure the sustainable development and operation of the business. The Group has also accredited ISO 14001 (environmental management) and ISO 50001 (energy management) certifications. The Group actively manages its business in an environmentally and socially responsible manner in accordance with policies adopted.

### Overall Target

In addition, the Group advocates energy saving and carbon reduction, and is committed to achieving sustainable operations. To this end, we have set clear emission reduction targets, we aim to reduce all our emissions (including air pollutants, hazardous and non-hazardous wastes), energy consumption (including electricity), consumption of resources (including water usage) by 6%, compared to corresponding emissions and consumptions of 2021, by 2026. Moreover, we are investing more resources in recycling to help the development of circular economy.

### A1 Emissions

#### Policies

To strengthen the Group’s environmental protection management (e.g. soil and water conservation, ecological protection, comprehensive utilisation of resources, etc.), we establish “Emissions And Use of Resources Management Methods” based on local environmental protection laws and regulations and relevant internal company rules. To further enhance the effectiveness of environmental management, the Leadership Group assumes overall responsibility for the supervision and control of the Group’s pollutant emissions. All operations are conducted in strict accordance with national and local environmental protection laws and regulations, while relevant emission management rules and systems are continuously improved. The Leading Group also supervises the implementation of the “three simultaneous” principle for environmental protection facilities, ensuring such facilities are constructed, commissioned and operated in parallel with the main projects. In addition, the Leadership Group monitors and assesses emission compliance to ensure stable and compliant discharge of all types of pollutants, effectively driving continuous improvement in the Group’s environmental management standards.

## A. ENVIRONMENTAL

### Compliance Information for Relevant Laws and Regulations

Being an enterprise engaged in manufacturing activities in the PRC, the Group should abide by the provisions of environmental laws and regulations of the PRC regarding noise, wastewater, air emissions and other industrial waste. The following are the laws and regulations that have a significant impact on the business of the Group:

- Major environmental laws and regulations include the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, the Law of the PRC on the Prevention and Control of Air Pollution 《中華人民共和國大氣污染防治法》, the Law of PRC on the Prevention and Control of Solid Waste Pollution 《中華人民共和國固體廢物污染環境防治法》 and the Law of the PRC on the Prevention and Control of Noise Pollution 《中華人民共和國環境噪聲污染防治法》, (collectively known as the “Environmental Protection Law (環境法)”). According to the Environmental Protection Law, PRC enterprises shall build requisite environmental treatment facilities affiliating to the manufacturing facilities, where waste air, wastewater and waste solids generated can be treated properly following the relevant provisions.

To avoid any potential environmental issues, the Group discharges pollutants, such as sulphur dioxide, soot, and industrial solid waste, according to the standards in the production process. For detailed emission reduction measures, see the section headed “Measures to mitigate emissions and results achieved”.

- According to the Law of the PRC on Evaluation of Environment Effects 《中華人民共和國環境影響評價法》, Administrative Regulations on Environmental Protection for Construction Projects 《建設項目環境保護管理條例》 and the Interim Measures for the Acceptance Inspections of Environment Protection Facilities of Construction Projects 《建設項目竣工環境保護驗收暫行辦法》, enterprises that are planning construction projects should provide assessment reports, statements or registration forms on the environmental impacts of such projects. The assessment reports and statements must be approved by the competent environmental protection authorities before commencement of any construction work, while the registration forms shall be filed to them. Unless otherwise stipulated by laws and regulations, enterprises which are required to provide assessment reports and statements shall undertake the responsibility of acceptance inspections of the environmental protection facilities by itself upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination. The competent authorities may carry out spot check and supervision on the implementation of the environmental protection facilities. According to relevant regulations, the Group conducts environmental impact assessment and completes environmental protection approval procedures per regulations before production.
- According to the Environmental Protection Tax Law of the PRC 《中華人民共和國環境保護稅法》, target companies and public institutions that directly discharge certain pollutants to the environment are required to be regulated and are subject to taxes. Enterprises are required to pay taxes on air and water pollutants, noise and solid waste generated. During the Reporting Period, the Group had no relevant tax payment obligations.

As at 31 December 2025, the Group did not receive any fine, complaint or warning related to any material non-compliance in respect of greenhouse gas (“GHG”) emissions, harmful gas emissions, air pollution, water discharges, waste disposals and noise nuisance in the Reporting Period.

### Emission Types and Related Emission Data

The major source of air pollutants of the Group is nitrogen oxides, sulphur oxides and particulate matters from the consumption of petrol consumed by vehicles, diesel consumed by forklift trucks and pipeline natural gas.

## A. ENVIRONMENTAL

The Group's air pollutant emission data<sup>1</sup> in the Reporting Period are presented in the following table:

Air Pollutant	Unit	2025	2024
Nitrogen oxides (NO <sub>x</sub> )	kg	1,804.81	1,930.49
Sulphur oxides (SO <sub>x</sub> )	kg	40.46	42.60
Particulate matters (PM)	kg	87.06	103.96

Compared with the previous year, the Group's overall air pollutant emissions decreased, mainly owing to the continuous optimisation of processing procedures and the rational adjustment of logistics transportation routes within the production sites. The operating distance of forklift trucks was significantly shortened, effectively reducing diesel consumption and thereby lowering the total volume of air emissions. During the Reporting Period, other air pollutants generated during the production process of the Group's plants include soot from shot peening and welding processes. The Group regularly monitors the concentrations of the emissions to ensure their compliance with relevant standards.

### Hazardous Waste

During the Reporting Period, the hazardous wastes generated by the Group's plants were mainly waste paint buckets. The Group's hazardous waste data in the Reporting Period are presented in the following table:

Type of Hazardous Waste	Unit	2025	2024
Waste paint bucket	tonnes	4.37	5.25
Waste production intensity	tonnes per million RMB revenue <sup>2</sup>	0.0036	0.0052

<sup>1</sup> The calculation of air pollutant emissions is referenced from the "How to Prepare ESG Report" and its Annex "Appendix 2: Reporting guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, and the "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial) 道路機動車大氣污染物排放清單編製技術指南(試行)" and "Technical Guidelines for the Preparation of Air Pollutant Emission Inventories for Non-road Mobile Sources (Trial) 非道路移動源大氣污染物排放清單編製技術指南(試行)" issued by the Ministry of Ecology and Environment of the PRC.

<sup>2</sup> For 2025 and 2024, revenue from the Group's equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

## A. ENVIRONMENTAL

### Non-hazardous Waste

The solid waste generated by the Group's plants include the residual materials (scraps) after cutting and trimming of steel, waste debris from the sandblasting process, ash from the dust removal equipment, and domestic waste from employees. The Group's non-hazardous waste data<sup>3</sup> in the Reporting Period are presented by categories in the following table:

Type of Non-hazardous Waste	Unit	2025	2024
Waste oil	tonnes	1.20	1.52
Iron filings	tonnes	2,366.00	2,547.00
Scraps	tonnes	2,783.00	2,963.00
Office paper	tonnes	0.33	0.33
Total waste generation	tonnes	5,150.53	5,511.85
Waste generation intensity	tonnes per million RMB revenue <sup>4</sup>	4.22	5.51

### Measures to Mitigate Emissions and Results Achieved

#### Air Pollutant Control

During the Reporting Period, the dust generated by shot blasting was discharged through a 25-meter exhaust cylinder after being treated by a bag dust collector. The fume generated during the welding process is processed by the dust collector with filter bag and is then reused in the production workshop. Looking ahead, we will continue to implement air pollution control measures.

By strengthening the activated carbon exhaust gas treatment system, optimising the production process and regular maintenance of the exhaust treatment system, we aim to achieve the goal of reducing air emissions by 6%, by 2026.

#### Noise Control

The main source of noise is from equipment and personnel operations. We strictly follow the (GB12348-2008) Class 1 standards in the "Environmental Noise Emission Standards for Industrial Plant Industries" 《工業企業廠界環境噪音排放標準》 (i.e. the daytime noise must not exceed 55 dB).

### Disposal of Hazardous and Non-hazardous Waste and Waste Reduction Initiatives and Results Achieved

The Group engages vendors with corresponding qualifications to dispose of leftovers, scraps and dust. Domestic garbage is stored in bags in a centralised manner and is cleaned and transported by the environmental protection and health department. We scientifically and rationally consume raw and auxiliary materials such as steel plates and adhere to principle of "no inappropriate use of large materials and no waste of small materials". It is estimated that about 25 tonnes of steel can be saved each year.

<sup>3</sup> There is currently no systematic statistics on domestic waste, so no relevant data can be obtained.

<sup>4</sup> For 2025 and 2024, revenue from the Group's equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

## A2 Use of Resources

### Policies

The Group has established the “Administrative Measures on Emissions and the Use of Resources” (《排放物及資源使用管理辦法》), which has set out the Group’s management approaches for energy consumption, water conservation and consumption of other raw materials.

### Total Energy Consumption by Type

During the Reporting Period, energy consumption at the Group’s plants mainly comprised petrol, diesel, natural gas and purchased electricity, and also included renewable energy generated by solar power facilities on plants. Electricity was the primary source of energy consumption at the plants during the Reporting Period, accounting for approximately 49% of total energy consumption. The Group’s total energy consumption<sup>5</sup> by energy type in the Reporting Period are presented in the following table:

Energy Consumption by Type <sup>6</sup>	Unit	2025	2024
Direct energy consumption	kWh ('000)	<b>6,198.81</b>	6,018.75
Diesel	litres	<b>49,200.00</b>	58,800.00
Natural gas	cubic meter	<b>278,847.00</b>	190,832.00
Petrol	litres	<b>17,950.00</b>	17,500.00
Solar energy <sup>7</sup> (Self-use)	kWh ('000)	<b>4,024.82</b>	3,390.00
Indirect energy consumption	kWh ('000)	<b>5,965.99</b>	5,504.80
Electricity	kWh ('000)	<b>5,965.99</b>	5,504.80
Total energy consumption	kWh ('000)	<b>12,164.81</b>	11,523.55
Energy consumption intensity	kWh ('000) per million RMB revenue <sup>8</sup>	<b>9.97</b>	11.51

<sup>5</sup> The figures covered the direct and indirect energy consumption in the Group, the calculation of energy consumption is referenced from the “How to Prepare an ESG Reports”, and its annex “Appendix 2: Reporting Guidance on Environmental KPIs” published by the Stock Exchange, and Oil Information database documentation published by International Energy Agency.

<sup>6</sup> Differences between the total and the sum of breakdown figures are due to rounding.

<sup>7</sup> Solar power used at the Group’s factories is sourced from on-site solar power generation facilities, excluding electricity sold to the national grid during the period. For 2025 and 2024, electricity generated from the Group’s solar power facilities and sold to the national grid amounted to approximately 1,233 MWh and 1,820 MWh respectively.

<sup>8</sup> For 2025 and 2024, revenue from the Group’s equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

## A. ENVIRONMENTAL

Compared with the previous year, the Group's total energy consumption during the Reporting Period increased by approximately 6%. During the Reporting Period, the higher processing standards required for overseas orders led to a corresponding extension of heat treatment processes, resulting in increased natural gas consumption for annealing furnaces. Meanwhile, the addition of production equipment such as new computer numerical control ("CNC") high-speed gear hobbing machines also contributed to higher electricity consumption. In addition, the Group has installed solar power systems at its factories. Electricity generated during the Reporting Period was prioritised for self-use by the Group's production equipment, with surplus power exported to the national grid for sale. Going forward, the Group will continue to optimise production processes and energy management, closely monitor the usage of various energy sources, and steadily improve energy efficiency.

### Total Water Consumption and Intensity

The Group's plants use water for various production processes. The Group's total water consumption data in the Reporting Period are presented in the following table:

<u>Water Consumption</u>	<u>Unit</u>	<u>2025</u>	<u>2024</u>
Total water consumption	tonnes	0.00	365.00
Water consumption intensity	tonnes per million RMB revenue <sup>9</sup>	0.00	0.36

During the Reporting Period, the Group recorded no water consumption. The main reason was that the Group leased out its original factory premises which used tap water in May 2024, and no tap water consumption data has been generated since then. In addition, the factory area is equipped with natural rainwater collection ponds for greening irrigation, for which no specific statistical records of saved water volume are available.

### Energy Use Efficiency Initiatives and Results Achieved

In terms of production, the Group formulates and implements the energy-saving technology retrofitting plan for mobile equipment and special purpose equipment according to the Group's annual internal plan. Besides, we promote the rationalisation of energy use and implement standards for rationalisation of energy use; take effective measures to reduce fuel, power consumption and heat loss; improve energy transfer, conversion efficiency, and equipment efficiency; increase the recovery rate of residual heat, pressure, and coolness to improve the energy efficiency of the plant, aiming to achieve the 6% reduction target by 2026.

In daily operations, the Group encourages employees to save energy and reminds them to turn off the lighting and machinery in time when off from work.

### Issues in Sourcing Water, Water Efficiency Initiatives and Results Achieved

The Group's water supply is provided by third-party suppliers, and there are no issues in sourcing applicable water sources. We encourage employees to "cherish, love and save water resources", vigorously carry out water conservation work, and strengthen water consumption and water quality management, with the target of achieving a 6% reduction by 2026. During the Reporting Period, the Group attached great importance to water conservation and efficient utilisation, and continued to upgrade water-saving facilities. Taps and sanitary flushing devices in office and plants were replaced with sensor-type water-saving fittings, effectively reducing water consumption. For 2025, approximately 5.3 tonnes of water were saved through the above measures.

<sup>9</sup> For 2025 and 2024, revenue from the Group's equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

### Packaging Materials for Finished Goods

The Group endeavours to purchase more environmentally friendly products and prioritises the use of low-carbon and environmentally friendly raw and auxiliary materials to achieve the principle of material utilisation. Leftovers and scraps of steel generated during production are handed over to third-party recyclers for disposal. Besides, we are committed to promoting the importance of sustainable development to our suppliers and customers through business interactions. We implement green packaging and advocate simple packaging or packaging-free, use renewable packaging materials whenever possible. The Group mainly uses wood and metal packaging materials (including angle steel and edge bars). The Group's consumption data of packaging materials by categories in the Reporting Period are presented in the following table:

<b>Packaging Materials Consumption</b>	<b>Unit</b>	<b>2025</b>	<b>2024</b>
Wood	tonnes	<b>1.25</b>	1.1
Metal	tonnes	<b>0</b>	0
Total packaging materials consumption	tonnes	<b>1.25</b>	1.1
Packaging materials consumption intensity	tonnes per million RMB revenue <sup>10</sup>	<b>0.0010</b>	0.0011

Compared with the previous year, the Group's consumption of packaging materials during the Reporting Period was comparable. Going forward, the Group will continue to optimise its packaging solutions and closely monitor the use of packaging materials to further reduce their consumption.

## A3 The Environment and Natural Resources

### Significant Impacts on the Environment and Natural Resources

In general, the impact of the Group's daily operations on the environment includes air, land and natural resources. The table below summarises the potential impact of the Group's activities on the environment and natural resources.

<sup>10</sup> For 2025 and 2024, revenue from the Group's equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

## A. ENVIRONMENTAL

### Company Operating Activities

### The Potential Impact On The Environment And Natural Resources

Use of fossil fuels and production process

Air pollutants generated during the process have adverse effects on people and the surrounding environment

Use of fossil fuels and use of electricity

The process, directly and indirectly, generates GHGs and aggravates global warming

Waste

Soil and water pollution caused by improper waste treatment

Packaging materials

Consumption of natural resources creates additional waste

Noise

Excessive noise has adverse effects on people and the surrounding environment

In order to mitigate the potential impact of the Group's activities on the environment and natural resources, the Group has established "Administrative Measures on Emissions and the Use of Resources Policy" (《排放物及資源使用管理辦法》) to outline the management approach for reduction of related impacts and implementation of the measures stated in the section headed "Environment". Besides, the plants have set a certain proportion of green areas.

To maintain the Group's market position in the rotary kiln and grinding equipment industries, expand the Group's product portfolio and improve the functionality and efficiency of its products, the Group has invested in its R&D capabilities focusing on energy saving and environmental-friendly technologies and continued to cooperate with research institutions in the PRC. Currently, the Group is cooperating with Nantong Institute of Technology on the research and development project of "Complete Equipment for Efficient Preparation of Battery-Grade Lithium Carbonate from Low-Grade Spodumene". (《低品位鋰輝石高效製備電池級碳酸鋰成套設備》). The Group has also been taking the lead in drafting an industry standard named "Rotary Kiln for Cement Industry" (水泥工業用回轉窯) for the Jiangsu Building Material Industry Association (江蘇省建材行業協會). During the Reporting Period, the Group had 197 authorised patents, comprising 123 invention patents and 74 PCT patents, as well as 57 patent applications related to rotary kiln and grinding equipment pending for approval.

## Significant Climate-related Issues

Climate change is one of the biggest global challenges faced by the society nowadays, and we must act now to address the challenges posed by climate change. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The Group's business has strengthened analyses on the risk and opportunities from climate change specific to their markets. In response to the Paris Agreement, the Hong Kong Government issued the "Hong Kong's Climate Action Plan 2050", and formulated various plans and actions, setting out the vision of "Zero-carbon Emissions, Liveable City, Sustainable Development". The government has determined to set medium-term goal as halving Hong Kong's total carbon emissions from 2005 levels before 2035. The Group understand that climate change may have significant impacts on our operations.

The Group essentially plans to respond to local government initiatives and follow local governments' emission reduction requirements. We aim to reduce emissions by around 6% by 2026 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and before 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group's reputation.

Over the years, we have been grasping different opportunities to expand our business, accelerate the transformation and make the Group smarter, more environmentally friendly, and safer for employees and users (such as automation, and utilising digital platforms for online conference to reduce carbon footprint in transportation). These measures have made our facilities becoming more sustainable and fulfil our commitment to resource management and environmental protection.

## Climate-related Risks and Opportunities

Action on climate change is embedded in the Group's business strategy and reflected in the governance and management processes of the Company. In developing relevant scenarios, the Group has identified a number of climate-related risks and opportunities associated with its assets and services to assess their potential impacts under different scenarios. Transition risks and physical risks are elaborated in detail below. During the Reporting Period, the Group adopted the following time horizons when assessing climate-related risks and opportunities:

Time Horizon	Year
Short-term	Current – 2027
Medium-term	2028 – 2030
Long-term	2031 – 2050

In light of the nature of the Group's business, we have identified a range of climate-related risks and opportunities that are material to our assets, operations and services in the current/near term, short-term, medium-term and long-term.

# CLIMATE CHANGE

Risk Type	Risk Factor	Risk Description, Impact and Time Horizon	Our Response
Physical Risk			
Acute Risk	Tropical cyclones, storms, extreme floods, extreme high temperatures/heatwaves	<p><i>Medium-term, Long-term</i></p> <ul style="list-style-type: none"> <li>The Group owns plants, machinery and project assets in regions with high climate risk exposure. Damage to such assets caused by extreme weather events would increase maintenance and operating costs and may adversely affect asset valuations.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously enhance the risk protection and facility resilience of plants, equipment and project sites, establish extreme weather monitoring, early warning and emergency response mechanisms to ensure asset safety and employees' occupational health, and reduce the risk of business interruption.</li> </ul>
Chronic Risk	Changes in rainfall patterns and climatic patterns, rising average temperatures	<p><i>Short-term, Medium-term</i></p> <ul style="list-style-type: none"> <li>Extreme high temperatures, heatwaves, tropical cyclones, extreme floods and shifts in climatic patterns may adversely affect employees' health, safety and attendance, lower labour productivity, and thereby impair the Group's overall operational efficiency.</li> <li>To address relevant climate risks and ensure workplace safety, the Group will need to increase investment in heatstroke prevention, flood control and emergency protection, leading to higher operating costs and pressure on profit margins.</li> <li>Extreme weather events may cause production disruptions, logistics obstructions and project construction delays, resulting in lower output and delivery volumes, which would negatively impact on the Group's revenue.</li> </ul>	

Risk Type	Risk Factor	Risk Description, Impact and Time Horizon	Our Response
Transition Risk			
Policy and Legal Risk	Strengthened requirements for emissions reporting and mandatory regulation of existing products and services	<p><i>Medium-term, Long-term</i></p> <ul style="list-style-type: none"> <li>With increasingly stringent environmental emission reporting requirements and tightening mandatory regulations, the Group will need to accelerate the low-carbon upgrading of its existing rotary kilns, grinding equipment and related processes. This will increase expenditure on equipment retrofitting, technology optimisation and compliance, exerting certain pressure on operating costs.</li> <li>As countries continue to promote energy conservation and emission reduction policies, market demand for high-emission and energy-intensive equipment and related services is expected to decline, which may pose challenges to the Group's traditional product sales and business development.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously identify and monitor transition risks including policies and regulations, technological innovation, market changes and reputational factors, keep abreast of industry trends, optimise compliance and operational strategies, and strengthen the foundation for long-term development.</li> <li>Proactively deploy solar photovoltaic power generation systems at production facilities, promote clean energy substitution, optimise the energy mix, reduce electricity consumption as well as greenhouse gas and pollutant emissions, and accelerate the transformation to green manufacturing.</li> <li>Adhere to technological innovation, intelligent upgrading and digital transformation, develop new energy-saving and carbon-reduction technologies for metallurgical kilns, mining grinding, solid waste treatment and other fields, and enhance the competitiveness of green equipment and services.</li> </ul>
Technology Risk	The investment in new technologies are unsuccessful, and the cost of transitioning to lower-emission technologies	<p><i>Medium-term, Long-term</i></p> <ul style="list-style-type: none"> <li>To meet the needs of low-carbon transition, the Group needs to continuously increase R&amp;D investment in new energy-saving, low-carbon alternative technologies and related equipment, which will lead to a corresponding increase in R&amp;D expenditure and exert certain pressure on operating costs in the short term.</li> <li>In the process of low-carbon technology R&amp;D and transformation, the Group needs to bear the risk that the investment in new technologies may not meet expectations. At the same time, the increase in R&amp;D investment may also bring potential opportunities for the implementation of new technologies and new products, affecting the future revenue structure.</li> </ul>	<ul style="list-style-type: none"> <li>Adapt to the global energy transition trend, seize low-carbon development opportunities, proactively expand domestic and overseas markets, drive the green, digital and service-oriented upgrading of industries, and achieve high-quality sustainable development.</li> </ul>

# CLIMATE CHANGE

Risk Type	Risk Factor	Risk Description, Impact and Time Horizon	Our Response
Transition Risk			
Market Risk	Changing customer behaviours, uncertain market signals, and rising raw material costs	<p><i>Medium-term, Long-term</i></p> <ul style="list-style-type: none"> <li>With the continuous shift in customers' low-carbon demands and market preferences, coupled with the uncertainty of market signals, the market demand structure of the Group's business will be affected, bringing uncertainty to business scale and order acceptance.</li> <li>Fluctuations in input costs such as raw materials, energy and water, as well as changes in requirements related to waste disposal, will push up the Group's production and project operation costs, thereby exerting pressure on overall profitability.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously identify and monitor transition risks including policies and regulations, technological innovation, market changes and reputational factors, keep abreast of industry trends, optimise compliance and operational strategies, and strengthen the foundation for long-term development.</li> <li>Proactively deploy solar photovoltaic power generation systems at production facilities, promote clean energy substitution, optimise the energy mix, reduce electricity consumption as well as greenhouse gas and pollutant emissions, and accelerate the transformation to green manufacturing.</li> </ul>
Reputational Risk	The shift in consumers' preferences	<p><i>Medium-term, Long-term</i></p> <ul style="list-style-type: none"> <li>As the market shifts towards low-carbon preferences, society's acceptance of high-emission products and services is declining. If the Group fails to promptly align with the green development trend, it may adversely affect its market reputation and business development.</li> </ul>	<ul style="list-style-type: none"> <li>Adhere to technological innovation, intelligent upgrading and digital transformation, develop new energy-saving and carbon-reduction technologies for metallurgical kilns, mining grinding, solid waste treatment and other fields, and enhance the competitiveness of green equipment and services.</li> <li>Adapt to the global energy transition trend, seize low-carbon development opportunities, proactively expand domestic and overseas markets, drive the green, digital and service-oriented upgrading of industries, and achieve high-quality sustainable development.</li> </ul>

Opportunity Type	Opportunity Description	Impact on the Group	Time Horizon
Resource Efficiency	Adopt more efficient transportation methods, and use more efficient production and distribution processes	<ul style="list-style-type: none"> <li>By adopting efficient transportation modes and optimising production and distribution processes, we can comprehensively improve operational efficiency, reduce costs, release production capacity, thereby expanding revenue and enhancing market competitiveness.</li> </ul>	Medium-term, Long-term
Energy Sources	Use low-carbon energy and adopt new technologies	<ul style="list-style-type: none"> <li>By introducing low-carbon energy and new energy-saving and carbon-reduction technologies, we can effectively enhance brand reputation and market competitiveness, drive the growth of demand for green equipment and services, and thereby increase operating income.</li> </ul>	Medium-term, Long-term
Market	Enter the new market	<ul style="list-style-type: none"> <li>The Group can seize the trend of low-carbon development to enter emerging markets, expand revenue sources through cooperation with governments, development banks and other institutions, link up with high-quality suppliers to improve production and delivery efficiency, and promote the high-quality development of business.</li> </ul>	Medium-term, Long-term

To effectively manage climate-related risks and seize development opportunities, we comprehensively adopts various management measures including risk control, risk transfer and risk mitigation to establish a climate risk management and control mechanism. In terms of risk control, during the new construction, expansion and site selection evaluation stages of plants, our Group incorporates climate risk assessment to evaluate the potential impacts of extreme weather on plant facilities, production operations and project sites. We continuously improve the climate emergency management system, formulate special emergency plans for weather conditions such as heavy rain, floods and extreme high temperatures, and enhance business resilience. In terms of risk transfer, our Group purchases relevant insurance for fixed assets, and configures complete labour protection and safety guarantee measures to transfer financial losses and operational risks caused by extreme weather, further improving the risk protection system. In terms of risk mitigation, our group promotes the green upgrading of infrastructure in the plants, optimises the plant ventilation, lighting and flood control and drainage systems, reduces the adverse impact of extreme climate on facilities and production links, and improves the adaptability and durability of facilities. Our Group fully recognises that climate risks are characterised by differentiation and uncertainty depending on geographical location and business scenarios, and integrates climate risk management deeply into the entire process of production, manufacturing and project operation to achieve comprehensive and precise control.

## CLIMATE CHANGE

The Group has established Sustainable Development Committee and Leadership Group, which hold regular meetings annually to systematically assess, monitor and review climate-related risks and opportunities. These are integrated into the Group's overall risk management framework and managed in conjunction with operational risks and strategic risks. The Sustainable Development Committee reports to the Board each year on the effectiveness of climate risk management and the implementation of relevant measures, ensuring that the green and low-carbon strategy aligns with the Group's long-term development objectives.

Over the years, the Group has continuously seized opportunities arising from green development, driven business expansion and low-carbon transition, and strived to build a smarter and more environmentally friendly operating model to safeguard the safety of employees and customers. The Group has optimised energy management in factories and office areas by implementing intelligent lighting control and other energy-saving initiatives. It has also installed solar power generation facilities to improve energy efficiency and enhance operational sustainability, fully demonstrating its commitment to resource conservation and environmental protection.

### Climate-related Financial Matters<sup>11</sup>

The Group has systematically identified climate-related physical risks and transition risks. Physical risks may cause asset damage in high-risk areas and increase maintenance and operating costs; transition risks may be affected by tightening low-carbon policies, technological evolution and market shifts, driving up compliance and transformation costs. The Group will continue to keep abreast of policy and market trends, dynamically assess and optimise corresponding strategies.

Analyses of climate factors that may affect the Group's cash flows, financing channels and cost of capital in the current, short-term, medium-term and long-term periods are set out in the section "Climate-Related Risks and Opportunities". The Group will continue to improve its climate risk assessment and financial impact analysis mechanisms. Through routine monitoring, scenario analysis and data accumulation, it will gradually advance the quantitative identification and disclosure of climate-related financial impacts to strengthen support for long-term operational decision-making.

To further strengthen the linkage between climate risk and financial management, the Group has planned to allocate dedicated manpower and resources over the next five years to systematically conduct specialised climate risk assessments. It will prioritise qualitative analysis of climate-related financial impacts and timely promote research on quantitative measurement, gradually establishing a management framework that aligns climate and financial data to safeguard the Group's long-term sound and sustainable development.

### Capital Deployment and Allocation of Financial Resources

In 2025, the Group invested approximately RMB89,000 to advance ESG initiatives, including climate-related work, covering projects such as ESG consultancy and the replacement of LED energy-saving lighting in factory and office premises, continuously enhancing the standard of green operations. Looking ahead, the Group will continue to increase resource input, focusing on climate risk management, ESG consultancy services and energy-saving equipment upgrades. It will also allocate dedicated personnel and earmarked funds to comprehensively strengthen the sustainable development governance system, and steadily promote low-carbon transformation and high-quality development.

<sup>11</sup> During the Reporting Period, no separately identifiable significant climate-related financial impacts have been identified, and no separately quantifiable expected financial impacts within the short-term, medium-term and long-term timeframes have been identified either.

## Climate-related Scenario Analysis

The Group has not yet conducted climate-related scenario analysis, but is actively planning to establish and implement a systematic climate scenario analysis mechanism within the next five years. The Group will first clearly define the analysis boundaries and scope of application, and coordinate the allocation of dedicated manpower and resources to ensure the orderly implementation of various tasks. Future analyses will cover short-term, medium-term and long-term dimensions, and will refer to the Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs) of the Intergovernmental Panel on Climate Change (IPCC), as well as the standard scenarios released by the Network for Greening the Financial System (NGFS). These analyses will comprehensively assess the potential impacts of different climate scenarios on the Group's operations, risks and development opportunities. By advancing relevant work, the Group can be more accurate in identifying climate-related risks and opportunities, providing scientific decision support for long-term strategic layout, risk management and the construction of response systems.

## Metrics and Target

### GHG Emissions

The Group's GHG emissions are mainly from petrol consumed by vehicles, diesel consumed by forklift trucks, pipeline natural gas and purchased electricity consumption. During the Reporting Period, purchased electricity (Scope 2) was the main source of GHG emissions, accounting for approximately 82% of total GHG emissions. The Group's GHG emissions<sup>12,13</sup> in the Reporting Period are presented in the following table:

Scope of GHG Emission	Unit	2025	2024
Scope 1 <sup>14</sup>	tonnes of CO <sub>2</sub> equivalent	719.57	569.38
Scope 2 <sup>15</sup>	tonnes of CO <sub>2</sub> equivalent	3,351.10	3,298.48
Total GHG emissions	tonnes of CO <sub>2</sub> equivalent	4,070.67	3,867.86
Total GHG emissions intensity	tonnes of CO <sub>2</sub> equivalent per million RMB revenue <sup>16</sup>	3.34	3.86

Compared with the previous year, the total GHG emissions of the Group during the Reporting Period increased by approximately 5%. This is mainly due to the improvement of the processing technology standards for overseas orders in the Reporting Period, which has correspondingly increased the hours of heat treatment processes, leading to a rise in the natural gas consumption of the annealing furnace; in addition, the new production equipment such as CNC high-speed hobbing machines put into operation in the Reporting Period has also driven the growth of electricity consumption. Looking ahead, the Group will continue to optimise process flows and equipment energy efficiency, increase investment in energy conservation and emission reduction measures, and steadily promote greenhouse gas emission control and low-carbon transformation.

<sup>12</sup> The calculation of GHG emissions covers the reporting scope of this report and is conducted by reviewing and collecting operational data. Its calculation is also based on international, national or regional standards. The calculation of GHG emissions is referenced from "How to Prepare an ESG Reports" and its annex "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "General Guideline of the Greenhouse Gas Emissions Accounting Method and Reporting of Other Industrial Enterprises (trial)" (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》), "IPCC Sixth Assessment Report on Climate Change IPCC 氣候變遷第六次評估報告", the "Electricity Carbon Dioxide emission factors for 2021" (《2021年電力二氧化碳排放因子》) and the "Electricity Carbon Dioxide emission factors for 2022" (《2022年電力二氧化碳排放因子》).

<sup>13</sup> Due to data collection limitations, this report does not disclose Scope 3 GHG emission data for the time being. Our group will continue to optimize its data collection system and strengthen communication with value chain partners to improve the completeness of data collection.

<sup>14</sup> Scope 1 refers to emissions directly generated from business operations owned or controlled by the Group. It includes the GHG emissions offset by the Group through tree planting.

<sup>15</sup> Scope 2 refers to "indirect energy" emissions caused by the internal consumption (purchased or acquired) of electricity, heat, refrigeration and steam within the Group. The Scope 2 GHG emissions are calculated by location-based methodology.

<sup>16</sup> For 2025 and 2024, revenue from the Group's equipment manufacturing business amounted to approximately RMB1,220.52 million and RMB1,000.96 million respectively.

# CLIMATE CHANGE

## GHG Emissions Mitigation and Target

The Group has formulated GHG emission targets, as detailed in the table below. By setting these targets, the Group aims to continuously optimise GHG emission reduction measures and promote energy conservation and carbon reduction with a responsible attitude.

### Emission Target Information

<b>Target<sup>17</sup></b>	Achieve a 6% reduction in total GHG emissions by 2026 compared with 2021 (GHG covered CO <sub>2</sub> , CH <sub>4</sub> and N <sub>2</sub> O); Strive to achieve carbon neutrality by 2050 in Hong Kong region and before 2060 in PRC, which is consistent with the national carbon neutrality objective.
<b>Target Type</b>	Absolute
<b>Objective of Target</b>	Mitigation, adaptation
<b>Monitoring Progress</b>	The Sustainable Development Committee and the Leadership Group conduct annual reviews of the Group's GHG emission targets and performance and assess whether adjustments to the targets are required.
<b>Scope of Target</b>	The Group's equipment manufacturing business operation in Hai'an City, Jiangsu Province, the PRC.

The Group has implemented several GHG management measures to continuously promote low-carbon operations:

- Promote the low-carbon upgrading of logistics and warehousing facilities, optimise the energy structure, and improve energy conservation and emission reduction efficiency;
- Continuously optimise transportation routes, steadily introduce electric vehicles, improve resource utilisation efficiency, and reduce carbon emission intensity;
- Strengthen employees' environmental protection training and low-carbon publicity, and promote green operation models.

Compared with the 2021 (base year), the total GHG emissions of the Group during the Reporting Period have decreased by approximately 61% compared with the base year, achieving remarkable emission reduction effects. The Group will continue to carry out annual monitoring, data recording and information disclosure of GHG emissions, and gradually establish and improve the implementation mechanism to ensure the effective implementation of emission reduction policies and goals. The Group will regularly review emission reduction targets and management policies, combine emission data forecasting, continuously improve the data statistics system, formulate scientific and accurate emission reduction strategies, and steadily promote low-carbon transformation.

<sup>17</sup> During the Reporting Period, the Group has not yet adopted the Science Based Targets initiative (SBTi) framework to set GHG emission reduction targets. In the future, the Group will continue to keep abreast of the latest guidelines of the SBTi framework, and combined with its own business development plans and actual operation conditions, timely assess and promote the formulation of relevant targets to further promote low-carbon transformation.

## Employment and Labour Practices

### B1 Employment

#### Policies

The Group has adopted the principle of meritocracy and looks forward to working with talents who possess of professional knowledge, high ethical standards, well-experienced and a strive for excellence. The Group is committed to providing comfortable working conditions and environments. As at 31 December 2025, the Group had a total of 995 employees, most of whom were professional engineers and technicians.

As at 31 December 2025, the data of Group's number of employees and turnover by type are listed as below:

		2025
<b>Employee Number</b>	<b>Total</b>	<b>995</b>
	By Gender	
	Male	<b>723</b>
	Female	<b>272</b>
	By Age Group	
	Below 30	<b>87</b>
	30-50	<b>556</b>
	Above 50	<b>352</b>
	By Level	
	Top management	<b>8</b>
	Middle management	<b>27</b>
	General staff	<b>960</b>
	By Employment Type	
	Full time	<b>995</b>
Part-time	<b>0</b>	
By Geographical Region		
PRC	<b>994</b>	
Hong Kong	<b>1</b>	
<b>Employees Turnover Rate<sup>18</sup></b>	<b>Overall number (Turnover rate)</b>	<b>47 (5%)</b>
	By Gender	
	Male (Turnover rate)	<b>30 (4%)</b>
	Female (Turnover rate)	<b>17 (6%)</b>
	By Age Group	
	Below 30 (Turnover rate)	<b>6 (7%)</b>
	30-50 (Turnover rate)	<b>13 (2%)</b>
	Above 50 (Turnover rate)	<b>28 (8%)</b>
	By Geographical Region	
	PRC (Turnover rate)	<b>47 (5%)</b>
Hong Kong (Turnover rate)	<b>0 (0%)</b>	

<sup>18</sup> Turnover rate = number of employees in the specified category leaving employment / number of employees in the specified category at the end of the Reporting Period.

## B. SOCIAL

- **Remuneration**

The Group provides excellent remuneration and benefits to employees. Employees' remuneration is mainly based on job nature, market trends and personal performance. Employees' bonuses are disbursed based on individual performance. Remuneration formulation and distribution are based on the principles of fairness, impartiality, openness, motivation, and competitiveness, and balance the relationship between efficiency and fairness. We also provide additional rewards and allowances based on needs.

- **Recruitment and Dismissal**

The Group has established fair, just, scientific and reasonable staff recruitment, employment and dismissal management system that meets the requirements of the modern enterprise system to effectively protect the interests of both the company and employees. Recruitment adheres to the principle of "Fair competition and appointment on the basis of merit", and the requirements for recruiting staff are set out in the Staff Handbook. Dismissal procedures are carried out in accordance with local labour laws and regulations, and the conditions for resignation and termination of employment, as well as the specific procedures for dismissal, are set out in the Staff Handbook.

- **Promotion**

The Group advocates a fair, just and open competition mechanism in order to unleash one's full potential; to fulfil one's responsibilities and to invigorate the initiatives and proactiveness of the employees. The promotion of employees based on their personal qualities, capabilities and performance.

- **Working Hours and Rest Periods**

The Group provides reasonable working hours. If one needs to work overtime, the Company will provide subsidies depending on conditions. The Group's statutory holidays are implemented following national regulations, including wedding leave, bereavement leave, maternity leave, etc.

- **Diversity**

We recognise and embrace the benefits of having a diverse Board to enhance our Board's performance and to achieve sustainable and balanced development. Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that selection of Board candidates should be based on a range of different considerations, including but not limited to professional skills, regional and industry experience, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The ultimate selection of Board candidates is based on merit and potential contribution to our Board with reference to our board diversity policy as a whole. Our Board comprises of seven members, including four executive Directors and three independent non-executive Directors. They have a balanced mix of professional experience and industry background, including experience and industry background in building materials, equipment manufacturing business, finance, accounting and law. We also take steps to promote gender diversity and representation at all levels of our Company. The nomination committee of our Board continues to review the board diversity policy and its implementation from time to time to ensure its continued effectiveness. We disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. At the employee level, we welcome people of different backgrounds to join the Group. By promoting equal opportunities and anti-discrimination, we are committed to creating an inclusive and diverse environment.

- ***Equal Opportunities and Anti-discrimination***

Every employee of the Group should be protected. We do not tolerate discrimination or harassment on gender, race and religion. Any employee involved in the initiation of discrimination or harassment will be placed under disciplinary action or even dismissed. To ensure that all employees are not discriminated against at work, we have established an anti-discrimination policy. Employees are not discriminated against their race, social class, nationality, age, religion, gender, disability, sexual orientation or political affiliation in matters involving employment, compensation, training opportunities, promotion, dismissal, etc. All employees have freedom of belief, and management is strictly prohibited from coercion, threats, insults, and exploitation of employees. We adhere to equal pay for equal work for men and women. If employees encounter targeted discrimination in the areas of benefits, wages, contracts, promotion, training during the process of recruitment and production, they can complain to the union in writing or verbally.

- ***Employees' Benefits and Welfare***

The Group is people-oriented and cares for employees in different ways, such as renovating canteens and dormitories to create a good working environment for employees so that employees can also feel the warmth of "home" when they are at the Company. We provide benefits including labour insurance supplies benefits, festival benefits, company annual meeting benefits, etc. In order to cultivate a sense of belonging to the Company, promote friendship among employees and build up team spirit, the business unit regularly organises various team building activities, such as annual dinners, festive events, etc. Gifts and vouchers are also given to employees during festive seasons for them to share with their family members. Benefit plans not only care about individual employees but also cover employees' family members. For employees with financial difficulties, we provide certain subsidies to support their children's education. These welfare policies ease the worries of the employees and provide good conditions for their development and growth.

Under the relevant PRC laws and regulations, we are required to make contributions to various employee social welfare plans for our employees. Related plans include social insurance contributions and housing provident fund contributions. According to the Chinese social insurance system, we are required to make five types of insurance contributions for our employees, including basic endowment insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance.

### **Compliance Information for Relevant Laws and Regulations**

Our business operations must comply with certain PRC laws and regulations relating to labour. The laws and regulations that have a significant impact on the Group's business are as follows:

- The Group must comply with the Labour Law of the PRC 《中華人民共和國勞動法》, the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》 and the Implementing Regulations of the Labour Contract Law of the PRC 《中華人民共和國勞動合同法實施條例》, and other relevant laws, rules and regulations promulgated by relevant government agencies from time to time. The Group signed labour contracts with employees, agreed on that probation periods and penalties for breach of contract, termination of labour contracts, salaries disbursement and economic compensation, used labour dispatch and social insurance premiums were subject to relevant regulations.
- The Group also strictly controls the number of dispatched workers under the Interim Provisions on Labour Dispatch 《勞務派遣暫行規定》, and the number of dispatched workers must not exceed 10% of its total labour force.
- The Group subscribes to five basic types of social insurance premiums for its employees under the Social Insurance Law of the PRC 《中華人民共和國社會保險法》, including basic endowment insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance.

During the Reporting Period, the Group was not aware of any confirmed cases of non-compliance that had a significant impact on the Group.

## B. SOCIAL

### B2 Health and Safety

#### Policies

The Group attaches great importance to the health of employees and is committed to providing employees with a safe and healthy working environment. As a responsible enterprise, we create a safety culture. Every employee pays attention to the safety of himself and others, and it is the Group's responsibility to prevent accidents during production and project construction. The Group's management system has also been certified with ISO 45001 (Occupational Health and Safety). We have established the following policies and procedures:

- **Production Safety and Occupational Health Protection Management Standards** 《安全生產與職業衛生防護管理標準》  
This policy aims to further regulate and restrict the safety behaviour of all employees and maintain the safety status of production equipment, mitigating the Company's safety risk, making the work of safety production management and occupational health protection work rule-based and scientific.
- **Fire Safety Management Procedure** 《消防安全管理制度》  
This policy is established under the Fire Protection Law of the PRC 《中華人民共和國消防法》, which aims to strengthen fire safety management, prevent and reduce fire accidents, and protect company property and employees' personal safety.

#### Compliance Information for Relevant Laws and Regulations

Our business operations are subject to certain PRC laws and regulations regarding occupational health, work safety and environmental protection, including the Work Safety Law of the PRC 《中華人民共和國安全生產法》, the Fire Protection Law of the PRC 《中華人民共和國消防法》 and the Law of the PRC on Prevention of Occupational Diseases 《中華人民共和國職業病防治法》.

- Entities operating under the Law of the PRC on Work Safety 《中華人民共和國安全生產法》 must implement the production safety measures specified in the Safety Law and other relevant laws, administrative regulations, national standards and industry standards. No entity shall engage in production and commercial operations without implementing these production safety measures.
- The fire protection design and construction of construction projects under the Fire Protection Law of the PRC 《中華人民共和國消防法》 must comply with national fire protection technical standards for engineering construction. The Group has implemented relevant systems.
- The Law of the PRC on Prevention of Occupational Diseases 《中華人民共和國職業病防治法》 stipulates the employers' responsibilities and specific actions in the prevention and treatment of occupational diseases.

During the Reporting Period, the Group was not aware of any confirmed case of non-compliance that had a significant impact on the Group.

We have designated personnel to oversee occupational health and safety of our business operations, and have established a set of occupational health and work safety procedures that cover every aspect of our business. To avoid any potential occupational health issues or workplace accidents, we have implemented several measures, including:

- Provide education and training on production safety to enterprise management and employees in various departments, and provide professional safety training education and examinations to special operating personnel required by national standards,
- Purchase and install occupational disease protection facilities such as ventilation and purification systems, provide production personnel with necessary safety protection supplies, and establish employee occupational health surveillance files,
- Regularly investigate and manage hidden accident hazards, set up warnings and protections for equipment and places with major dangers, and strictly approve dangerous operations; and
- Establish emergency plans for production safety accidents, and prepare emergency handling procedures for possible production accidents.

To the best of the Directors' knowledge, the Group had no work-related death in the three consecutive reporting years including the Reporting Period, and the number of working days lost due to work-related injuries was 258 days.

### B3 Training and Development

As a high-tech enterprise, the Group's training and development of employees are extremely important to enable employees to improve their professional capabilities and develop their strengths during their employment. Apart from improving the quality of employees' products and services, they also enhance the company's competitiveness. Our talent training program management is conducted following the quality management system ISO 9000. Our employees are trained to cover every aspect of our business operations, including production safety, sales and marketing, compliance with applicable laws and regulations, technical skills, management and production quality. These training courses are conducted by us regularly and when deemed necessary by the Group. During the Reporting Period, not only did the Group provide employees with training about disclosure responsibility and compliance requirements, software information system training, training for operators of special work types, but it also provided training related to product inspection and test management, working at limited working space working, and fire extinguishing, as well as provided certain external professional training subsidies for employees. The Group upholds an open and responsible attitude, listens to opinions with an open mind, and improves its work efficiency through continuous discussion and reflection.

## B. SOCIAL

As at 31 December 2025, the employee training data of the Group are listed as below:

		<u>2025</u>
Number of Trained Employee and percentage <sup>19</sup>	<b>Overall</b>	<b>706 (71%)</b>
	By Gender	
	Male	<b>538 (74%)</b>
	Female	<b>168 (62%)</b>
	By Level	
	Top management	<b>8 (100%)</b>
	Middle management	<b>27 (100%)</b>
	General staff	<b>671 (70%)</b>
Average Training Hours <sup>20</sup> (hour/employee)	<b>Overall</b>	<b>5.68</b>
	By Gender	
	Male	<b>5.95</b>
	Female	<b>4.94</b>
	By Level	
	Top management	<b>8.00</b>
	Middle management	<b>8.00</b>
	General staff	<b>5.59</b>

### B4 Labour Standards

As a manufacturing enterprise, the Group mainly employs production technicians. The Group strictly prohibits the employment of child labour or forced labour. The human resources management department will pay close attention to the situation of employment application, including full-time and part-time personnel. The recruitment policy has stipulated that only applicants at the age of 18 or above can be hired. Relevant identification documents will be checked when hiring to ensure compliance with local labour practices. Once the Group has found any violation of the relevant labour laws, regulations or standards, the Group will take it seriously and take immediate and resolute measures, such as terminating the employment contracts of the persons concerned and imposing penalties on the responsible individuals.

Our business operations must comply with the "Provisions on Special Protection for Juvenile Workers" 《未成年工特殊保護規定》 and the "Provisions on the Prohibition of Using Child Labour" 《禁止使用童工規定》 in the Labour Law of the PRC 《中華人民共和國勞動法》. During the Reporting Period, there were no confirmed non-compliance events or unfair situations that had a significant impact on the Group's human rights and labour practices, and aspects of prevention of child labour and forced labour.

<sup>19</sup> Percentage of trained employee = Number of employees received training during the Reporting Period/Number of employees at the end of the Reporting Period.

<sup>20</sup> Average Training Hours = Total training hours during the Reporting Period/Total number of employees at the end of the Reporting Period.

## Operating Practices

### B5 Supply Chain Management

#### **Selection Criteria for Our Suppliers**

The Group have in place a set of selection criteria for suppliers of our raw materials, parts and components, and equipment, including various factors such as (i) quality of work; (ii) pricing; (iii) reputation in the industry; (iv) supplier's qualification and compliance record (including environmental and social compliance); (v) production capacity; and (vi) financial position, etc. Potential suppliers that satisfy our selection criteria will be included in our list of qualified suppliers which will be reviewed and updated on an annual basis. We generally obtain price quotations from at least three potential suppliers. We have very strict requirements on suppliers. We refuse to cooperate with suppliers who violate environmental and social labour laws and regulations, in order to reduce environmental and social risks in the supply chain and help to maintain the stability of our business operations. In response to the society's expectations for green business operations, other than green packaging policy as mentioned in the section headed "Packaging material for Finished goods", we also intend to actively explore the possibility of using environmentally friendly products and services when selecting suppliers in the future.

We outsource certain design, civil construction and installation work to sub-contractors to ensure the progress and quality of projects. We may also outsource the processing of certain raw materials to external parties in case we do not have enough production capacity and/or manpower to process such raw materials. We will provide the raw materials and the drawings of the parts and components to sub-contractors which will process the raw materials following our specifications. We believe that it would be more cost-effective and efficient if we outsource such manufacturing processes to external parties. Services to be provided by our sub-contractors will depend on the needs of individual projects. We will continue to engage such sub-contractors as and when the need arises as described above.

#### **Selection Procedure and Relationship with Sub-contractors**

When selecting sub-contractors, we follow similar designated criteria as stated in the selection procedures of our suppliers and we maintain a list of qualified sub-contractors with candidates that can provide suitable sub-contracting services. As part of the selection procedures for our sub-contractors, we will also consider their responsiveness to our requests and their understanding of the technical know-how of our machinery and equipment. We require our sub-contractors to maintain high-quality standards for their services and to comply with the terms and conditions set out in our contracts with project owners or main contractors. If any of our sub-contractors encounters any non-compliance incidents, the relevant sub-contractors shall rectify and undertake the necessary remedial actions at their own costs. All losses caused or incurred by our Group as a result of such sub-contractors' failure to maintain proper quality control, occupational health, work safety and environmental protection standards shall be borne by such sub-contractors.

## B. SOCIAL

During the Reporting Period, the Group had 239 qualified suppliers. Each year, the supply department organises relevant departments to evaluate suppliers, establish qualified supplier files, and fill in the “Supplier Performance Evaluation Form” (《供方業績評估表》). When the supplier has serious failure ratings or continuous failures, the supply department issues a “Corrective Action Plan Sheet” (《糾正措施計劃單》), requiring them to analyse the reasons, take measures to improve the quality, and for cases which the “Corrective Action Plan Sheet” have been issued twice but the quality provided has no significant improvement, the Group will disqualify the suppliers.

During the Reporting Period, the Group’s suppliers by geographical location are listed as below:

<u>Location</u>	<u>Supplier by type</u>	<u>2025</u>
PRC	Raw material supplier	221
	Service supplier	18
	<b>Total</b>	<b>239</b>

### B6 Product Responsibility

The Group provides rotary kiln, milling equipment and production line engineering, equipment procurement and construction (EPC) business for domestic and foreign customers, performs quality control or provides project design, installation and commissioning services during the production process.

#### Products Quality Management

We believe that the reliability and quality of our products and services are crucial to the success of our Group. As such, we have implemented quality control procedures covering all aspects and stages of our production process, from the procurement of raw materials to the delivery of products and/or the construction of production lines, to ensure the production of products with consistent quality and/or provision of quality services. As at the end of the Reporting Period, our quality control department comprised 21 employees, a majority of whom have received secondary or higher education with an average of over 20 years of experience in related industries such as building materials and machinery.

### ***Our certification***

We place great emphasis on our product quality and has established a sound quality system. All our products have to comply with national and industrial standards in the PRC. In recognition of our quality control measures, we have received various certifications illustrating our ability to provide quality products and/or services that meet our customers' needs and regulatory requirements consistently. The table below listed out a summary of important certifications obtained by the Group at the end of the Reporting Period:

- Quality Management System Certification ISO9001:2015
- CE certified Ball Mill
- CE certified Belt Conveyor Scale
- CE certified Vertical Roller Mill
- CE certified Ball Mill
- CE certified Rotary Kiln
- CE certified Vertical Coal Mill
- Jiangsu Quality and Creditworthiness AAA-rating Enterprise
- Advanced AEO Authorised Enterprise by the Customs
- National Ministry of Industry and Information Technology Service-Oriented Manufacturing Demonstration Enterprise
- Jiangsu Provincial Department of Industry and Information Technology Jiangsu Provincial Green Factory
- National Green Factory
- the Private Technology Enterprise in Jiangsu Province
- Jiangsu Governor Quality Award
- the title of Jiangsu Provincial Advanced Smart Factory

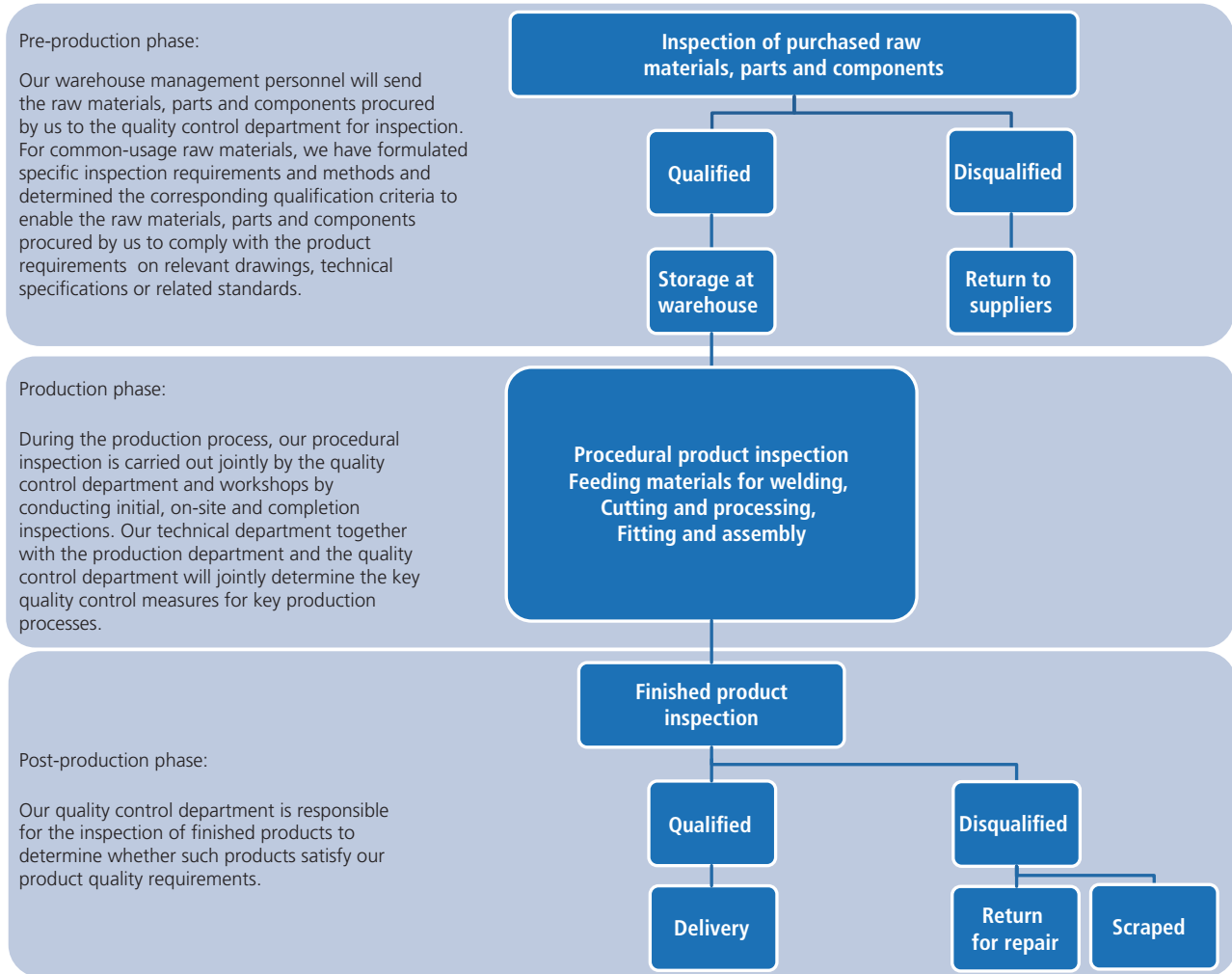


Jiangsu Governor Quality Award

## B. SOCIAL

### Quality inspection management process

Our quality inspection management system is established to control the product quality by conducting inspection from the pre-production phase to the production phase and the post-production phase.



### **Complaint Handling**

We value close communication with customers during the design, manufacture and installation of the project. The quality manager is responsible for friendly negotiation with customers to solve problems, and internally, the Group will also make improvements regarding the relevant complaints. We provide after-sales services to our customers. We generally aim to address product-related issues raised by our customers within 72 hours. Both our production department and sales department will contact our customers to understand the use of the product and provide relevant services. We will also prepare reports or feedback for customers if we receive any comments from our customers on products or services.

We will conduct on-site investigations on the relevant issues raised by our customers to determine the type of after-sales services to be provided including, repair of equipment and/or replacement of parts and components. For after-sales services which fall within the warranty period as stipulated in the sales contract, we will not charge additional fees for the provision of after-sales services to customers (except for repairments and/or replacements which take place due to the reasons caused by our customers.) During the Reporting Period, the Group did not receive any material product and service-related complaint.

### **Product Return Policy**

The Group is committed to producing high quality products, meanwhile, we also arrange for the return and compensation of products with quality issues in accordance with the terms written in the sales contracts. For any customers who are affected by quality issues, we respond to them with standard procedures including return, recall, or compensation of products in a consistent manner. Relevant records will be added to the group's internal review system and annual management review system. During the Reporting Period, there were no sold or shipped products of the Group that were subject to recalls for safety and health reasons.

### **Product Advertising and Labelling**

Most of our products are sold directly to our customers under our own brand name. Our sales and marketing team market our products through various marketing channels and methods, which include, among others: (i) advertisements on paper media such as magazines and newspapers; (ii) advertisements on the Internet (i.e. our Group's website and other websites); (iii) attending events and/or exhibitions relating to the building materials and machinery industry both in the PRC and overseas (i.e. Canton Fair ("廣交會"), bauma CHINA ("中國國際工程機械、建材機械、礦山機械、工程車輛及設備博覽會"), Arab International Cement Conference ("阿拉伯國際水泥展") and Exhibition with other industry professionals, potential customers and suppliers; and (iv) customer visits.

The Group publishes all kinds of advertisements and information truthfully to ensure that the content is clear and correct, and must not infringe on the intellectual property rights, privacy or other legal rights of any individual or entity, and avoid misleading consumers. The labelling of product delivery, packaging and transportation shall be implemented under the provisions of GB191 illustration of Packaging, Storage and Transportation.

## B. SOCIAL

### Research and Development of Products and Intellectual Property Rights

We place great emphasis on our R&D capabilities as we believe that it will enable us to maintain our market position and enable us to compete effectively with leading players in the rotary kiln and grinding equipment industries. To maintain the Group's market position in the rotary kiln and grinding equipment industries and expand the Group's product portfolio and improve the functionality and efficiency of its products, the Group has invested in its R&D capabilities focusing on the energy saving and environmentally-friendliness technologies and continued to cooperate with research institutions in the PRC. Currently, the Group is cooperating with Nantong Institute of Technology on the R&D project of "Complete Equipment for Efficient Preparation of Battery-Grade Lithium Carbonate from Low-Grade Spodumene" (《低品位鋰輝石高效製備電池級碳酸鋰成套設備》). In addition, the Group has continued to participate in the discussion on the setting of a number of national and industry standards. The Group has also been taking the lead in drafting an industry standard named "Rotary Kiln for Cement Industry" (水泥工業用回轉窯) for the Jiangsu Building Material Industry Association (江蘇省建材行業協會).

The Group complies with the Copyright Law of the PRC (《中華人民共和國著作權法》), the Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》), Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), etc. Following the guidelines of the quality control system, the Group established the management method of the Company's intellectual property rights to systematically manage the Company's intellectual property rights. During the Reporting Period, there were no confirmed incidents of violations or unfairness in respect of the Group's R&D of products and intellectual property rights that had a significant impact on the Group.

To protect our intellectual property rights, as at the end of the Reporting Period, we had 197 authorised patents, comprising 123 invention patents and 74 PCT patents, meanwhile, we have 57 patent applications pending for approval. The patents are primarily relating to the manufacturing of products of our rotary kiln system and grinding equipment system. The specific protection measures are as follows:

- For the patent knowledge that has been declared, the technical department is responsible for applying and tracking the protection of patents on other products, and taking corresponding protection measures when infringement is found; and
- As for the proprietary technology, the Technology Department ensures that only specific personnel can obtain it and such knowledge should be kept confidential, and other unrelated personnel must not have access to the relevant knowledge to prevent leakage; the company signs Non-disclosure Agreement with those who have mastered these core knowledge.

### **Data Protection and Privacy**

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC 《中華人民共和國專利法》, the Copyright Law of the PRC 《中華人民共和國著作權法》, the Trademark Law of the PRC 《中華人民共和國商標法》 and other laws and regulations. In order to protect the information of customers and the group (including information related to intellectual property rights), we have formulated guidelines for job conduct to ensure that office equipment such as laptops are properly kept. All the documents and electronic materials of the group, including teaching materials for training, are not allowed to circulate outside without authorisation. All business information, financial information, personnel information, bidding information, contract documents, customer information, research and statistical information, technical documents, planning and marketing plans, management documents, meeting content, that have not been publicly disclosed are all considered corporate secrets. Our Employees are responsible for their confidentiality. All rights and interests obtained by employees who are on duty, such as commercial and technical information, inventions and research results, belong to the Group, and no one is allowed to copy, imitate, reprint, extract, or distribute without written authorisation. The Group is committed to protecting customers' data and privacy. Customer information collected will not be used for promotional purposes without the customer's consent.

The Group values the protection of customer privacy and related company confidential information. The Group requires employees to strictly implement the confidentiality system and strictly prohibit the disclosure and selling of company's trade secrets, technical and economic information. The insider should report to the person-in-charge or the Company's management promptly and must not conceal it. The technical department is responsible for improving and consummating the technical management and confidentiality system. Company files and technical drawings information are kept by designated personnel. Those who steal or sell the Company's trade secrets, technical drawings, and other important secrets will be given corresponding monetary penalty and shall compensate for corresponding losses. Those involved in severe cases will be dismissed and pursued for criminal responsibility in accordance with laws.

During the Reporting Period, there was no material violations or non-compliance case in relation to intellectual property, products quality and safety, advertisement, labelling and privacy.

### **B7 Anti-corruption**

The Group always requires employees to abide by ethical standards, establish and maintain an overall ethical culture for the Group, and ensure that the Group conducts business with a high degree of integrity, which is an important responsibility of the Board.

During the Reporting Period, we provided regular professional ethics and behavioural guidelines training for employees who were responsible for procurement and sales. We encourage employees to cooperate with suppliers and potential suppliers in a manner that conforms to professional ethics, and prohibited all forms of commercial bribery. Looking ahead, we will continue to input more resource to our anti-corruption training and expand the scope of anti-corruption training data disclosure.

## B. SOCIAL

### Policies

The Group has established the following policies and procedures:

- **Corporate Anti-fraud Management Policy** (《企業反舞弊管理制度》)

According to the formulation of the internal control system, the Company intends to prevent fraud, strengthen the Company's corporate governance and internal control, reduce the Company's corporate risks, regulate business operations, and safeguard the legitimate rights and interests of the Group. The system regulates the professional behaviour of the Company's senior and middle management and all employees, requires employees to strictly abide by relevant laws, industry norms and standards, professional ethics and company rules and regulations, establish a good atmosphere of integrity and diligence, and prevent acts that harm the interests of group companies and shareholders from arising.

Fraudulent behaviours prevented by this policy refer to behaviours in which individuals inside or outside the Company use fraud and other illegal means to seek illegitimate interests of individuals or small groups; or seek illegitimate economic benefits of the company which may bring illegitimate benefits to individuals in the meantime. The scope of its definition includes: (i) accepting bribes or kickbacks; (ii) transferring transactions that would normally make the organisation profitable to others; (iii) illegally using company assets, embezzling and stealing company assets; (iv) making the company pay for false transactions; (v) intentionally concealing or misreporting the transactions; (vi) forging accounting records or documents; (vii) leaking the company's business or technical secrets; and (viii) other frauds that harm the company's economic interests.

- **Conflict of Interest Management Policy** (《利益衝突管理制度》)

The purpose of this system is to effectively prevent the normative development of conflicts of interest between directors, supervisors, senior management personnel and ordinary employees and the Company, and prevent acts that harm the interests of the Company and shareholders from arising.

During the Reporting Period, we arranged anti-corruption and bribery training for all the directors and heads of various departments, including the operation department, finance department, supply department and quality inspection department. The content of anti-corruption training covers enterprise anti-fraud management system, Chinese national laws and regulations on corruption and bribery, typical case analysis, and the consequences and responsibilities of illegal activities, to strengthen employees' professional ethics and achieve integrity and law-abiding operations. Participants will undergo random checks after the training to evaluate their mastery of the training content. The results showed that the participants have a basic understanding of relevant anti-corruption laws and regulations, and also understand the company's corporate fraud management system, which has fulfilled the expected result and purpose of the training. Looking ahead, we will continue to work on relevant anti-corruption training.

### Compliance Information on Relevant Laws and Regulations

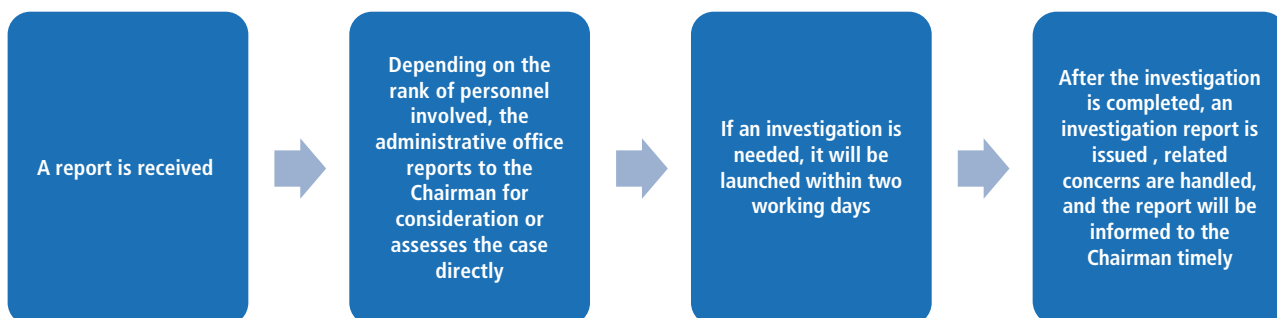
The Group strictly complies with anti-corruption laws and regulations in the PRC and Hong Kong, including but not limited to the Criminal Law of the PRC 《中華人民共和國刑法》, the Anti-Unfair Competition Law of the PRC 《中華人民共和國反不正當競爭法》, the Interim Provisions on Prohibition of Commercial Bribery 《關於禁止商業賄賂行為的暫行規定》, and Hong Kong's Prevention of Bribery Ordinance.

- The Criminal Law of the PRC 《中華人民共和國刑法》 regulates extortion and bribery activities in commercial dealings.
- Hong Kong's Prevention of Bribery Ordinance prohibits all forms of corruption and bribery. Any director or employee is prohibited from soliciting, accepting or offering any bribe while conducting company business or affairs in Hong Kong or elsewhere.

During the Reporting Period, the Group was not aware of any serious violations regarding corruption and concluded legal cases regarding corrupt practices brought against the issuer or its employees.

### Whistle-blowing Channel

The administrative office acts as the permanent agent for anti-fraud works, handling business ethical issues and fraud cases. Whistle-blowers may submit reports in their real name or anonymously through various channels including face-to-face, telephone hotline, e-mail. The whistle-blowing process is as follows:



## B. SOCIAL

After the investigation is completed, the relevant investigation report is issued, relevant concerns are handled, and the Chairman is informed. The investigation result of the real-name report will be informed to the whistle-blower timely. After verification, the whistle-blower will be rewarded according to the situation. The reward is decided based on the severity of the case or how the whistle-blower is handled by the Group.

To protect the whistle-blower, the administrative office will not record the name and other relevant information of the whistle-blower on the registration form when registering the report. Information of the registration form and the whistle-blower is limited to inspection by the head of the administrative office and the Chairman. Any departments or individuals are not allowed to inquire about the report and the information of the whistle-blower for any reason. The administrative office must also not inform the person other than the Chairman of the whistle-blower's information for any reason. If the information of the whistle-blower is leaked, we will try to protect the personal and property safety of the whistle-blower and pursue the related responsibilities of the leaker. No unit or individual may block or suppress the report by the whistle-blower for any reason, and shall not take any actions to combat and retaliate against the whistle-blower. Once discovered, we will deal with such case seriously in accordance with relevant regulations. If a person has committed an offence regarding certain behaviour, the person will be transferred to the judicial body for handling in accordance with laws.

### Community

#### B8 Community Investment

The Group is committed to serving the community. One of the ways we embody corporate social responsibility is to continue to support local education and employment. The Group is committed to promoting and cultivating talents and expanding the platform to recruit more talents. We continuously improve the internship system, and also work closely with institutions such as higher education institutes and research institutes, and provide comprehensive on-the-job learning opportunities and career development opportunities for young people who are aspired to certain career paths. During the Reporting Period, the Group donated RMB20,000 to Taohua Shengyan Temple in Putuo District, Zhoushan City, and donated an additional RMB3,000 as funding for disability assistance, giving back to society through concrete actions.

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
<b>A. Environmental</b>		
<b>Aspect A1 Emissions</b>		
<b>General Disclosure</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1 Emission
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	A1 Emission
<b>KPI A1.2</b>	Repealed 1 January 2025	/
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1 Emission
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1 Emission
<b>KPI A1.5</b>	Description of emissions target(s) set and steps taken to achieve them.	A1 Emission
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1 Emission
<b>Aspect A2 Uses of Resources</b>		
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	A2 Use of Resources
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A2 Use of Resources
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2 Use of Resources
<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2 Use of Resources
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2 Use of Resources
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2 Use of Resources

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
<b>Aspect A3 The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	A3 The Environment and Natural Resources
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3 The Environment and Natural Resources
<b>Aspect A4 Climate Change</b>		
<b>General Disclosure</b>	Repealed 1 January 2025	/
<b>KPI A4.1</b>	Repealed 1 January 2025	/
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1 Employment</b>		
<b>General Disclosure</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1 Employment
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	B1 Employment
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	B1 Employment
<b>Aspect B2 Health and Safety</b>		
<b>General Disclosure</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B2 Health and Safety
<b>KPI B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2 Health and Safety
<b>KPI B2.2</b>	Lost days due to work injury.	B2 Health and Safety
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2 Health and Safety

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
<b>Aspect B3 Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	B3 Training and Development
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category.	B3 Training and Development
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	B3 Training and Development
<b>Aspect B4 Labour Standards</b>		
<b>General Disclosure</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B4 Labour Standards
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	B4 Labour Standards
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	B4 Labour Standards
<b>Operating Practices</b>		
<b>Aspect B5 Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	B5 Supply Chain Management
<b>KPI B5.1</b>	Number of suppliers by geographical region.	B5 Supply Chain Management
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5 Supply Chain Management
<b>KPI B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5 Supply Chain Management
<b>KPI B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5 Supply Chain Management

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
<b>Aspect B6 Product Responsibility</b>		
<b>General Disclosure</b>	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6 Product Responsibility
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6 Product Responsibility
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	B6 Product Responsibility
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	B6 Product Responsibility
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	B6 Product Responsibility
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6 Product Responsibility
<b>Aspect B7 Anti-corruption</b>		
<b>General Disclosure</b>	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7 Anti-corruption
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	B7 Anti-corruption
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	B7 Anti-corruption
<b>KPI B7.3</b>	Description of anti-corruption training provided to directors and staff.	B7 Anti-corruption
<b>Community</b>		
<b>Aspect B8 Community Investment</b>		
<b>General Disclosure</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	B8 Community Investment
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8 Community Investment
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	B8 Community Investment

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>(I) Governance</b>		
<b>19</b>	An issuer shall disclose information about:	
<b>19 (a)</b>	The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:	
<b>19 (a) (i)</b>	How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities.	Governance Structure
<b>19 (a) (ii)</b>	How and how often the body(s) or individual(s) is informed about climate-related risks and opportunities.	Governance Structure
<b>19 (a) (iii)</b>	How the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer’s strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities.	Governance Structure
<b>19 (a) (iv)</b>	How the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35).	Governance Structure
<b>19 (b)</b>	Management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	
<b>19 (b) (i)</b>	Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee.	Governance Structure
<b>19 (b) (ii)</b>	Whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Governance Structure

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>(II) Strategy</b>		
<b>Climate-related risks and opportunities</b>		
<b>20</b>	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer’s cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:	
<b>20 (a)</b>	Describe climate-related risks and opportunities that could reasonably be expected to affect the issuer’s cash flows, its access to finance or cost of capital over the short, medium or long term.	Climate-related Risks and Opportunities
<b>20 (b)</b>	Explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk.	Climate-related Risks and Opportunities
<b>20 (c)</b>	Specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur.	Climate-related Risks and Opportunities
<b>20 (d)</b>	Explain how the issuer defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	Climate-related Risks and Opportunities
<b>Business model and value chain</b>		
<b>21</b>	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain. Specifically, the issuer shall disclose:	
<b>21 (a)</b>	A description of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain.	Climate-related Risks and Opportunities  Determination of Scope of Value Chain: Reasonable Information Relief is adopted. The Group will keep refining its method in determining the scope of value chain in its climate risk assessment
<b>21 (b)</b>	A description of where in the issuer’s business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	Climate-related Risks and Opportunities  Determination of Scope of Value Chain: Reasonable Information Relief is adopted. The Group will keep refining its method in determining the scope of value chain in its climate risk assessment

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Strategy and decision-making</b>		
<b>22</b>	An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:	
<b>22 (a)</b>	Information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	Refer to the below
<b>22 (a) (i)</b>	Current and anticipated changes to the issuer’s business model, including its resource allocation, to address climate-related risks and opportunities.	Climate-related Risks and Opportunities; Climate-related Financial Matters
<b>22 (a) (ii)</b>	Current and anticipated adaptation and mitigation efforts (whether direct or indirect).	Climate-related Risks and Opportunities
<b>22 (a) (iii)</b>	Any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer’s transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan.	The Group does not have a climate-related transition plan
<b>22 (a) (iv)</b>	How the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40.	Metrics and Targets
<b>22 (b)</b>	Information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	Governance Structure
<b>23</b>	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	N/A

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Financial position, financial performance and cash flows</b>		
<b>Current financial effect</b>		
<b>24</b>	An issuer shall disclose qualitative and quantitative information about:	
<b>24 (a)</b>	How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period.	Climate-related Risks and Opportunities; Climate-related Financial Matters  Quantification of Current Financial Effects: Budget allocated to climate-related works during the Reporting Period is disclosed in this Report. For the details of climate-related current financial effects (other than those mentioned in Climate-related Financial Matters section), the Group has yet to disclose it quantitatively. We are working closely with our ESG expert to determine useful parameters for the disclosure of quantitative financial effect information in the future. Qualitative financial effect information is disclosed in this Report
<b>24 (b)</b>	The climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	No significant risk of material adjustment

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Anticipated financial effect</b>		
<b>25</b>	The issuer shall provide qualitative and quantitative disclosures about:	
<b>25 (a)</b>	How the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy.	Climate-related Financial Matters
<b>25 (b)</b>	How the issuer expects its financial performance and cash flow to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	Climate-related Financial Matters  Quantification of Anticipated Financial Effects: Capabilities Relief is adopted. For the details of climate-related anticipated financial effects (other than those mentioned in Climate-related Financial Matters section), the Group has yet to disclose it quantitatively. We are working closely with our ESG expert to determine useful parameters for the disclosure of quantitative financial effect information in the future. Qualitative financial effect information is disclosed in this Report

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Climate resilience</b>		
<b>26</b>	An issuer shall disclose information that enables an understanding of the resilience of the issuer’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer’s identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer’s circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:	
<b>26 (a)</b>	The issuer’s assessment of its climate resilience as at the reporting date, which shall enable an understanding of:	
<b>26 (a) (i)</b>	The implications, if any, of the issuer’s assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis.	Climate-related Risks and Opportunities; Climate-related Financial Matters
<b>26 (a) (ii)</b>	The significant areas of uncertainty considered in the issuer’s assessment of its climate resilience.	The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report
<b>26 (a) (iii)</b>	The issuer’s capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term.	
<b>26 (b)</b>	How and when the climate-related scenario analysis was carried out, including:	
<b>26 (b) (i)</b>	Information about the inputs used, including:	
<b>26 (b) (i) (1)</b>	Which climate-related scenarios the issuer used for the analysis and the sources of such scenarios.	The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report
<b>26 (b) (i) (2)</b>	Whether the analysis included a diverse range of climate-related scenarios.	
<b>26 (b) (i) (3)</b>	Whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks.	

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>26 (b) (i) (4)</b>	Whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change.	The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report
<b>26 (b) (i) (5)</b>	Why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties.	
<b>26 (b) (i) (6)</b>	Time horizons the issuer used in the analysis.	
<b>26 (b) (i) (7)</b>	What scope of operations the issuer used in the analysis (for example, the operation locations and business units used in the analysis).	
<b>26 (b) (ii)</b>	The key assumptions the issuer made in the analysis.	
<b>26 (b) (iii)</b>	The reporting period in which the climate-related scenario analysis was carried out.	
<b>(III) Risk Management</b>		
<b>27</b>	An issuer shall disclose information about:	
<b>27 (a)</b>	The processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:	Refer to the below
<b>27 (a) (i)</b>	The inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes).	The Group has not conducted climate-related scenario analysis. For the data and parameters plan to be used, please refer to the section “Climate-related Scenario Analysis”
<b>27 (a) (ii)</b>	Whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks.	The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report
<b>27 (a) (iii)</b>	How the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria).	Climate-related Risks and Opportunities  The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
27 (a) (iv)	Whether and how the issuer prioritises climate-related risks relative to other types of risks.	Climate-related Risks and Opportunities
27 (a) (v)	How the issuer monitors climate-related risks.	Governance Structure; Climate-related Risks and Opportunities
27 (a) (vi)	Whether and how the issuer has changed the processes it uses compared with the previous reporting period.	N/A
27(b)	The processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities).	Governance Structure; Climate-related Risks and Opportunities  The Group has not conducted climate-related scenario analysis, related work plans are disclosed in the Report
27(c)	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer’s overall risk management process.	Climate-related Risks and Opportunities
<b>(IV) Metrics and Targets</b>		
<b>Greenhouse gas emissions</b>		
28	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO <sub>2</sub> equivalent, classified as:	
28 (a)	Scope 1 greenhouse gas emissions.	Metrics and Targets
28 (b)	Scope 2 greenhouse gas emissions.	
28 (c)	Scope 3 greenhouse gas emissions.	
29	An issuer shall:	
29 (a)	Measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions.	Metrics and Targets
29 (b)	Disclose the approach it uses to measure its greenhouse gas emissions including:	
29 (b) (i)	The measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions.	Metrics and Targets

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>29 (b) (ii)</b>	The reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions.	Metrics and Targets
<b>29 (b) (iii)</b>	Any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes.	
<b>29 (c)</b>	For Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer’s Scope 2 greenhouse gas emissions.	
<b>29 (d)</b>	For Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer’s measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	
<b>Climate-related transition risks</b>		
<b>30</b>	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Reasonable Information Relief is adopted in the Reporting Period. The Group is reviewing the climate-related financial effects and will provide quantifiable information including amount and % of assets or business activities vulnerable to risks in the future
<b>Climate-related physical risks</b>		
<b>31</b>	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Reasonable Information Relief is adopted in the Reporting Period. The Group is reviewing the climate-related financial effects and will provide quantifiable information including amount and % of assets or business activities vulnerable to risks in the future

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Climate-related opportunities</b>		
32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Reasonable Information Relief is adopted in the Reporting Period. The Group is reviewing the climate-related financial effects and will provide quantifiable information including amount and % of assets or business activities aligned with opportunities in the future
<b>Capital deployment</b>		
33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Climate-related Financial Matters
<b>Internal carbon prices</b>		
34	An issuer shall disclose:	
34 (a)	An explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis).	The Group does not apply a carbon price in decision-making
34 (b)	The price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions.	
34	Or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	
<b>Remuneration</b>		
35	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a) (iv).	No climate-related considerations are factored into remuneration policy
<b>Industry-based metrics</b>		
36	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterize participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	Disclosure of industry-based metrics has yet to be included

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>Climate-related targets</b>		
<b>37</b>	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:	
<b>37 (a)</b>	The metric used to set the target.	Metrics and Targets
<b>37 (b)</b>	The objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives).	
<b>37 (c)</b>	The part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region).	
<b>37 (d)</b>	The period over which the target applies.	
<b>37 (e)</b>	The base period from which progress is measured.	
<b>37 (f)</b>	Milestones or interim targets (if any).	
<b>37 (g)</b>	If the target is quantitative, whether the target is an absolute target or an intensity target.	
<b>37 (h)</b>	How the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	
<b>38</b>	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	
<b>38 (a)</b>	Whether the target and the methodology for setting the target has been validated by a third party.	The target has not been validated by a third party
<b>38 (b)</b>	The issuer’s processes for reviewing the target.	Metrics and Targets
<b>38 (c)</b>	The metrics used to monitor progress towards reaching the target.	Metrics and Targets
<b>38 (d)</b>	Any revisions to the target and an explanation for those revisions.	No revisions to the target
<b>39</b>	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer’s performance.	Metrics and Targets

# THE STOCK EXCHANGE “ESG REPORTING Code” CONTENT INDEX

Part D: Climate-related Disclosures		
Climate-related Disclosures		Section/Statement
<b>40</b>	For each greenhouse gas emission targets disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	
<b>40 (a)</b>	Which greenhouse gases are covered by the target.	Metrics and Targets
<b>40 (b)</b>	Whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.	Metrics and Targets
<b>40 (c)</b>	Whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target.	Metrics and Targets
<b>40 (d)</b>	Whether the target was derived using a sectoral decarbonisation approach.	Sectoral decarbonisation approach was not used
<b>40 (e)</b>	The issuer’s planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	
<b>40 (e) (i)</b>	The extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits.	The Group did not use carbon credits in the Reporting Period
<b>40 (e) (ii)</b>	Which third-party scheme(s) will verify or certify the carbon credits.	
<b>40 (e) (iii)</b>	The type of carbon credit, including whether the underlying offset will be nature-based or based on technology carbon removals, and whether the underlying offset is achieved through carbon reduction or removal.	
<b>40 (e) (iv)</b>	Any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	

**China PengFei Group Limited**  
**中国鹏飞集团有限公司**