

STOCK CODE: 603556



Go Green
Go Clean

2025 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT



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HEXING ELECTRICAL CO., LTD.

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About this Report

About the Report

This is the third Environmental, Social and Governance (ESG) Report (the "ESG Report" or "the Report") released by Hexing Electrical Co., Ltd., aiming to disclose the principles, progresses and achievements of Hexing and its subsidiaries in the environment, society, and corporate governance, and to actively respond to the expectations of stakeholders.

Reporting Period

The Report covers the period from January 1, 2025 to December 31, 2025 (the "Reporting Period"). To improve the comparability and perspectiveness, some sections of the Report may be appropriately referred to previous years or contains some forward-looking statements.

Reporting Scope

The Report primarily covers Hexing Electrical Co., Ltd. and its branches and subsidiaries. Unless otherwise specified, the scope of this Report is consistent with that of the Company's Annual Report.

Preparation Basis

- Shanghai Stock Exchange *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies - Sustainability Report (Trial)*
- Shanghai Stock Exchange *Self-Regulatory Guidelines for Listed Companies No. 4 - Preparation of Sustainability Reports (Revised in January 2026)*
- China Enterprise Reform and Development *Guidelines on Corporate Sustainability Reporting for Chinese Enterprises (CASS-ESG 6.0)*
- UN Sustainable Development Goals (SDGs)
- *Task Force on Climate-related Financial Disclosures (TCFD) Recommendations* (Preparation Basis)
- *Sustainability Accounting Standards Board (SASB) Standards* (Preparation Basis)
- *Global Reporting Initiative Sustainability Reporting Standards (GRI Standards 2021)* (Preparation Basis)

Description of Data

All information and data cited in the Report are sourced from the internal file or publicly available information of the Company. Unless otherwise specified, all amounts in the Report is expressed in RMB. For any discrepancy between the financial data in the Report and that in the Annual Report, the latter shall prevail.

Appellation Description

For the ease of expression and readability, Hexing Electrical Co., Ltd. are referred to as "Hexing", the "Company", the "Group", or "we" in the Report. Unless otherwise specified, the terms used herein have the same meanings as those in the Company's 2025 Annual Report.

Confirmation and Approval

The Report was approved by the Board of Directors of the Company on April 17, 2025. The Board of Directors hereby guarantees that the Report is free from false information, misleading statement or material omission, and assumes ultimate responsibilities for its truthfulness, accuracy and completeness.

Access to this Report

The Report is accessible and downloadable on the website of the Company (www.hxgroup.com) and the Shanghai Stock Exchange of (www.sse.com.cn).

If you have any feedbacks or suggestions on the Report, please don't hesitate to contact us at:

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Sustainable Development Highlights in 2025

Economic Performance



Operating Revenue	Net Profit Attributable to Shareholders	Total Taxes
RMB 4,768.6722 Million	RMB 729.0963 Million	RMB 301.0514 Million

Environmental Performance



Training on Environmental Protection	Photovoltaic Power Usage	Total GHG Emissions
68 Times	1,544,145 kWh	9,133.91 tCO ₂ e
GHG Emissions Intensity	Recycling Volume of General Waste	
1.92 tCO ₂ e/ RMB 1 million (Operating Revenue)	556.04 tons	

Social Performance



Signing Rate of Employment Contract	Coverage Rate of Social Insurance	Employee Satisfaction
100%	100%	91%
Number of Employee Training Sessions	Investment in Work Safety	Investment in R&D
431 Sessions	RMB 6.2562 Million	RMB 393.2223 Million
Customer Complaint Resolution Rate	Customer Satisfaction	
100%	95 Points	

Governance Performance



General Meetings of Shareholders Convened	Meetings of the Board of Directors Convened	Percentage of Female Directors in the Board of Directors	Percentage of Independent Directors in the Board of Directors
3 Times	8 Times	22.22%	33.33%

SSE Performance Briefings Held	Completed On-Site Visits and Conference Calls with Investors, Research Institutions, and Financial Media
4 Times	171 Sessions/Times

Announcements for External Disclosure
71 Copies

Receiving "A" rating - the highest rating in the 2024-2025 Information Disclosure Rating

ESG Honors and Ratings



ESG Rating Agencies	ESG Rating	(As of December 31, 2025)
Wind ESG Rating	AA	
China Securities Index (CSI) ESG Rating	AA	
Syntao Green Finance (STGF) ESG Rating	A-	
China Chengxin Green Finance (CCXGF) ESG Rating	AA⁻	
Sino-Securities Index (SSI) ESG Rating	A	

Winning the **ESG New Benchmark Enterprise Award**
and the **2025 Best ESG Practice Award for Listed Companies**

About Hexing

Company Profile

Founded in 1992, Hexing Electrical Co., Ltd. is headquartered in Hangzhou City, Zhejiang Province. The Company was listed on the Main Board of the Shanghai Stock Exchange in 2016 (Stock Code: 603556).

With the mission to provide "Green Energy and Clean Water", Hexing focuses on smart grids, smart water services, and the new energy industry. As a leading global provider of smart green energy products and solutions, Hexing is always committed to promoting the transition from traditional power systems to new energy power systems, and leading the construction and development of the digital energy industry ecosystem.

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Years of Industry Expertise

Presence in

110+ Countries and Regions

3,525

Employees Worldwide

Over **35%**

being Foreign Nationals



Corporate Culture



Mission

Green Energy, Clean Water



Vision

To become a global expert in green energy and clean water solutions



Corporate Purpose

Creating Honor for Motherland

We embrace both national commitment and global vision, ensuring that Hexing of China is also Hexing of the world.

Creating Value for Customers

We deliver industry-leading products and system solutions, providing professional services that support our customers' sustainable development.

Creating Wealth for Employees

We offer competitive compensation and benefits, foster an environment where employees can thrive, unlock their potential, and realize their personal value.

Creating Returns for Shareholders

We pursue steady operations and long-term development, creating sustainable value for our shareholders.



Values

Co-creation	Market Orientation	Innovation Collaboration	Value Creation
Co-responsibility	Hard Work	Jointed Responsibility	Jointed Risks
Co-sharing	Mutual Success	Shared Outcomes	Shared Development



Brand Slogan

Expanding with Integrity, Prospering through Excellence

Development Strategy

Hexing will align with the trend of global energy systems towards digitalization, decarbonization, decentralization and intelligent transformation. Focusing on market opportunities arising from the development of new power systems and the upgrading of energy infrastructure, and leveraging our long-standing capabilities in smart metering, intelligent power distribution and consumption, communication connectivity, system integration and overseas localization operations, we will continue to advance our transformation from a product supplier to a coordinated provider of "products, solutions and services", with a view to enhancing our comprehensive competitiveness in the global energy and power infrastructure sector.

In the period following the Reporting Period and the foreseeable future, Hexing will adhere to the overall development strategy of "consolidating core businesses, cultivating new growth drivers, strengthening platform capabilities and enhancing global operational efficiency", with a focus on forging ahead in the following strategic directions:

Consolidating Core Competencies in Smart Metering to Solidify the Foundation of Existing Businesses

Hexing will continue to consolidate the technological, product, customer and market strengths established in the smart metering sector, continuously enhance product competitiveness, delivery capability and service capability, and steadily strengthen our market position in key countries, customers and application scenarios. In response to evolving customer needs and technological advancements in the industry, we will continue to promote the upgrading and iteration of our metering products and system platforms, and improve the operational quality and sustainable profitability of our core businesses.

Enhancing the Power Distribution and Consumption Solution Business to Improve Systematic Competitiveness

Capitalizing on market opportunities arising from power infrastructure upgrades, smart distribution network retrofits, and the development of new power systems, Hexing will continuously refine our product portfolios and solution capabilities for power distribution and consumption, and promote the extension of our businesses from single equipment supply to system integration and scenario-based solutions. We will further strengthen integrated product synergy, project delivery, and technical support capabilities for distribution network scenarios, enhance the competitiveness of our comprehensive solutions in key markets, and promote higher-quality development of our power distribution and consumption business.

Actively Expanding Digital Energy and Microgrid-Related Businesses to Cultivate New Growth Drivers

Hexing will seize market opportunities arising from the global development of distributed energy, energy storage, and microgrids. Focusing on application scenarios such as commercial and industrial sectors, industrial parks, and off-grid/weak-grid areas, we will steadily enhance our capabilities in new energy product sales, system integration, and relevant solutions, and promote the coordinated development of new energy businesses with our power distribution and consumption businesses. The Company will prioritize strengthening system solution capabilities aligned with our existing industrial strengths and progressively enhance our technical integration and project implementation capabilities for source-grid-load-storage coordinated application scenarios, thereby cultivating new growth drivers for our medium- to long-term development.

Focusing on Industrial Synergy and Scenario Extension to Steadily Expand Business Boundaries

On the basis of strengthening our core businesses, Hexing will steadily promote business expansion related to our existing capabilities in line with customer needs, technological evolution and resource synergies, with a focus on solution-oriented business areas such as coordinated electricity-water-gas product integration, line loss management and water treatment. Guided by market demand and premised on capability building and controllable risks, we will promote the orderly deployment of related businesses and broaden our future development space.

Adapting to Regional Supply Chain Trends to Enhance the Resilience of Global Operations

In response to the restructuring of international industrial and supply chains, Hexing will continue to leverage our overseas footprint and localization advantages, continuously optimize our manufacturing, supply chain, delivery, and service systems, and enhance our rapid response capabilities and comprehensive support capacity in key markets. We will strengthen synergy between headquarters and overseas bases to promote more efficient global resource allocation, and further enhance the resilience, efficiency, and overall cost competitiveness of our global operations.

Continuously Strengthening Platform Capabilities to Enhance Strategy Execution

To meet long-term development needs, Hexing will continue to improve the development of our marketing platforms, supply chain platforms, technology platforms and digital platforms, thereby continuously enhancing our organizational synergy, operational control, and global resource integration capabilities. We believe that future competition will manifest not only at the product and market levels but also in terms of organizational capability, system strength, and operational efficiency. We will continue to advance the development of solution capabilities, talent development systems, and digital capabilities to provide robust support for strategic implementation.

Promoting Digitalization and AI Applications to Empower Operation and Management Upgrades

Hexing will continue to advance the application of digital marketing, digital operations, and artificial intelligence technologies across all aspects of operational management. This will drive the continuous optimization of key processes—including R&D, marketing, supply chain, delivery, and services—to enhance our operational efficiency, risk identification, and management decision-making capabilities. We will regard the development of digital and intelligent capabilities as an important foundation for enhancing our future competitiveness and will promote higher-efficiency, stronger coordination and higher-quality corporate operations.

Adhering to the Principle of Prudent Investment to Advance the Development of New Businesses, Products, and Projects

In alignment with industry development trends and our medium- to long-term strategic direction, Hexing will adhere to a combination of endogenous development and external cooperation. Under the premises of controllable risks, appropriate resource matching and prudent evaluation, we will advance the cultivation of new businesses, the development of new products, and the deployment of new projects. For cooperation and investment opportunities that align with our strategic direction and help us foster industrial synergy or strengthen capabilities, we will conduct comprehensive evaluations based on market conditions, technological maturity, implementation requirements, and expected returns, and proceed with these initiatives in a prudent manner.

Objectively Recognizing Opportunities and Challenges to Promote Steady and Sustainable Development

The primary development opportunities of Hexing lie in the ongoing global energy transition. The construction of new power systems, the upgrading of power infrastructure, and the advancement of distributed energy, create new market opportunities for smart metering, power distribution and consumption solutions, new energy system integration, and related extended businesses. Nevertheless, we also face challenges such as intensified international market competition, accelerated technological iteration, supply chain volatility and uncertainties in the cultivation of new businesses. In response, we will adhere to a long-term perspective, balance development pace, operational quality, and risk control, continuously enhance our core competitiveness and risk resilience, and drive toward steady and sustainable development.

Global Layout

Hexing adheres to a global layout, having established 16 Global Manufacturing Centers and set up 38 Overseas Subsidiaries. Focusing on regions including Europe, Latin America, Africa and Asia, the company continues to deepen cooperation with local customers and has built a global marketing and service network, helping countries around the world build a green, energy-efficient and low-carbon society.

Domestic



Key Performance

16 Global Manufacturing Centers and **38** Overseas Subsidiaries

Overseas



Major Honors

<p>— Hexing —</p> <p>National Enterprise Technology Center</p> <p>National Development and Reform Commission, Ministry of Finance, General Administration of Customs, State Taxation Administration</p> 	<p>— Hexing —</p> <p>National Green Factory</p> <p>Ministry of Industry and Information Technology</p> 	<p>— Hexing —</p> <p>AEO Advanced Customs Certification</p> <p>General Affairs Division No.3 of Qianjiang Customs, China Customs</p> 	<p>— Hexing —</p> <p>National Intellectual Property Advantageous Enterprise</p> <p>National Intellectual Property Administration</p> 	<p>— Hexing —</p> <p>Top 100 Digital Economy Enterprises in Hangzhou</p> <p>Hangzhou Entrepreneurs Association</p> 	<p>— Hexing —</p> <p>Top 100 Fastest-Growing Enterprises in Zhejiang Province</p> <p>Zhejiang Entrepreneurs Association</p> 	<p>— Hexing —</p> <p>Advanced Technological Innovation Achievement in Zhejiang Province</p> <p>Economy and Information Technology Department of Zhejiang Province</p> 	<p>— Hexing —</p> <p>"A" Rating for the Information Disclosure Evaluation in 2024-2025</p> <p>Shanghai Stock Exchange</p> 
<p>— Hexing —</p> <p>Leading Private Economic Headquarters Enterprises of Zhejiang Province in 2025</p> <p>Economy and Information Technology Department of Zhejiang Province</p> 	<p>— Hexing —</p> <p>AAA-Level Publicly Announced AAA-level Contract-Abiding and Credit-Worthy Enterprise of Zhejiang Province</p> <p>Zhejiang Administration for Market Regulation</p> 	<p>— Hexing —</p> <p>Zhejiang Postdoctoral Centre</p> <p>Zhejiang Human Resources and Social Security Department</p> 	<p>— Hexing —</p> <p>Zhejiang Province Credit Management Demonstration Enterprise</p> <p>Zhejiang Enterprise Credit Promotion Association</p> 	<p>— Ningbo Henglida —</p> <p>National "Little Giant" Specialized and Sophisticated Enterprise that Produces Novel and Unique Products</p> <p>Ministry of Industry and Information Technology</p> 	<p>— Ningbo Henglida —</p> <p>Zhejiang Provincial Green and Low-Carbon Factory</p> <p>Economy and Information Technology Department of Zhejiang Province</p> 	<p>— Ningbo Henglida —</p> <p>AAA-Level Publicly Announced AAA-level Contract-Abiding and Credit-Worthy Enterprise of Zhejiang Province</p> <p>Zhejiang Administration for Market Regulation</p> 	<p>— Ningbo Henglida —</p> <p>Zhejiang Province Credit Management Demonstration Enterprise</p> <p>Zhejiang Administration for Market Regulation</p> 
<p>— Hexing —</p> <p>Zhejiang Famous Brand for Export</p> <p>Department of Commerce of Zhejiang Province</p> 	<p>— Hexing —</p> <p>Provincial Key Enterprise Research Institute</p> <p>People's Government of Zhejiang Province</p> 	<p>— Hexing —</p> <p>Hangzhou Municipal Government Quality Award</p> <p>People's Government of Hangzhou Municipality</p> 	<p>— Hexing —</p> <p>Advanced Primary Party Organization of Zhejiang Province</p> <p>Organization Department of the CPC Zhejiang Provincial Committee</p> 	<p>— Ningbo Henglida —</p> <p>Comprehensive Advanced Enterprise</p> <p>People's Government of Dongqianhu Town</p> 	<p>— Ningbo Henglida —</p> <p>Advanced Export Enterprise</p> <p>People's Government of Dongqianhu Town</p> 	<p>— Ningbo Henglida —</p> <p>High-growth Industrial Enterprise Above Designated Size</p> <p>People's Government of Dongqianhu Town</p> 	<p>— Ningbo Henglida —</p> <p>AAA Credit Rating Certificate</p> <p>Hangzhou Credit Rating Co., Ltd.</p> 
<p>— Hexing —</p> <p>Zhejiang Provincial-Level Overseas Warehouse</p> <p>Department of Commerce of Zhejiang Province</p> 	<p>— Hexing —</p> <p>Native Private Transnational Leading Enterprise of Zhejiang Province in 2024</p> <p>Department of Commerce of Zhejiang Province</p> 	<p>— Hexing —</p> <p>Top 100 Comprehensive Enterprises in Hangzhou</p> <p>Hangzhou Entrepreneurs Association</p> 	<p>— Hexing —</p> <p>Top 100 Manufacturing Enterprises in Hangzhou</p> <p>Hangzhou Entrepreneurs Association</p> 	<p>— Nanjing Hexing —</p> <p>National Green Factory</p> <p>Ministry of Industry and Information Technology</p> 	<p>— Nanjing Hexing —</p> <p>National "Little Giant" Specialized and Sophisticated Enterprise that Produces Novel and Unique Products</p> <p>Ministry of Industry and Information Technology</p> 	<p>— Nanjing Hexing —</p> <p>Advanced-Level Smart Factory of Jiangsu Province</p> <p>Industry and Information Technology Department of Jiangsu</p> 	<p>— Nanjing Hexing —</p> <p>Specialized and Sophisticated SME of Jiangsu Province</p> <p>Industry and Information Technology Department of Jiangsu</p> 

Sustainable Development Governance

Philosophy for Sustainable Development

Hexing actively integrates sustainable development into strategic planning and daily operations, and upholds the philosophy of "building a cleaner, smarter, and more sustainable future through technological innovation and localized services". Guided by the purposes of "creating honor for motherland, creating value for customers, creating wealth for employees, and creating returns for shareholders", we drive the transformation of traditional power systems into new-generation power systems, lead the development of the digital energy industry ecosystem, and provide exceptional smart green energy products and solutions to advance the sustainable development of both the Company and the industry. In 2025, we successfully upgraded the rating from A to AA in the Wind ESG Rating. In addition, we were awarded the "ESG New Benchmark Enterprise Award" by the Stock Star and the "2025 Best ESG Practice Award for Listed Companies" by Shenzhen Valueonline Information Technology Co., Ltd. Our ESG management capabilities and practical achievements have received high recognition from the market and authoritative institutions.

Sustainability Management Framework

In accordance with the *Working Rules of the Strategy Development Committee under the Board of Directors*, Hexing has established a four-tier sustainability governance structure comprising the Board of Directors, the Strategy Development Committee, the ESG Working Group, and various business units. This structure clarifies responsibilities at each level to ensure effective implementation of the sustainable development strategy.



Hexing places high importance on building sustainability capabilities. During the Reporting Period, specialized ESG training was conducted for the Management and core business personnel, covering more than 100 participants. The training focused on ESG policies, data governance processes, and the Company's material topics, effectively enhancing participants' professional competence and practical capabilities in sustainable development and strengthening the organizational foundation for ESG initiatives.

Case Study ESG Training

To help employees and the Management get a deeper understanding of the philosophy of sustainable development and strengthen their ESG management capabilities, the Company offered another ESG training session for more than 52 participants, with a training duration of 2 hours. The training centered on the latest ESG policy developments, cutting-edge industry trends, and the Company's development realities. It provided a detailed interpretation of policy requirements and industry practices, and focused on key topics to explore the Company's pathways for improvement in the ESG performance. Through this training, a more unified understanding of the core direction of ESG initiatives was established in the Company, laying a solid foundation for subsequent cross-departmental collaboration in advancing related initiatives.



ESG Due Diligence








To standardize due diligence practices and enhance professional capabilities in due diligence, Hexing formulated the *Measures for the Administration of Due Diligence* to strengthen due diligence management for business cooperation with related parties and direct equity investment projects. All cooperation projects are required to conduct legal, financial, and commercial due diligence, with the Business Department serving as the primary responsible department for due diligence. The primary responsible department may conduct ESG due diligence based on the actual circumstances of partners, focusing on their performance in areas such as energy conservation and emission reduction, product health and safety, cultural inclusiveness, and business ethics. For high-risk cooperation projects and all private equity direct investment projects, the Company requires independent third-party institutions to conduct legal, financial, and commercial due diligence and issue independent reports. In addition, quality assessment mechanisms are adopted to ensure professionalism and effectiveness of the due diligence, providing a solid and reliable basis for the Company's investment and cooperation decisions.

ESG Risk Management

With reference to regulations including the *International Financial Reporting Sustainability Disclosure Standards No. 1 - General Requirements for Disclosure of Sustainability-related Financial Information* issued by the International Sustainability Standards Board (ISSB), Hexing integrates environmental, social, and governance risks into full-process management. Focusing on key areas such as response to climate change, innovation-driven development, safety and quality of product and service, supply chain management, and employees, the Company conducts risk identification, assessment, and mitigation, strictly fulfills information disclosure obligations, strengthens internal control supervision and accountability implementation, and continuously enhances risk prevention and control capabilities. For further details, please refer to the relevant sections of the Company's reports.

Response to SDGs

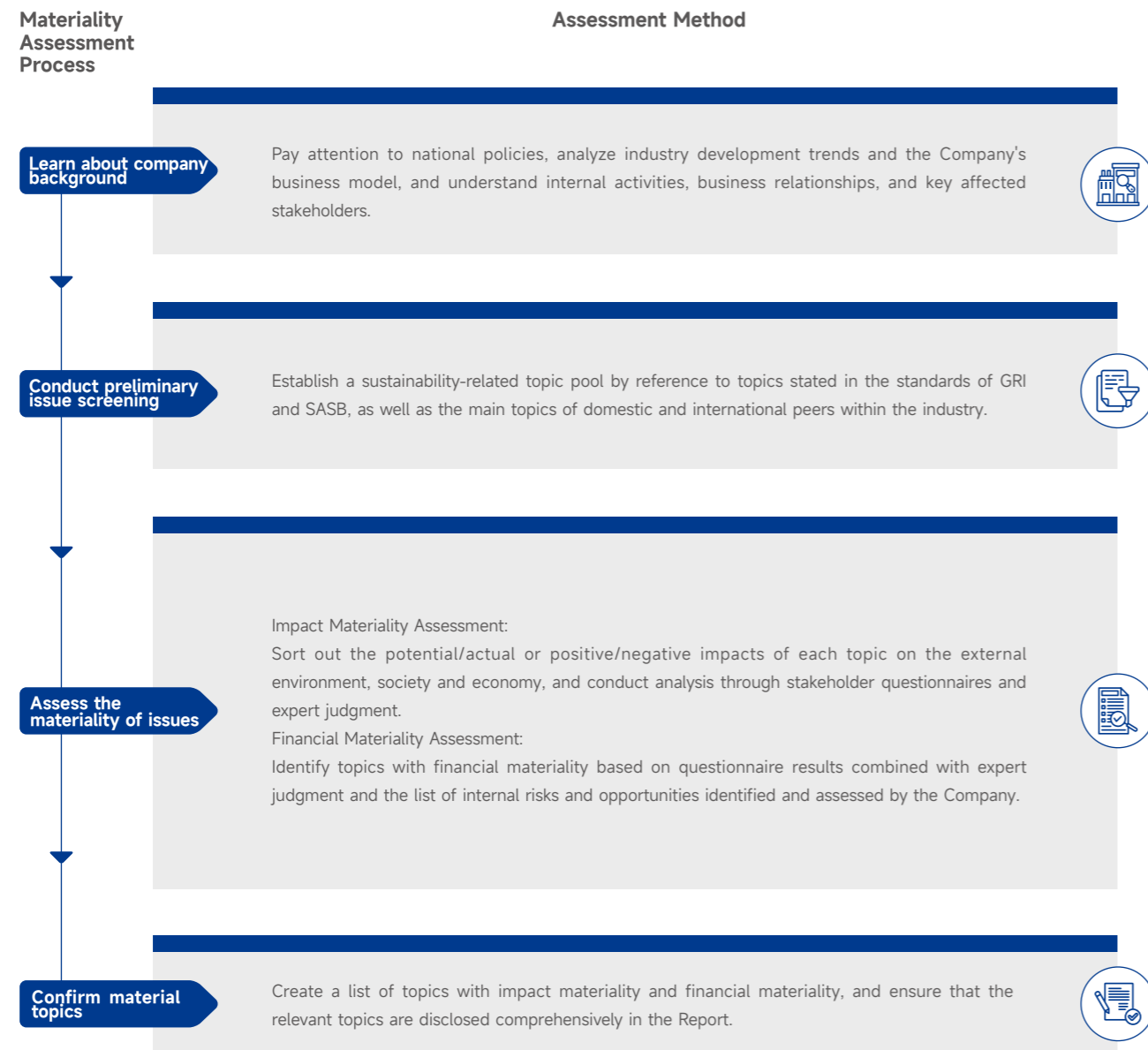
We actively respond to the United Nations Sustainable Development Goals (SDGs), and take them as a benchmark and guide to anchor the direction of our ESG initiatives and drive the effective implementation of related practices.

SDGs	Our Actions
	The Company focuses on community assistance and rural revitalization, and improves livelihood conditions and rural development environments through targeted donations and public welfare funds supporting community facility upgrades and care initiatives for vulnerable groups, thus contributing to poverty alleviation through sustained public welfare actions.
	The Company cares about employees' physical and mental health, organizes diverse cultural and sports activities and offers regular health checkups to safeguard their occupational health and well-being.
	The Company establishes and develops a team of professional internal trainers, provides a comprehensive learning platform and rich learning resources for all employees, and supports both personalized learning and professional capability development.
	The Company effectively protects the legitimate rights and interests of female employees, strictly ensures gender equality in recruitment, compensation and benefits, and promotion, and fully implements statutory leave entitlements such as prenatal checkup leave in accordance with applicable laws and regulations.
	The Company strictly controls wastewater discharge processes and conducts real-time monitoring of wastewater treatment to improve water resource utilization efficiency.
	The Company actively promotes the use of clean energy sources such as photovoltaic (PV) power generation and reduces greenhouse gas (GHG) emissions through measures including technological upgrades and energy conservation awareness campaigns.
	The Company provides employees with market-competitive compensation and diversified benefits and fully taps employees' capabilities and potentials through regular performance assessments.

SDGs	Our Actions
	The Company adheres to innovation-driven development, continuously leads technological progress in power IoT, establishes R&D incentive mechanisms, and actively participates in industry exchanges, to enhance innovation capability and product competitiveness.
	The Company is committed to building an equal and inclusive working environment and ensuring equal treatment for all employees in recruitment and promotion.
	Relying on core businesses such as smart grids, smart water service and new energy, the Company offer green, efficient, and intelligent integrated solutions, thereby contributing to the construction of low-carbon, livable, and sustainable cities.
	The Company implements full lifecycle management of products and strictly controls product quality through digital technologies.
	The Company actively responds to the strategic goals of "carbon peaking and carbon neutrality", comprehensively conducts GHG inventories, vigorously promotes energy conservation awareness and technological applications, and contributes to achieving carbon neutrality.
	The Company continuously improves corporate governance, routinely conducts anti-corruption and anti-graft efforts, refines governance structure based on actual conditions, adheres to the bottom line of compliant operations, strengthens risk management mechanisms, and comprehensively enhances the transparency and standardization of corporate governance.
	The Company adheres to compliant operations, requires suppliers, distributors, and other business partners to sign integrity agreements, implements supplier classification management, and ensures compliant and efficient operations.




Management of Material Topics

In accordance with the requirements of the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies - Sustainability Report (Trial)* and through methods such as questionnaires and industry research, Hexing introduced both impact materiality and financial materiality perspectives to identify and assess material topics. The specific implementation steps are as follows:



Communication with Stakeholders

Hexing pays great importance to listening to and responding to expectations from all parties and integrates related demands into daily operations and strategic planning, promoting continuous development in key areas such as product innovation and R&D, safety and privacy protection, and compliant operations.

Stakeholders	Topics of Concern	Communication and Response
 Governments and Regulators	Corporate Governance Risk Management Business Ethics Lawful Tax Payment	Government Communication Information Disclosure Regular Reporting Policy Implementation
 Shareholders and Investors	Compliant Operation Risk Control Information Disclosure Return on Investment	General Meeting of Shareholders Corporate Reporting Communicate with investors Online Interactive Platform
 Customers	Product Innovation High-Quality Service Customers' Rights and Interests Information Protection	Enhancement of Product Quality Customer Communication Customer satisfaction surveys Handling of Customer Complaints

Stakeholders	Topics of Concern	Communication and Response
 Employees	Protection of Employees' Rights and Interests Career Development Compensation and Benefit Training and Development Occupational Health and Safety	Employee Communication Employee Training Employee Health Protection Employee Satisfaction Survey Cultural Activities
 Partners	Supply Chain Management Industry Collaboration and Development Business Ethics	Supplier Communication and Training Supplier Audits and Oversight Conduct compliant Procurement Industry Exchange
 Public and Community	Community Development Rural Revitalization Environmental management Energy Conservation and Environmental Protection	Community Service Promotion of Green Development

Governance Foundation: Safeguarding Sustainable Operations with Compliance

Our Philosophy

Hexing continuously improves governance structure, adheres to the bottom line of compliant operations, strengthens risk management mechanisms, and strictly enforces regulations on information disclosure to ensure that disclosed information is true, accurate, complete, and timely. In addition, we place great importance on investor relations management, continuously optimize and maintain open channels of communication with investors, and promote the stable, healthy, and sustainable development of the Company.

Our Actions

Corporate Governance	23
Compliant Operation	26
Investor Relations Management and Shareholders' Rights and Interests	31
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Party Building Leadership	37

SDGs

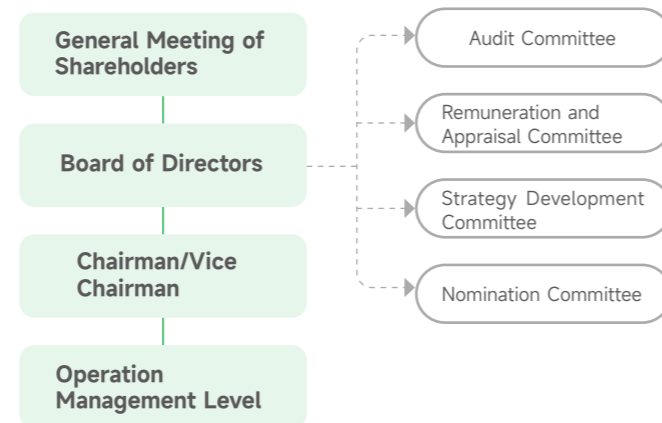


03



Corporate Governance

In strict accordance with the *Company Law of the People's Republic of China* (the "Company Law"), the *Securities Law of the People's Republic of China* (the "Securities Law"), and other applicable laws and regulations, Hexing has established a governance structure composed of the General Meeting of Shareholders, the Board of Directors (and its special committees), and the Management, and formulated systems such as the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders*, and the *Rules of Procedure for the Board of Directors*, to provide strong institutional guarantees for the standardized operations of the Company. During the Reporting Period, in accordance with regulatory requirements and operational realities, the Company abolished the Board of Supervisors and transferred all the powers to the Audit Committee under the Board of Directors, thereby further enhancing the efficiency and professionalism of governance oversight.



Organizational Structure of Hexing

General Meeting of Shareholders

The General Meeting of Shareholders, as the highest governance body of the Company, exercises decision-making power on major matters in accordance with applicable laws and regulations. In accordance with the requirements of the *Company Law*, the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders*, and other relevant regulations, the Company strictly regulates the procedures for convening, holding, and voting at all General Meetings of Shareholders. The General Meeting of Shareholders adopts a combination of on-site voting and online voting to ensure that all shareholders, especially minority shareholders, fully exercise their voting rights. Meanwhile, lawyers are engaged to witness the meetings on site, fully safeguarding the legality and compliance of the General Meeting of Shareholders.

Key Performance: | During the Reporting Period

the Company convened **3** General Meetings of Shareholders, including **2** Extraordinary General Meetings of Shareholders, at which **20** proposals were reviewed and approved.

Board of Directors

The Board of Directors is the Company's decision-making body, accountable to the General Meeting of Shareholders. It strictly performs its duties in accordance with the *Articles of Association* and the *Rules of Procedure for the Board of Directors*, exercising functions such as formulating business plans and investment proposals, and implementing resolutions of the General Meeting of Shareholders, to ensure that the Company's decision-making is scientific and standardized, and its governance operations are sound and effective.

Key Performance: | During the Reporting Period

the Board of Directors held **8** meetings, at which **35** proposals were reviewed and approved, with an attendance rate of **100%**.

Specialized Committees under the Board of Directors

The Board of Directors has established the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Development Committee, and the Nomination Committee, and formulated corresponding rules of procedure. Each committee independently performs its duties in strict accordance with its rules of procedure and fully exercises its professional advisory and supervisory functions, to continuously enhance the professionalism of corporate governance. Concurrently, the Company has established a specialized meeting mechanism for independent directors, ensuring that significant matters, including related-party transactions, are subject to a formal pre-approval process. Independent directors thoroughly review these matters and provide professional opinions, to safeguard the legitimate rights and interests of both the Company and its shareholders.

Key Performance: | During the Reporting Period

the Company held 2 dedicated meetings of independent directors, at which **2** proposals were reviewed;

and the specialized committees under the Board of Directors held **10** meetings, at which **17** proposals were reviewed and approved, with an attendance rate of **100%**.

Among these, the Audit Committee held **6** meetings and reviewed a total of **13** proposals; the Remuneration and Appraisal Committee held **2** meetings and reviewed a total of **2** proposals;

the Strategy Development Committee held **1** meeting and reviewed a total of **1** proposal; and the Nomination Committee held **1** meeting and reviewed a total of **1** proposal.

Board Diversity

Hexing is committed to promoting the diversity of the Board of Directors by comprehensively considering factors such as the gender structure, professional expertise, and educational background of Board members to achieve a balanced composition. Additionally, the Company appoints employee directors to ensure that the employee group fully participates in the discussion and decision-making on major matters of the Board of Directors. As of the end of the Reporting Period, the Company had a total of 9 directors, including 1 employee representative director.



Composition of the Board of Directors		Unit	2025
By Age	Under 40 Years Old	Person	1
	40-49 Years Old	Person	2
	50-59 Years Old	Person	2
	60 years old or above	Person	4
By Gender	Male	Person	7
	Female	Person	2

Board Independence

Hexing continues to improve board independence. The proportion of independent directors complies with regulatory requirements, and their qualifications have been carefully reviewed. They have no conflicts of interest with the Company or related parties. To ensure effective performance of duties by independent directors, the Company has formulated the *Working System for Special Meetings of Independent Directors*. Independent directors serve as conveners of the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee respectively, among which the convener of the Audit Committee is an accounting professional. Independent directors deeply participate in the decision-making by the Board of Directors, independently express professional opinions, enhance the scientific and objective nature of decisions, and effectively safeguard the overall interests of the Company and the legitimate rights and interests of minority shareholders.

Key Performance:

The Company currently has **3** independent directors and **6** non-independent directors, with independent directors accounting for **33.33%** of the total directors.

Proportion of Independent Directors in the Audit Committee:

66.67%

Proportion of Independent Directors in the Nomination Committee:

66.67%

Proportion of Independent Directors in the Remuneration and Appraisal Committee:

66.67%

Management of Remuneration for Directors and Senior Management

In accordance with the *Company Law*, the *Code of Corporate Governance for Listed Companies*, and the *Articles of Association*, Hexing has formulated the *Remuneration Management System for Directors and Senior Management*. In terms of remuneration structure, the remuneration of non-independent directors and senior management consists of base pay, performance-based pay, and medium- to long-term incentive; independent directors adopt a fixed allowance system, with specific amounts approved by the General Meeting of Shareholders and paid on a quarterly basis. Additionally, the Company has established a remuneration clawback mechanism for directors and senior management. In the event that financial information is restated due to financial fraud or similar circumstances, or if directors or senior management commit violations of laws or regulations due to negligence, their performance-based pay and medium- to long-term incentives may be re-evaluated, reduced, suspended, or even recovered in part.

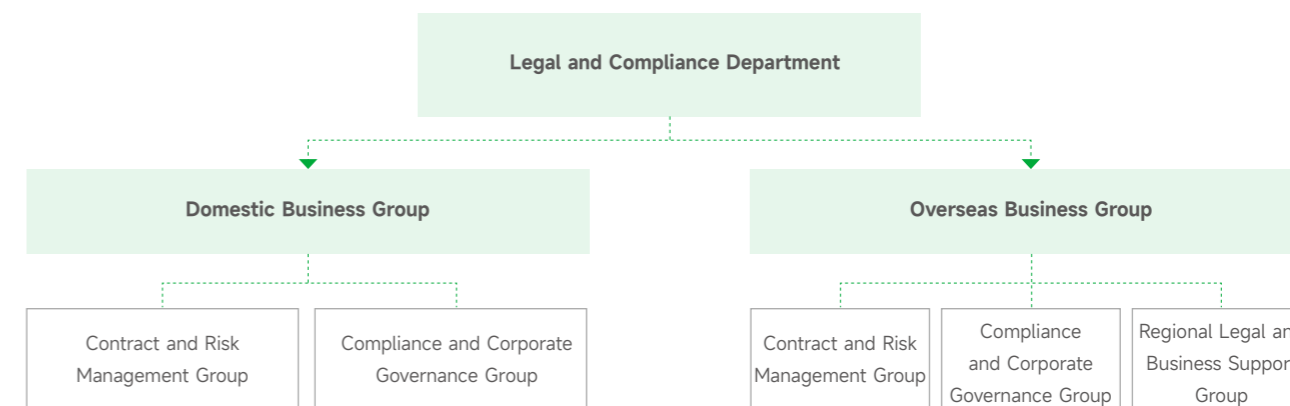
Key Performance: | During the Reporting Period

the Company paid pre-tax remuneration totaling RMB **11.1878** million to directors and senior management (including those who resigned during their terms).

Compliant Operations

Compliance Management

Hexing places great importance on compliant operations. Through the formulation of regulations such as the *Explanation on the Organizational Structure of the Legal and Compliance Department of Hexing Group* and the *Notice on Organizational Restructuring of the Quality and Compliance Center*, the Company has clarified the compliance management framework, departmental responsibilities, and operational processes. The Company has established an integrated organization centered on the Legal and Compliance Department, with specialized teams for domestic and overseas operations. It collaborates with the Quality and Compliance Center to achieve comprehensive coverage of legal affairs, contracts, quality control, and system management. In terms of management processes, the Company implements a "systematization + business integration" dual-track operation mode to embed compliance requirements into the front end of business operations. We implement closed-loop management of risk incidents—including the early warning, handling, and review of risk incidents. Supported by digital platforms, we realize the visualization and traceability of processes, providing strong support for sustained and stable operations and high-quality development.



Organizational Structure for Compliance Management

During the Reporting Period, Hexing identified potential risks primarily in the areas of contract management, informatization, and data compliance through compliance inspections of contract management, compliance risk awareness campaigns and self-inspections, and compliance status reviews of overseas subsidiaries, and implemented targeted rectification measures.

Contract Management

In response to issues such as insufficient approval traceability and dispersed process nodes, the Company actively promoted the digitalization of contract review processes and optimized evaluation procedures to strengthen risk identification and process control.

Informatization and Data Compliance

- The Informatization Department, based on key compliance risk points and regulatory alignment checklists, organized self-inspections on information security and data protection compliance, formulated self-assessment conclusions, and promoted the implementation of improvement measures.
- In response to issues identified during compliance inspections of overseas subsidiaries, the Company assisted the Brazilian Branch in appointing a local Data Protection Officer (DPO) to enhance its professional capacity in addressing data compliance risks.

● Training on Compliance Management

To enhance employees' capability to fulfill compliance responsibilities, Hexing offered specialized training tailored by level and category, focusing on contract-related legal risk prevention and control, identification of external compliance risks, and cultivation of compliance awareness. These efforts continuously strengthened employees' awareness and prevention capabilities regarding common legal risks in business operations, promoted the deep integration of compliance requirements into daily operations and business practices, and fostered a compliance culture characterized by proactive identification, conscious adherence, and continuous improvement.

Case Special Training on Legal and Compliance Topics

In September 2025, Hexing organized and offered a training session on legal and compliance topics for SSC managers. This training focused on key legal risks encountered by the Management in daily decision-making and business management, and incorporated case analyses and interactive discussions based on the actual business scenarios of the Company. It effectively strengthened participating managers' awareness of law-based decision-making and compliance performance capabilities, and further promoted the effective transmission and implementation of compliance requirements to the Management.



Key Performance | In 2025

the Company offered a total of **4** legal training sessions for **160** participants.

The total duration of legal training was **6** hours, and **8** legal professionals participated in the training.

● Import and Export Compliance Management

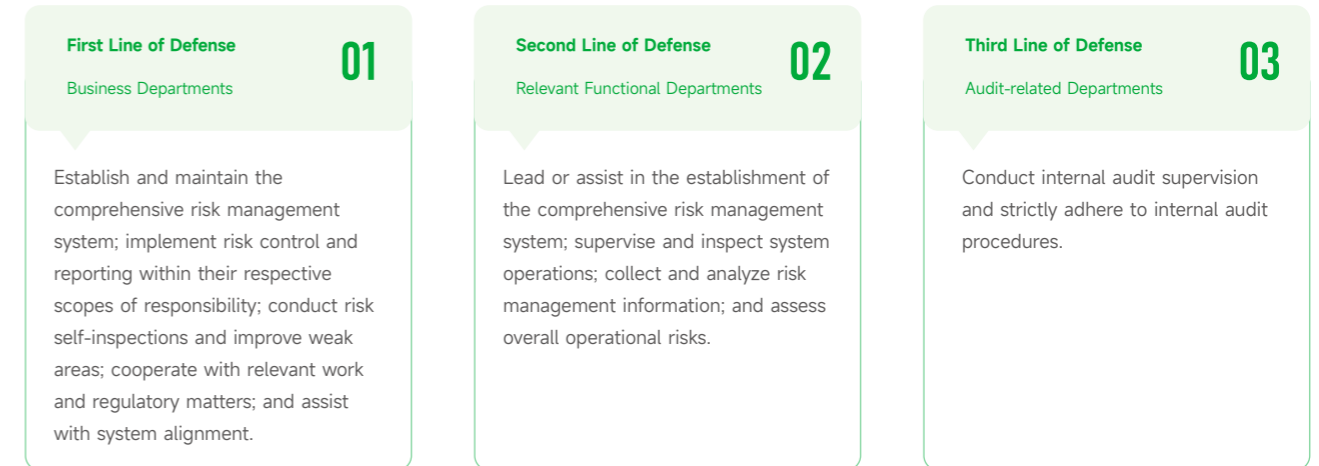
To ensure compliance with import and export controls and safeguard overseas business operations, Hexing implemented full-process management and independent review of documentation in accordance with the *Measures for the Administration of Customs Documents for Import and Export* and the *Import and Export Documentation Review System*, to strictly control customs declaration risks. In addition, through the *Key Compliance Risks and Regulatory Coordination Checklist*, the Company clarified responsibilities related to trade controls, economic sanctions, and customs compliance. Since 2015, the Company has consistently maintained the "AEO Advanced Certified Enterprise" status granted by the Customs, meeting international standards for global supply chain security and facilitation.



AEO Advanced Certification

➤ Risk Management

Hexing has established a clear risk management organizational structure, where the Board of Directors, as the highest decision-making body, is responsible for risk management strategies and major risk decisions, oversees related operations, and bears ultimate responsibility. The Audit Committee under the Board of Directors shares supervisory duties with external audit institutions. Concurrently, the Company formulated the *Measures for Risk Management* to establish a sound risk management system across risk, compliance, legal affairs, and other professional fields, while continuously advancing the tiered and categorized management of risks.



Three Lines of Defense for Risk Management

● Risk Management and Control

In accordance with the *Risk and Opportunity Control Procedures*, Hexing has established a normalized risk assessment mechanism and ensured a continuous and effective operation through institutionalized review assurance mechanisms. During the Reporting Period, the Company conducted systematic and periodic assessments of core business risks and strategic opportunities, and formulated response strategies based on these assessments. The audit verification has been deeply integrated with risk assessment activities to continuously improve the closed-loop management system centered on warning, response, and review, thereby providing systematic support for the steady advancement of strategic objectives and sustainable development.



Compliance Risk Management Process

● Training on Risk Management

Hexing is committed to the systematic development of risk prevention and control capabilities, treating specialized training as a key means to enhance the risk awareness and management proficiency of all employees. During the Reporting Period, the Company offered regular training focusing on key areas, such as overseas business risk hedging and contract-related legal risk prevention and control, and continuously strengthened the professional capabilities of key business personnel in risk assessment, compliance operations, and process execution.

▼ Case Training on Credit Insurance, Trade Insurance and Project Insurance

On July 17, 2025, the Risk Control Department and relevant departments of the Company offered a training session on China Export Credit Insurance – Trade Risk and Project Risk - for the international marketing team. This training focused on export trade insurance and project insurance, providing an in-depth explanation of their coverage scope, premium rates, application procedures, claims settlement conditions, and typical case studies. The aim was to help front-line business personnel effectively utilize policy-based financial tools, prioritize "risk hedging" awareness, mitigate various risks associated with overseas operations, and safeguard the Company's cash flow security.



Key Performance | In 2025

the Company offered a total of **2** risk management training sessions, for **60** participants, with a total training duration of **6** hours.

➤ Internal Control

In accordance with requirements and standards such as the *Basic Norms for the Internal Control of Enterprises*, the *Guidelines for the Application of Internal Control of Enterprises*, and the *Guidelines for the Evaluation of Internal Control of Enterprise*, Hexing strictly followed the five major principles of comprehensiveness, materiality, checks and balances, adaptability, and cost-effectiveness, and formulated systems such as the *Internal Audit Management System* to standardize the implementation of all internal control activities. The Audit Department is responsible for formulating internal control management systems and for organizing and guiding relevant functional departments and subsidiary companies in advancing internal control self-assessment work. During the Reporting Period, the Company carried out audit supervision and risk assessment in accordance with established plans and conducted a special audit of the Procurement Center. In addition, the Company engages an accounting firm annually to evaluate the effectiveness of internal controls and issue an annual audit report. The audit results indicate that the Company's management system has been effectively maintained and implemented, with no material non-conformities identified.

Key Performance | During the Reporting Period

the Company conducted **6** internal audits and **1** external audit, identified **6** issues, and achieved a rectification completion rate of **100%**.

➤ Tax Management

Hexing faithfully fulfilled tax obligations and formulated systems such as the *Financial Management System*, the *Non-resident Individual Income Tax Management System*, and the *Measures for the Administration of the Accounting and Verification of Tax Accounts*, continuously strengthening full-process compliance management of tax-related matters. In accounting practices, the Company strictly complied with the national unified accounting system and the Accounting Standards for Business Enterprises to ensure that economic transactions were recorded truthfully and completely, thereby providing a reliable basis for accurate tax calculation. Additionally, the Company prepares financial reports within the prescribed time limits, submits them to the competent tax authorities in a timely manner, and fulfills statutory obligations regarding tax filing and payment in accordance with applicable laws and regulations. During the Reporting Period, the Company did not engage in any material tax violations or non-compliance.

Key Performance | During the Reporting Period

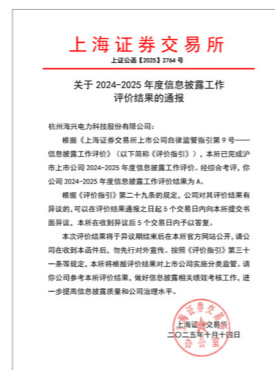
the total taxes paid by the Company was RMB **301.0514** million.



Investor Relations Management and Shareholders' Rights and Interests

Information Disclosure

In accordance with the *Company Law*, the *Measures for the Administration of Information Disclosure by Listed Companies*, and other applicable laws and regulations, Hexing has formulated and implemented systems such as the *Information Disclosure Management System* and the *Management System for the Suspension and Exemption of Information Disclosure*, clarifying management responsibilities, procedures, content, and confidentiality measures for information disclosure. All information disclosed by the Company undergoes a rigorous internal review process to ensure that disclosures are timely, truthful, accurate, and complete. To uphold the fairness of information disclosure, we continuously strengthen our mechanisms for safeguarding the confidentiality of inside information, effectively preventing violations such as the disclosure of inside information or insider trading by persons with access to such information, and resolutely safeguarding the fair market order and the legitimate rights and interests of investors. During the Reporting Period, the Company received an "A" rating, the highest rating in the 2024-2025 Information Disclosure Evaluation by the Shanghai Stock Exchange, and no incidents of penalties resulting from violations of information disclosure occurred in the Company.



"A" Rating in the Information Disclosure Evaluation by the Shanghai Stock Exchange

Key Performance | During the Reporting Period

the Company disclosed **4** regular reports and **67** interim announcements.

Investor Relations Management

Hexing has established the *Investor Relations Management System*, which designates the Office of the Board of Directors as the functional department for investor relations management. Led by the Board Secretary, the Office of the Board of Directors is fully responsible for the daily investor relations management of the Company. Through diversified channels such as performance briefings, online conference calls, responses on the SSE E-Interactive platform, and investor hotline services, the Company actively interacted with investors, listened to market expectations and reasonable suggestions, responded efficiently to investor concerns, and built a positive interactive ecosystem for investor relations.



Communication with Investors

Key Performance

The Company held **4** SSE performance briefings, completed **171** communications with investors/research institutions and financial media through on-site visits and conference calls, and attended **23** securities firms' strategy conferences on site.

Investor Returns

Hexing has always upheld the core development philosophy of "putting investors first" and attached great importance to investor returns. By adopting a two-pronged approach of sustained and stable cash dividends and share repurchases, the Company effectively safeguards the rights and interests of shareholders. Since its listing in 2016, Hexing has implemented cash dividends for consecutive years, with a cumulative total cash dividend of RMB 2.688 billion yuan (tax included), and the average ratio of cumulative cash dividends to cumulative net profit is approximately 44.61%. During the reporting period, the Company launched a share repurchase program, with a planned total repurchase amount of no less than 100 million yuan (inclusive) and no more than 200 million yuan (inclusive), intended for employee stock ownership plans or equity incentive plans. As of the end of 2025, a total of 4,917,180 shares had been repurchased, fulfilling the Company's commitment to investors with concrete actions. Meanwhile, the Company completed the cancellation of 2,419,870 shares. Following the cancellation, the total share capital of the Company decreased from 488,684,040 shares to 486,264,170 shares. By optimizing the share capital structure and improving earnings per share, the Company further enhanced shareholders' equity, demonstrating its firm confidence in long-term value.

Cash Dividend Distribution in the Past Three Years	Unit	2024	2025
Cash Dividend per 10 Share (Tax Inclusive)	RMB	7	8
Total Cash Dividend (Tax Inclusive)	RMB 10,000	34,038.49	38,507.76
Proportion to Net Profit Attributable to Shareholders in Consolidated Financial Statements	%	33.97	52.82

Note: The years listed in this table refer to profit-generating years. The 2025 profit distribution plan will be implemented only with the approval of the 2025 Annual General Meeting of Shareholders.

Protection of Creditors' Rights and Interests

While effectively safeguarding the legitimate rights and interests of shareholders, Hexing also attaches importance to the protection of creditors' rights and interests. In daily operations and management, we adhere to the bottom line of integrity in business operations, strictly implement debt repayment procedures, and safeguard creditors' legitimate rights, such as the right to declare claims. In addition, we improve internal control mechanisms, standardize related-party transactions and external guarantees, and disclose relevant information in a timely manner to effectively maintain the Company's market credit image. During the Reporting Period, the Company paid interest on all issued public market debt on time and completed the repayment of principal upon maturity as scheduled, with no instances of default on public market debt. Additionally, the Company was honored as the 2025 AAA-Level Contract-Honoring and Credit-Valuing Enterprise by the Zhejiang Administration for Market Regulation, demonstrating the Company's integrity in operations and strengthening the protection of creditors' rights and interests.

Business Ethics

Anti-Commercial Bribery and Anti-Corruption

To prevent fraud and corruption and strengthen employees' anti-corruption awareness, Hexing has formulated the *Measures for the Implementation of Anti-fraud and Anti-corruption Management*. The Board of Directors and the Audit Committee bear the ultimate oversight and decision-making responsibilities, tasked with fostering a culture of integrity and overseeing the effectiveness of the internal control system. The Management, as the executive leadership level, serves as the primary responsible body for anti-fraud and anti-corruption efforts across all business units of the Company. In addition, functional centers such as Finance, Legal, and Human Resources fulfill collaborative management responsibilities within their respective professional domains, collectively forming a management execution network that spans global operations.

For overseas operations, Hexing has incorporated anti-commercial bribery into governance requirements and formalized anti-corruption commitments in employment contracts in the form of an "Integrity Agreement", which jointly form the institutional foundation of the Company's anti-commercial bribery and anti-corruption efforts.

Anti-Corruption Initiatives

Risk Management

The Company has established a mechanism for identifying and assessing fraud and corruption risks, clearly defining high-risk areas for corruption as false financial reporting and management overreach. The Internal Audit Department is responsible for identifying and controlling these risks, and implements two preventive control measures: background checks on personnel, and the commitment and agreement mechanisms.

Supervision

The Company has established mechanisms for continuous internal control and process supervision, special supervision, and irregular spot checks. The Internal Audit Department and the Finance Center oversee and review all business and finance departments, carrying out whistleblower management, audits, case investigations, and surprise inventory counts.

Integrity Management of Business Partners

The Company has signed the Agreement on Transparency with business partners such as suppliers and distributors, clearly stipulating mandatory clauses prohibiting conflicts of interest, the provision of false information, and any form of commercial bribery, and requiring them to sign written commitments to solidify their integrity responsibilities.

Education and Training

The Company steadily advanced the development of an integrity culture by organizing integrity education meetings and other integrity training activities to strengthen employees' value recognition of integrity-based professional conduct.

Case Education Meeting on Internal Integrity

In April 2025, the Company organized a special integrity education meeting for all employees, focusing particularly on key positions, management personnel, and employees prone to integrity risks. The meeting aimed to deepen employees' understanding of integrity-related professional conduct standards, clarify behavioral boundaries and self-discipline requirements, and encourage employees to actively participate in the supervision system to jointly create a clean and upright internal environment.




2025 Key Performance

Number of Directors Participating in the Training on Anti-commercial Bribery and Anti-Corruption	6 Persons
Percentage of Directors Participating in Training on Anti-commercial Bribery and Anti-Corruption	66.67%
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	12 Hours
Number of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	25 Persons
Percentage of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	60%
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for the Management	50 Hours
Number of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	100 Persons
Percentage of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	3%
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Employees	200 Hours
Signing Rate of the <i>Agreement on Transparency</i> or the Commitment to Anti-Unfair Competition by Suppliers/Distributors	100%

Whistleblower Protection


Hexing has established a standardized whistleblowing mechanism in internal policies such as the *Anti-Fraud and Whistleblowing System*, clearly stipulating that all whistleblowing cases are independently investigated by the Internal Audit Department, with accountability and penalties tiered according to the severity of violations. Verified fraud and corruption cases are subject to a "one-vote veto" and zero-tolerance policy. In addition to holding direct parties accountable, the Company traces management responsibility and enforces financial recovery. In addition, the Company established comprehensive whistleblower protection and incentive measures, strictly prohibiting the disclosure of whistleblower information and any form of retaliation against whistleblowers. Violators will be subject to dismissal or termination of employment contracts, and those who violate the law will be referred to judicial authorities, thereby effectively safeguarding the seriousness and effectiveness of the whistleblowing mechanism.

Reporting Channels




Email

Audit: shenji@hxgroup.com



Phone or SMS

0571-28187626



Offline Accept whistleblowing materials submitted by mail or in person

Online Set whistleblowing channels on both the official website and the WeChat Official Account

Anti-Unfair Competition

In strict accordance with the *Anti-monopoly Law of the People's Republic of China*, the *Anti-unfair Competition Law of the People's Republic of China*, and other applicable laws and regulations, Hexing has formulated and implemented the *Code of Compliance Conduct*, to embed the principles of fair competition throughout the entire process of operations and management. The Company explicitly prohibits any form of unfair competition, resolutely eliminates commercial fraud and false or misleading commercial promotions, and strictly forbids the conclusion of monopoly agreements or the abuse of market dominance to ensure the fairness and compliance of market competition. Additionally, the Company actively offered training on anti-monopoly and fair competition to strengthen employees' awareness of the rule of law. During the Reporting Period, the Company was not subject to any form of investigation or penalties resulting from unfair competition.

2025 Key Performance	
Number of Training on Anti-Monopoly and Fair Competition	1 Time
Number of Participants in Training on Anti-Monopoly and Fair Competition	60 Persons
Total Training Hours of Training on Anti-Monopoly and Fair Competition	2 Hours

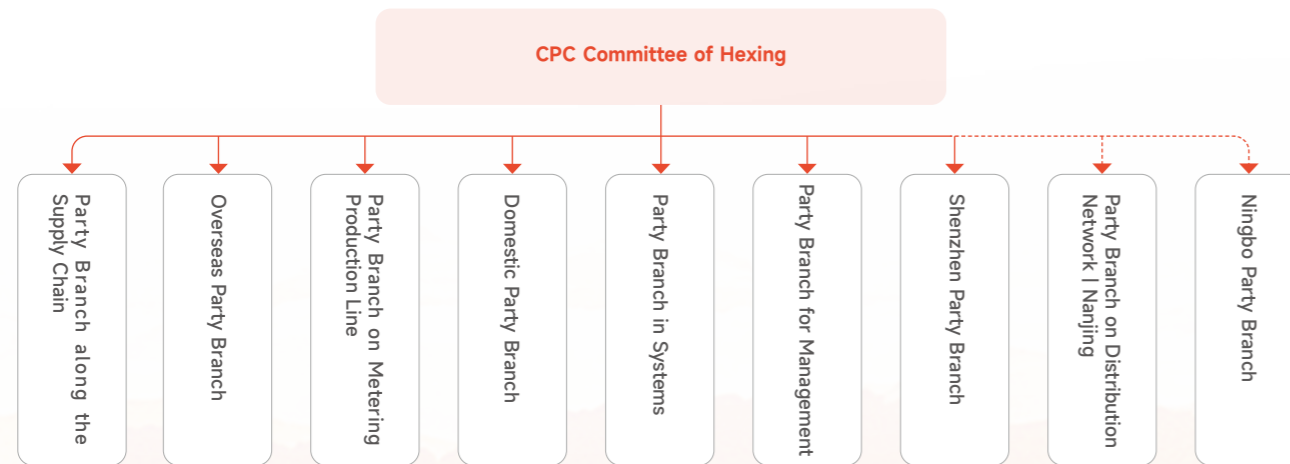
Anti-Money Laundering

In accordance with the *Anti-money Laundering Law of the People's Republic of China* and other applicable laws and regulations, Hexing has formulated the *Code of Compliance Conduct* and fulfilled confidentiality obligations regarding legally obtained customer identity information, transaction information, and anti-money laundering information, which shall not be disclosed externally unless otherwise required by applicable laws and regulations. We also regularly evaluate the effectiveness of our anti-money laundering efforts and continuously optimize institutional processes and control measures. Concurrently, relevant functional departments have been established for the overall coordination, specific implementation, and daily management of anti-money laundering and counter-terrorist financing activities. During the Reporting Period, the Company was not subject to any major regulatory penalties for violations related to regulations concerning anti-money laundering or counter-terrorist financing.

Party Building Leadership

Party Building System

In 2025, the CPC Committee of Hexing continued to deepen the "Red Circuit" Party-building brand under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Closely aligned with the Company's strategic development, our Party-building work was deeply integrated with core business operations, focusing on three key areas: leveraging the role of Party members, innovating Party education lectures, and enhancing organizational development quality, thereby leading the Company's global market expansion and high-quality development through Party-building initiatives. During the Reporting Period, the CPC Committee of Hexing was recognized as a "Five-star" Party Organization by the Qiantang Smart City Party Working Committee. The Secretary of the CPC Committee received the Provincial Model Individual Award for Women's Achievements, and one Party Committee member was recognized as an Outstanding Party Affairs Worker at the district level.



Party Organization Structure

Key Performance | In 2025

the Company held **2** Party Committee meetings, and the General Party Branch and individual Party Branches collectively convened **30** General Meetings of Party Members. The Company had **7** Party branches and **142** Party members.



Party Building Practices

Consistently upholding the principle of Party building as the driving force for development and thoroughly implementing the general requirements for Party building in the new era, Hexing regularly conducts Party-building activities such as theoretical study and revolutionary education, and continuously strengthens the ideological and political development of Party members, to consolidate their foundation of ideals and convictions. By fully leveraging the role of Party branches as strongholds and the exemplary leadership of Party members, the Company harnesses Party building to unite forces for development and stimulate the drive to achieve results, thereby providing solid political safeguards and organizational support for standardized governance and sound business operations.

Advancing Overseas Market Expansion to solidify the Foundation for Development

The CPC Committee of the Company has deepened the "Party Member Pioneer Project", guiding Party members to take active roles in tackling challenges in overseas market expansion. The Company has deeply cultivated markets in Asia and Latin America, with business coverage across 51 countries under the Belt and Road Initiative, maintaining a market share ranking among the top in the industry. Party members take the lead in on-site problem-solving to overcome challenges in overseas development, while simultaneously contributing to local livelihood improvements and green development, fully demonstrating the core value of Party building in guiding enterprises to "go global".

Innovating Forms and Platforms to Strengthen Ideological Guidance

The Company promotes the deep integration of theoretical learning, Party discipline education, and business improvement. The Party Secretary delivers thematic Party lectures, participates in training for Party organization secretaries of private enterprises organized by the Organization Department of the CPC Central Committee, and promptly conveys the guiding principles. Additionally, leveraging occasions such as the celebration of the CPC anniversary and the release of corporate culture initiatives, the Company organized Party-building cultural presentation competitions to strengthen ideological guidance through diversified formats and communicate Party policies to all Party members and employees, thereby building consensus for development.

Standardizing Institutional Implementation to Foster Synergy for Development

With standardized Party-building as a key focus, Hexing strictly implements institutional arrangements such as the "Three Meetings and One Lecture" system. By organizing activities such as collective viewing of commemorative ceremonies and hosting AI innovation practice events, we integrate the spirit of Party-building with corporate innovation and development. We also actively fulfill our social responsibilities by supporting rural areas and contributing to community development. Through standardized Party-building and practical commitment, we foster collective development efforts, highlighting the warmth of party-building and our commitment to social responsibility.



Organized Viewing of the Parade Commemorating the 80th Anniversary of the Victory in the War of Resistance Against Japanese Aggression



"July 1st" Cultural Lecture Competition

Green Development: Advancing Growth Through Low-Carbon Transition

Our Philosophy

With a strong sense of responsibility, Hexing deeply integrates responses to global climate challenges, environmental protection, and improvements in resource utilization efficiency into operational practices, and continuously reduces the environmental impact from daily operations. We actively fulfill our corporate responsibility to protect ecosystems and biodiversity, demonstrating our firm commitment to sustainable development through concrete actions.

Our Actions

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SDGs



04



Response to Climate Change

Governance

In active alignment with the *United Nations Framework Convention on Climate Change* and the *Paris Agreement*, Hexing firmly responds to the national "carbon peak and carbon neutrality" strategy, and has made addressing climate change and green, low-carbon development a core strategy of sustainable development. We have established and refined green and low-carbon management systems and processes in accordance with documents such as the *Environmental, Occupational Health, Safety, and Energy Management Policy*, to ensure that energy and carbon emissions management, as well as climate-related risk management, across all stages from operations to the value chain, are conducted in a systematic and evidence-based manner.

In terms of risk response, Hexing has established a mechanism whereby the Logistics Service Center is responsible for activating the plan and conducting emergency disposal in accordance with the *Emergency Response Plan for Extremely Severe Weather*. Safety officers monitor weather information, establish early warning procedures for extremely severe weather, and implement climate risk prevention measures.

Capacity Building

Hexing actively advances the development of a green talent pool by establishing a green talent recruitment plan and regularly organizing training sessions on green development. Industry experts and scholars are invited to provide professional guidance to employees, comprehensively enhancing their literacy and professional capabilities in green and low-carbon development. The Company closely monitors developments in national green and low-carbon policies, proactively engages with relevant government departments, and actively seeks policy support and financial subsidies to provide robust support for the development of green technologies and the successful implementation of relevant projects. Furthermore, the Company actively engages in technical cooperation with industry associations, research institutions, and other entities to integrate high-quality external resources and jointly advance the R&D and application of green and low-carbon technologies.

Supervision and Evaluation

Hexing has formulated medium-term (3–5 years) and long-term (5–10 years) green and low-carbon development goals and established supervision and evaluation mechanisms to regularly assess the progress of various tasks, promptly identify issues, and promote improvements. In addition, the Company continuously strengthens information transparency and communication through the preparation of the environmental, social and governance (ESG) reports.

Strategy

Combining industry trends with operational realities, Hexing has formulated the *Hexing Green Development Plan (2023-2027)*, which identifies and assesses key climate change-related risks and opportunities faced in operations, helping to enhance climate resilience and seize opportunities for green transformation.

Type of Risk/ Opportunity	Description of Risk/Opportunity	Likelihood of Occurrence	Extent of Impact	Duration of Impact	Value Chain Links Impacted	Priority Ranking	Potential Financial Impact	Countermeasures	
Physical Risk	Acute risk	Extreme weather events such as heavy rainfall, floods, and typhoons are occurring more frequently and with increasing intensity, which may result in damage to production bases and facilities, logistics disruptions, and delivery delays	Medium	Medium	Short term	Upstream, operations, downstream	Medium	Increase in operating costs, Reduction in operating revenue	Conduct climate vulnerability assessments and reinforcement of critical assets, formulate emergency drills and business continuity plans, optimize supply chain layout to diversify logistics risks, and obtain property insurance coverage for critical assets
	Chronic Risk	Prolonged periods of high temperatures increase cooling energy consumption and operational costs at some production sites, and rising sea levels may threaten the safety and operations of long-term assets in coastal areas	Medium	Medium	Long term	Operations	Medium	Increase in operating costs	Adopt high-efficiency cooling and thermal insulation designs in newly constructed and renovated facilities, increase the proportion of renewable energy used in operations, and conduct climate adaptability assessments for long-term investments
Transition Risks	Policy and Legal Risks	Major global markets are implementing carbon tariffs or stricter energy efficiency and carbon footprint regulations, and products that fail to meet these standards will face market access barriers or additional costs	High	High	Medium to long term	Operations, downstream	High	Reduction in operating revenue	Establish a policy tracking and analysis mechanism, incorporate product lifecycle carbon footprint assessments into the design process, and promote carbon data transparency among key suppliers
	Market and Reputation Risks	Downstream customers' low-carbon procurement requirements are increasingly stringent; if ESG performance or product carbon information falls short of expectations, it will impact order acquisition and brand reputation	Medium	Medium	Medium term	Downstream	Medium	Reduction in operating revenue	Proactively disclose product energy efficiency and ESG performance, provide customers with low-carbon value-added solutions, and improve ESG disclosure and communication to shape a responsible brand image
Opportunities	Energy Source Transition	Deploying distributed renewable energy can reduce reliance on the traditional grid, secure green consumption certifications, and enhance the Company's reputation	High	High	Medium to long term	Operation	High	Reduction in operating costs	Install distributed PV systems at major production bases, and explore market-oriented green electricity procurement methods such as Power Purchase Agreements (PPA)
	Market and Financing Access	Green business credentials serve to broaden green financing channels and reduce financing costs	Medium	Medium	Medium to long term	Operation	Medium	Reduction in operating costs	Research and develop a Sustainable Finance Framework, and proactively promote green business initiatives to financial institutions

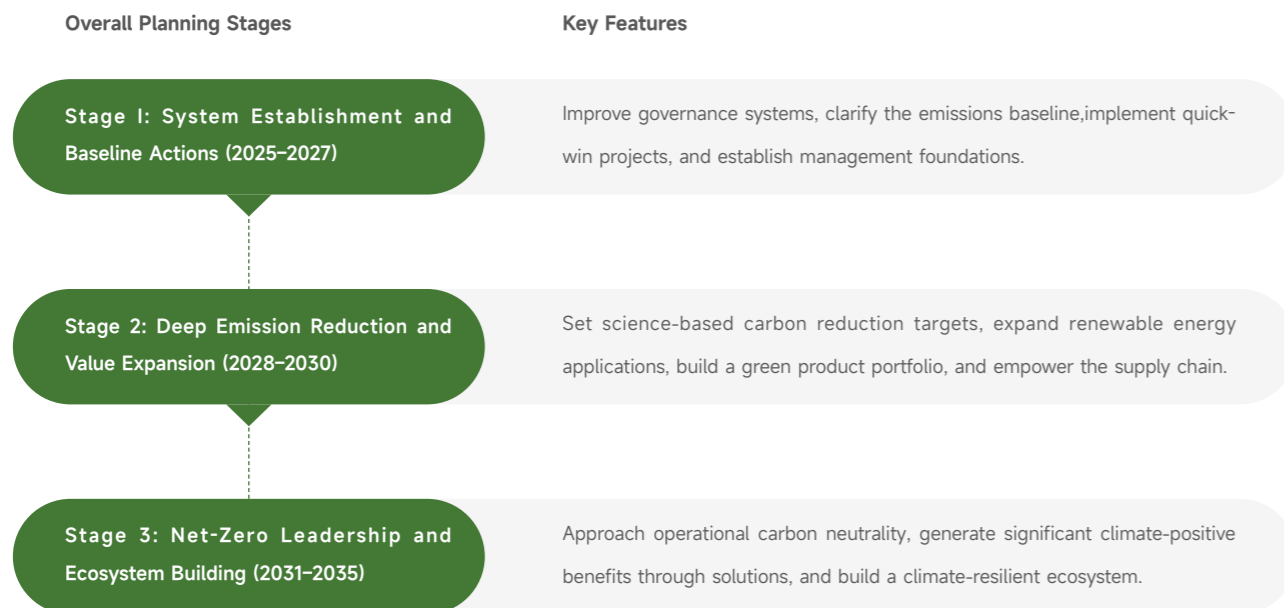
Impact, Risk, and Opportunity Management

In terms of climate risk management, Hexing has established a full-process management system covering "identification-analysis-assessment-response-monitoring". We regularly identify and assess risks that may arise during the green transition, and formulate targeted response strategies and contingency plans accordingly. In addition, we continuously improve risk warning indicators and monitoring systems to promptly detect and alert against potential green risks. The Strategy and Public Affairs Center of the Group is responsible for the formulation, supervision, assessment, and implementation of climate-related strategies, tracking progress in risk response and comprehensively incorporating climate performance into the management evaluation system. Furthermore, the Company integrates climate considerations into the entire business lifecycle, builds a full-chain green value chain, and continuously enhances the transparency and effectiveness of climate actions through the publication of ESG reports and the conduct of climate change awareness and capacity-building training.

Metrics and Targets

Transition Plan in Response to Climate Change

To address the challenges of climate transition, Hexing will fully integrate climate factors into overall development strategy, investment decisions, and risk management framework. We have formulated the *Strategy and Transition Plan in Response to Climate Change (2025-2035)*, and proactively seek policy-based financial support, such as government green loans, so as to provide a solid financial foundation for the implementation of climate transition. This plan is coordinated and implemented by the Management, with a focus on technological and business model innovation to drive emissions reductions in our own operations and enable collaborative carbon reduction across the value chain. We systematically manage climate-related physical and transition risks while actively seizing market opportunities in the low-carbon economy. Concurrently, the Company adheres to mainstream international disclosure frameworks for climate-related information disclosure, establishes internal evaluation and accountability mechanisms, and organizes annual environmental and climate-themed training sessions to strengthen internal climate governance capabilities.

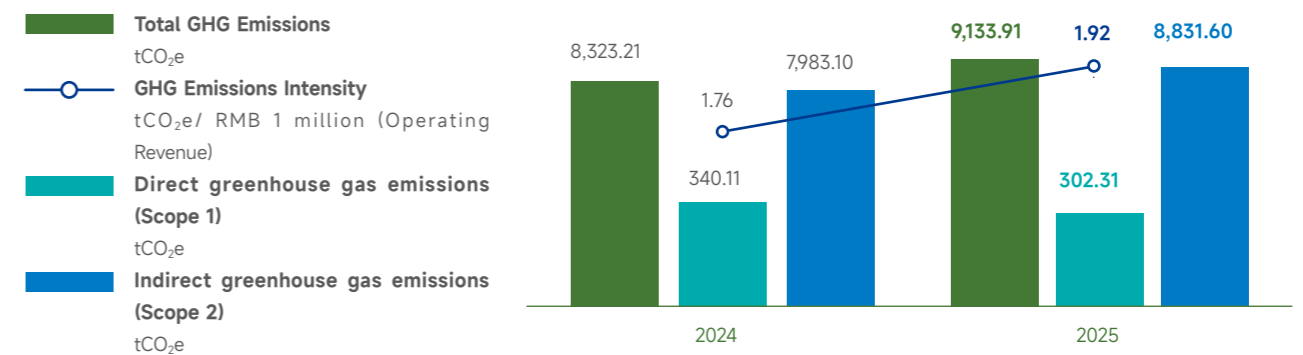


Carbon Reduction Targets

Following the principles of "scientific quantifiability, strategic coordination, step-by-step advancement, and transparency and credibility", Hexing has set carbon reduction targets for GHG emissions covering three dimensions (operational emissions reduction, value chain impact, and product empowerment), to form a comprehensive closed-loop action plan. Additionally, the Company has established a mechanism for ensuring and monitoring the achievement of these targets, with the Board of Directors overseeing their implementation and management, incorporating key carbon reduction KPIs into the performance management systems of relevant business units.

Carbon Reduction Targets	Short-Term Targets (by 2025)	Mid-Term Targets (by 2030)	Long-Term Vision (Outlook for 2035)
Operational Emissions Reduction Targets	With 2024 as the base year, reduce comprehensive energy consumption per unit of output by 3% by 2025.	With 2024 as the base year, reduce the Scope 1 and Scope 2 GHG emission intensity (carbon emissions per unit of output) by 12% and increase the proportion of green energy usage to over 20% by 2030.	Explore the establishment of carbon neutrality pathway targets oriented toward absolute emissions reductions.
Value Chain Carbon Reduction Impact Targets	/	Complete environmental risk screening for suppliers accounting for over 80% of procurement value, and encourage 50% of these core suppliers to set their own environmental performance improvement targets.	Promote energy efficiency improvement and low-carbon transition across the upstream industrial chain through green procurement requirements and technical support.
Product-Enabled Customer Carbon Reduction Targets	Ensure the "green products" with high energy efficiency and clear energy-saving and carbon-reduction functions contribute to 8% of sales revenue.	Increase the proportion of green products and solutions sales to over 30% of total revenue.	/

KPI



Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries. The calculation methods are primarily based on the Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions of Other Industrial Enterprises (Trial) released by the National Development and Reform Commission, and the electricity emission factors are sourced from the 2023 Power Carbon Dioxide Emission Factors issued by the Ministry of Ecology and Environment. Due to the difference in the GHG emission accounting boundaries, emission factors, and statistical scope specified in the standards of certain countries or regions where Hexing's overseas subsidiaries operate from that outlined in applicable standards in China, as well as variations in local energy structures, data availability, and measurement conditions, the relevant GHG emissions data of Hexing's overseas subsidiaries cannot be measured uniformly in accordance with domestic accounting standards, and accordingly the statistical scope does not cover Hexing's overseas subsidiaries.

Carbon Reduction Measures

Hexing actively promotes comprehensive GHG emissions management and has established management mechanisms covering carbon emission monitoring, reporting, and verification, implementing multi-dimensional emissions reduction measures in an all-round manner. The Company is committed to deep emissions reductions in operational processes by procuring high-efficiency energy-saving equipment, applying energy-saving systems and materials, constructing integrated "solar-storage-charging" facilities and PV power stations in plant areas, purchasing green electricity and introducing energy management systems, and promoting green office practices. These measures continuously reduce operational carbon emissions intensity and thereby advance green and low-carbon development and the achievement of carbon reduction targets. In addition, the Company continues to increase investment in industrial park greening to further consolidate the foundation for low-carbon operations through ecological landscaping development. As of the end of the Reporting Period, Hexing, together with Nanjing Hexing and Ningbo Henglida (both are subsidiaries of Hexing), had obtained provincial-level Green Factory Certification. The Company completed the application for the National Green Factory certification during the Reporting Period, and successfully obtained the certification in February 2026.

Product Carbon Footprint

To align with global green trade and low-carbon development trends, we and our subsidiaries commission professional organizations to conduct product carbon footprint certification (ISO 14067). By implementing product lifecycle carbon management in accordance with international standards, this initiative guides designers in making green product improvements and implementing low-carbon, environmentally friendly design solutions. Concurrently, we optimize product production processes to effectively reduce GHG emissions, continuously introduce low-carbon products to the market, effectively address green trade barriers such as global carbon tariffs, and support the expansion into new overseas markets. As of the end of the Reporting Period, the Company had completed carbon footprint certification for 18 products, including prefabricated HV/LV substations, feeder terminals, outdoor high-voltage AC vacuum circuit breakers, and smart electricity meters.



Product Carbon Footprint Certification Certificates (Partial)

Carbon Asset Management

Hexing has standardized the certification and management of green electricity consumption, established procedures for the procurement and redemption of green certificates, and compliantly procured green certificates through nationally recognized official green electricity trading platforms to trace and verify the renewable energy sources of a portion of operational electricity consumption.

Key Performance | During the Reporting Period

we and our subsidiaries purchased a total of **17,132** green certificates,
 corresponding to **17,132** MWh of renewable electricity;
 among these, Hexing purchased **10,000** certificates,
 Nanjing Hexing purchased **2,852** certificates for green electricity generated in 2024,
 and Ningbo Henglida purchased **4,280** certificates.



Green Electricity Certificate Transaction Vouchers

Resource Utilization

Energy Utilization

Upholding the energy policy of "low-carbon environmental protection, clean manufacturing, and building a green Hexing", Hexing has established systems such as the *Energy Management System Manual and the Energy Management System Procedure Documents*. The President is the ultimate person responsible for the Company's energy performance and the development of the energy management system, and leads the formulation of energy policies and objectives. The General Affairs Department, as the competent authority for energy matters, is responsible for organizing the annual review of energy performance parameters by major energy-consuming departments and other related work. As of the end of the Reporting Period, Hexing, together with Nanjing Hexing and Ningbo Henglida (both are subsidiaries of Hexing), had all passed energy management system certification.



Energy Management System Certification Certificate

Organizational Structure of Energy Management System

Energy Management Department

Coordinate overall energy and management system operations to ensure their continuous and effective operation.

Relevant Functional Departments

Proactively identify and implement opportunities for improving energy performance in the course of performing departmental responsibilities.

Major Energy-Using Departments

Establish operational control criteria and methods for the energy management system, implement improvement plans to continuously enhance energy performance; monitor and analyze energy use, consumption, and efficiency; and strengthen employees' energy management capabilities.

Energy Risk Management

To strengthen the development of the energy management system, Hexing has established a risk and opportunity management mechanism covering the entire process. By assessing internal and external environments and stakeholder expectations, the Company identifies energy management risks and opportunities across business processes, evaluates risks based on impact, probability, and response difficulty, proactively captures various opportunities, and integrates response measures into the operation of the energy management system to prevent potential risks and drive continuous improvement in energy management.

Energy-saving Measures

Adhering to the philosophy of green and low-carbon development, Hexing has formulated the *Measures for the Administration of Energy Conservation* to integrate energy conservation and consumption reduction requirements into all aspects of production and operations. Through multi-faceted initiatives such as technological upgrades, optimization of the energy mix, and refined operations, the Company continuously reduces energy consumption and carbon emissions and steadily improves resource utilization efficiency.

Energy Conservation and Consumption Reduction Initiatives

Introduction of Energy-Efficient Equipment

Vigorously promote the modernization of production equipment, procure variable-frequency air compressors, select transformers that meet national Class 1 energy efficiency standards, and adopt high-efficiency, energy-saving equipment in specialized production processes.

Intelligent Management

Introduce an energy management system to achieve real-time monitoring and refined management of energy use.

Optimization of Energy Structure

Increase the proportion of clean energy use and construct distributed PV projects; As of the end of the Reporting Period, the Hangzhou Base had completed a 703 kWp rooftop PV system, the Nanjing Base completed a 1.88 MWp PV project, and the Ningbo Base completed a 1.18 MWp PV project and grid connection acceptance.

Energy Conservation Targets

To steadily advance energy conservation, efficiency improvement, and energy performance enhancement efforts, Hexing has established the *Procedure for Target and Energy Indicator Control*, which defines management responsibilities and roles. The Management Representative approves the Company's targets and energy indicators, while the General Affairs Department oversees their implementation. The Company has set an energy management target of "reducing annual electricity consumption by 1%-5% year over year" and is driving the achievement of this goal through a combination of hardware upgrades and smart management measures.

In the production process, Hexing has set an annual target of "reducing tin dross generation by 3%" and is actively promoting technological upgrades and process optimization, such as replacing selective cluster welding with spot welding to reduce material and energy consumption at the source of production.

KPI	Unit	2024	2025
Total Direct Energy Consumption	tce	175.90	169.06
Natural Gas	10,000 m ³	4.09	5.40
Liquefied Natural Gas	Ton	6.66	14.78
Gasoline	Ton	21.75	19.96
Diesel	Ton	54.08	28.76
Indirect Energy Consumption	tce	1,828.41	2,045.62
Total Purchased Electricity	kWh	14,877,196	16,644,551
Renewable Energy Consumption	tce	84.31	189.77
Photovoltaic Power Usage	kWh	685,975.80	1,544,145
Total Energy Consumption	tce	2,088.62	2,404.45
Energy Consumption Intensity	tce/ RMB 1 million (Operating Revenue)	0.44	0.50

Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries. The calculation method is based on the *General Rules for the Calculation of Comprehensive Energy Consumption* (GB/T2589-2020). Due to differences in local energy structures, data acquisition channels, and measurement conditions at overseas subsidiaries, the statistical scope does not cover Hexing' overseas subsidiaries.

Water Resource Utilization

To strengthen water resource management, Hexing has formulated the *Energy and Resource Management System*, which designates the General Affairs Department as the central department responsible for water and other energy resources, overseeing water supply security and water conservation supervision. The General Affairs Department conducts unscheduled inspections of water usage across all departments, thereby effectively enhancing the entire workforce's awareness and commitment to water conservation.

Hexing implements full-process monitoring of production and domestic water use, establishes a monthly statistical reporting and analysis mechanism for water consumption, continuously tracks water use efficiency, and identifies opportunities for water-saving improvements. On this basis, we continuously improve our water resource management system by combining water risk identification and assessment, optimizing water-saving measures and emergency water supply assurance plans, and promoting water-saving technological upgrades and process optimization. In addition, the Company is deeply engaged in the smart water service sector, using technology to improve water utility efficiency and drive the digital transformation of the global water industry, thereby contributing to the efficient use of water resources and the development of water conservation in the industry from a product perspective.

Water Conservation Optimization Practices

Standardization of Water Usage Practices

Good water usage habits should be cultivated, such as turning off faucets promptly to prevent "running water" and avoid water waste



Enhancement of Water Conservation Awareness

Any faucets left running should be turned off. Any damaged or leaking water fixtures, if discovered, should be promptly reported to the maintenance staff in the General Affairs Department or the security maintenance team



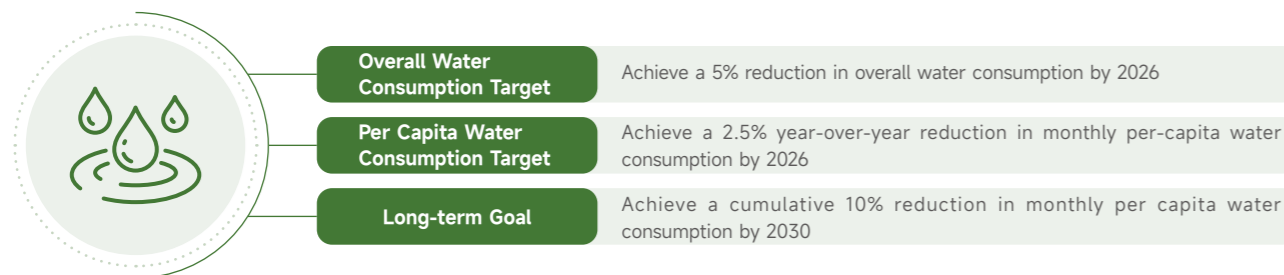
Implementation of Inspection and Maintenance

The General Affairs Department is responsible for the daily management, maintenance, and periodic inspections of water facilities. In the event of malfunctions or pipe leaks, repairs or replacements must be carried out promptly to prevent water wastage



Water Conservation Targets

To continuously improve water resource utilization efficiency and effectively advance water conservation and consumption reduction efforts, Hexing has established targets for enhancing water resource utilization efficiency. Guided by quantitative targets, the Company drives company-wide participation in water-saving actions and promotes refined water-use management to steadily enhance overall water resource utilization efficiency.



Key Performance | During the Reporting Period

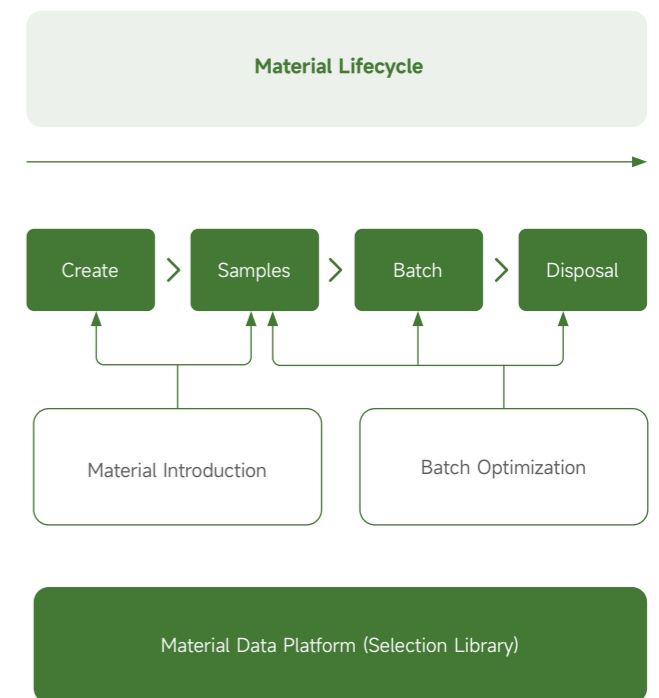
the Company's total fresh water withdrawal was **151,068.45** tons, total water consumption was **151,116.45** tons, total water recycling and reuse was **48** tons, and water intensity was **31.69** tons per million of operating revenue.

Note: The statistical scope of the above data covers Hexing and major subsidiaries. The statistics on recycled and reused water cover Hexing and its major domestic subsidiaries.

Material Utilization

Hexing has established systems such as the *Material Management Procedures* and the *Specification for the Management of Hazardous Substances in Packaging*, using material codes as system identifiers to establish a full lifecycle management system covering material demand assessment, code creation, import certification, batch usage, and eventual phase-out and disposal. Concurrently, the Materials Management Department regularly organizes inventory reviews across business divisions to periodically remove or deactivate material codes that meet the criteria for discontinuation.

On this basis, Hexing focuses on green upgrading and environmental management in the packaging process. In internal operations, the Company extends the recycling cycle of packaging materials, significantly reduces packaging waste through reuse, and promotes green transformation in product circulation and packaging processes by replacing traditional trolley turnover modes with reusable standardized turnover boxes and foldable turnover boxes. In addition, the Company proactively signed a Commitment to Green Packaging, pledging to core customers to actively practice green and environmentally friendly concepts and to implement the requirements for green development in the packaging process through concrete actions.



To advance the green transformation of materials management, the Company focuses on material safety, sustainable procurement, and eco-friendly packaging. We have established a procurement mechanism guided by environmental certifications, prioritizing the use of renewable and recyclable materials. We are deepening the application of RoHS standards and gradually expanding their implementation from new energy product lines to all production lines. In addition, we are fully adopting eco-friendly, biodegradable packaging materials and promoting packaging reduction and lightweight design.

Core Targets

Promote packaging reduction and circularity to establish a green and safe material lifecycle management system.

Material Safety and Sustainable Procurement

Key Targets

Increase the average application proportion of RoHS-compliant materials among standard components in all products to above **90%**

By 2026

Green Packaging

Key Targets

Reduce the weight of packaging per product by **20%** compared to the base year

Increase the proportion of biodegradable or recycled materials in product packaging to **95%**

By 2026

2025 KPI

Total Use of Packaging Materials **8,201,825.18** Tons

Metal Packaging Material 1.44 Tons	Paper Packaging Materials 8,125,098.14 Tons	Plastic Packaging Materials 12.10 Tons	Wood-based Packaging Materials 76,713.51 Tons
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Note: The statistical scope of the above data covers Hexing and its major subsidiaries.

Environmental Compliance Management

Environmental Management System

Hexing attaches great importance to the environmental impact of production and operational activities. In strict accordance with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the Company has formulated internal environmental management systems, such as the *Quality, Environment, and Occupational Health and Safety Management Manual* and environmental management system procedure documents to guide the implementation of environmental management. The Company implements a hierarchical responsibility system for environmental protection management, following the principle of "hierarchical, divisional and regional administration, with subordinates accountable to superiors". By clarifying the authority and responsibility boundaries of all levels, it fully fulfills the primary responsibility for environmental protection. The Company has established a leading group for environmental protection management to coordinate overall environmental work, with an environmental protection management office under it responsible for specific supervision and implementation. By continuously improving professional management capabilities and execution efficiency, the Company is committed to building a standardized environmental management system with efficient operation and effective control.

As of the end of the Reporting Period, Hexing, together with Nanjing Hexing and Ningbo Henglida, has all passed ISO 14001 Environmental Management System certification. The Company actively promotes cleaner production audits and, relying on full-process assessment and continuous improvement mechanisms, implements various cleaner production measures to effectively achieve comprehensive objectives of energy saving, consumption reduction, pollution reduction, and efficiency improvement, thereby continuously enhancing sustainable development capacity.



Environmental Management System
Certification Certificate

Key Performance | During the Reporting Period,

the Company's total environmental protection investment amounted to RMB **2.0334** million;

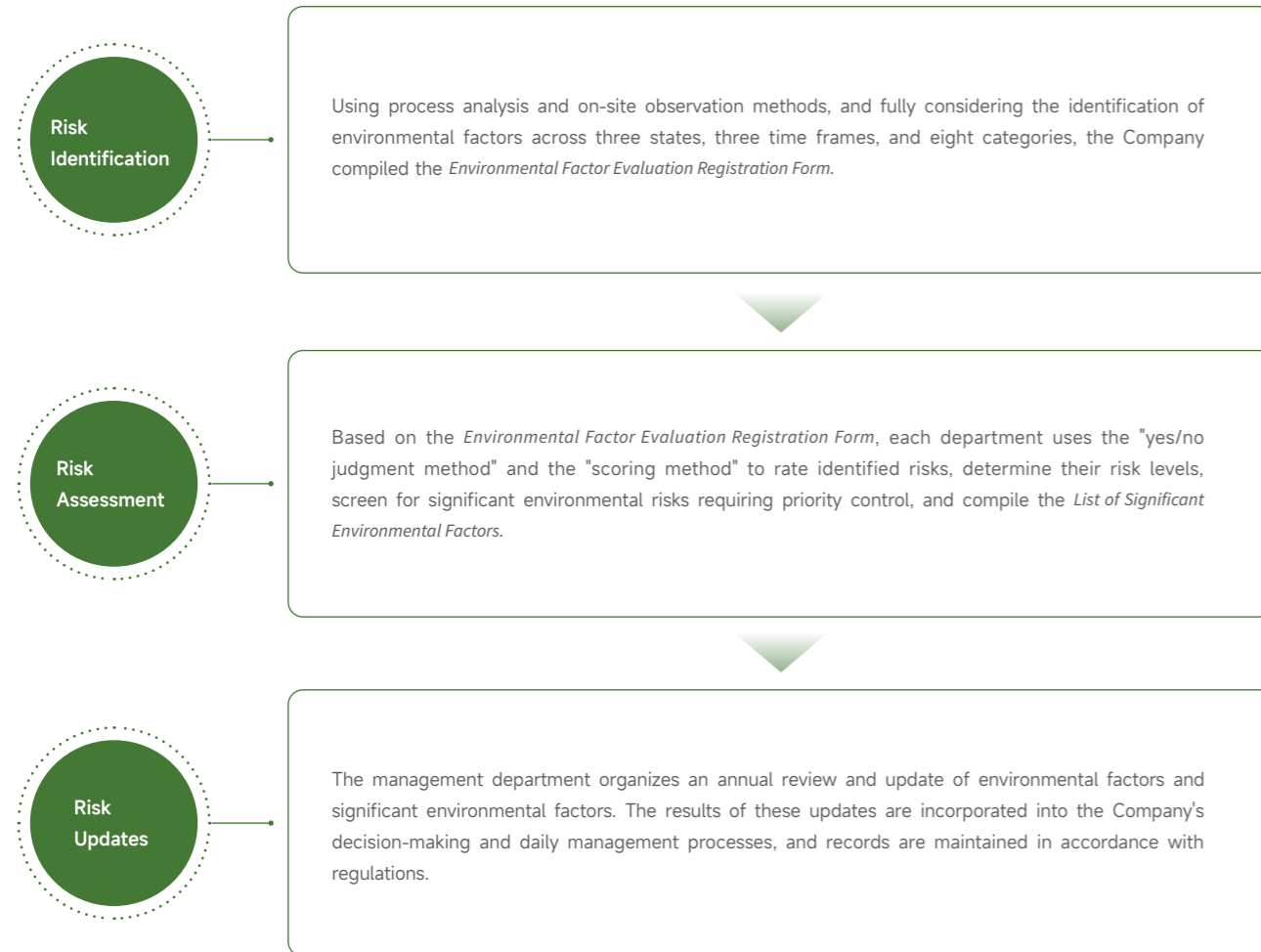
no general or above-level environmental incidents attributable to responsibility occurred throughout the year,

and **no** environmental penalties were imposed by government authorities.

Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries.

Management of Environmental Risks

Hexing has established the *Procedure for the Identification and Evaluation of Environmental Factors* to standardize the identification, assessment, and dynamic updating of environmental factors. This initiative drives the continuous improvement of the environmental management system, deeply implements the concept of green development, and contributes to the realization of harmony between humans and nature.



Inspection of Potential Hazards

Hexing continuously improves its environmental risk and hazard identification mechanism, assigning dedicated personnel to conduct on-site inspections at specified times. Hazards are classified, graded, and documented, and specific rectification requirements are established. By establishing penalty mechanisms corresponding to the severity of hazards, the Company ensures effective implementation and forms a complete process of inspection, rectification, and verification to prevent and control environmental risks at the source.

Case Rectification of Issues Identified in Environmental Inspection

In January 2025, the Company conducted an environmental inspection and identified a total of 2 issues related to environmental facilities and on-site management. These issues primarily included the failure to clean up compressor waste oil promptly, and abnormal noise of on-site equipment. In response to all these issues, the Company immediately organized corrective actions and implemented measures, including the timely cleanup of waste oil and the preventive repair for noise reduction of on-site equipment. All issues were addressed within 48 hours.

Emergency Management

To standardize environmental emergency management, Hexing has formulated the *Emergency Preparedness and Response Management Procedures*. For identified potential environmental emergencies, dedicated emergency response plans have been developed. Through the establishment of emergency response teams, regular organization of training and drills, and standardized allocation and maintenance of emergency facilities, the Company has built an environmental emergency support system featuring rapid response and efficient handling, effectively preventing and mitigating environmental safety risks.

Environmental Training

Hexing enhances employees' environmental awareness and overall competence by offering online courses on EHS regulations and environmental protection, and conducting specialized offline training on environmental laws and policies, management systems, energy conservation and emission reduction technologies, waste management, and environmental risk emergency response. These efforts continuously strengthen employees' ability to fulfill their environmental responsibilities and respond to emergencies.



Training on Environmental Protection

Key Performance | During the Reporting Period

the Company offered a total of **68** training sessions on environmental protection for **1,163** person-times of participants, with a total training duration of **198.50** hours, and an employee training coverage rate of **100%**.

Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries.

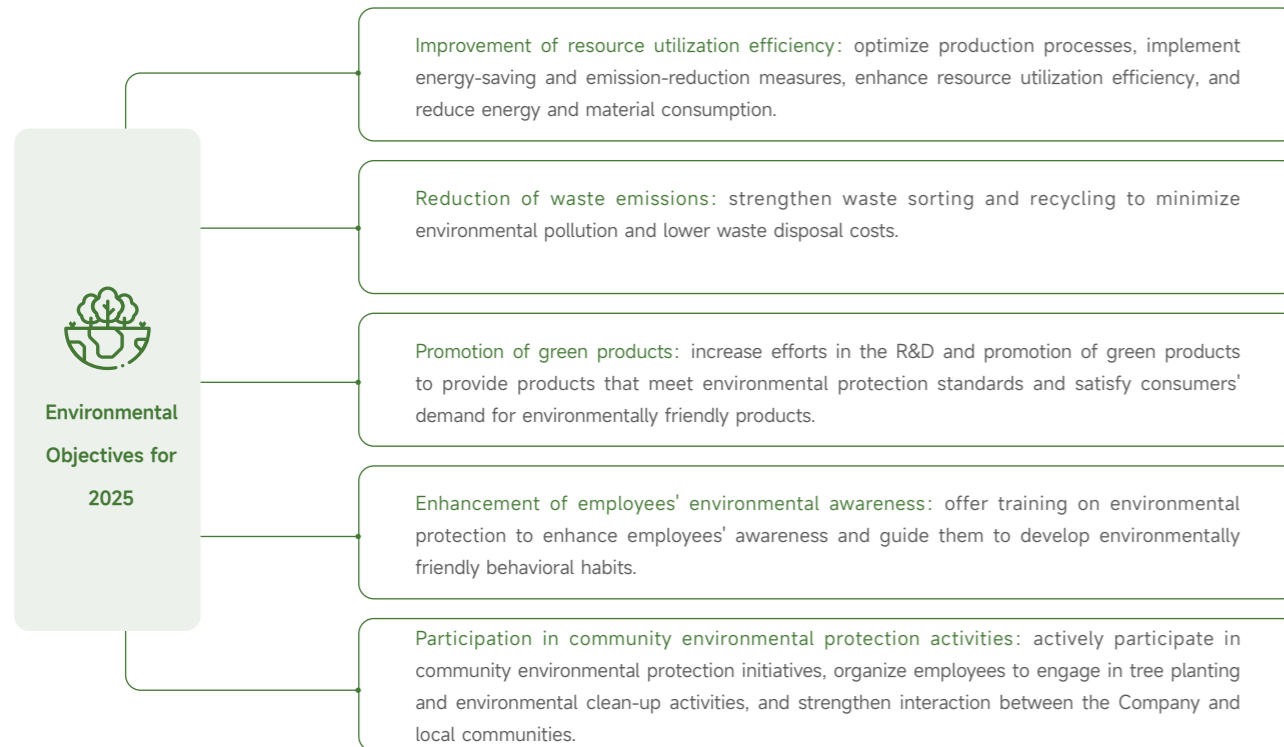
Case Special Environmental Training on Hazardous Waste Warehouse Management

To standardize hazardous waste warehouse management and prevent environmental risks, the Company organized environmental training sessions during the Reporting Period. The training covered the basics of hazardous waste, warehouse classification, and fire hazard ratings, with a focus on the "Five Distances" requirements, storage regulations, and key points for routine inspections. It also addressed fire prevention and emergency response procedures, effectively enhancing participants' ability to manage hazardous waste in accordance with regulations and mitigate environmental risks.



Environmental Targets and Planning

To effectively fulfill its social responsibilities and reduce the environmental impact of production and operations, Hexing clarified the overall objectives and key directions of environmental management and formulated the *2025 Environmental Protection Work Plan* to support the realization of green and high-quality development.



Pollutant Emissions

Environmental Monitoring

In strict accordance with applicable laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Noise Pollution*, Hexing has formulated internal management systems such as the *Wastewater, Waste Gas, Solid Waste and Noise Management Procedures* to implement classified and full-process control over wastewater, waste gas, noise, and solid waste. Through regular monitoring, compliance assessments, and corrective actions, the Company ensures that all pollutants are discharged in compliance with standards and continuously reduces the environmental impact of daily operations.

During the Reporting Period, the Company engaged third-party testing institutions to monitor wastewater, waste gas, solid waste, and noise. All emission indicators met applicable standards.



Third-Party Testing Reports on Wastewater, Waste Gas, and Noise

Waste Gas Management

Hexing's waste gas emissions primarily originate from welding processes in the workshop and cooking operations in the cafeteria. In management practice, the Company adheres to the principle of combining source control, process optimization, and end-of-pipe treatment. In accordance with the *Regulations on Pollutant Environmental Protection Management*, responsibilities are clearly defined: the Equipment Department is responsible for the control and treatment of waste gas from the workshop, while other departments are responsible for managing pollution sources within their respective areas. Additionally, the Company ensures stable compliance with emission standards through measures such as using environmentally friendly welding materials, regularly maintaining purification facilities, and commissioning professional agencies to conduct emission testing. We also continuously improve facility maintenance and management to effectively control the impact of waste gas emissions during production operations.

Waste Gas Control

- All waste gas treatment facilities utilize granular activated carbon (GAC) treatment processes. The activated carbon is replaced regularly to ensure that treated waste gas consistently meets emission standards.
- Control of Welding Waste Gas in Workshops
 - Use lead-free or low-lead solder wire and solder paste;
 - Improve welders' operational skills, ensure proper use of soldering irons, and clean the tips regularly to reduce fume generation;
 - Perform regular maintenance on lead fume purification equipment, and have suppliers promptly replace activated carbon to ensure effective treatment and compliance with emission standards;
 - Install ventilation systems and properly arrange exhaust ducts.
- Fume Control in the Kitchen
 - Regularly engage a third-party service provider to clean exhaust ducts and perform inspections and maintenance on cooking equipment;
 - Control gas usage appropriately to ensure complete combustion and reduce exhaust emissions;
 - Promote light, low-oil cooking methods and prioritize healthy cooking techniques such as steaming, boiling, and stewing.

Case Maintenance of the Exhaust System in the Second Quarter

On August 10, 2025, the Company performed maintenance on the exhaust system in the PCBA workshop, replacing 198 dust collection bags and 25 liters of motor oil. Following the maintenance, the system is operating normally. Through regular facility maintenance, the Company ensures stable operation of waste gas treatment facilities, compliance with emission standards, and improved effectiveness of environmental management.



Exhaust System Maintenance (Image)

Wastewater Management

The Company's wastewater primarily originates from domestic sewage. To strengthen the systematic management of wastewater, the Company has formulated and implemented the *Procedures for the Management of Wastewater, Waste Gas, Solid Waste, and Noise*. The Company strictly implements separate drainage systems for rainwater and wastewater on the premises, strengthens pollution control at the source, regularly maintains septic tanks and grease traps, promotes water conservation, prohibits the use of phosphate-containing detergents, and strictly prohibits hazardous waste from entering the drainage system. Domestic sewage is treated and then discharged into the municipal pipeline network. The Company regularly commissions third-party testing to ensure compliance with the *Integrated Wastewater Discharge Standard* and other relevant requirements, achieving stable compliance with discharge standards.

2025 KPI

Wastewater Discharges
130,468.40 Tons

Chemical Oxygen Demand (COD)
21.51 Tons

Five-day Biochemical Oxygen Demand (BOD5)
0.09 Tons

Suspended Solids
1.27 Tons

Ammonia Nitrogen (NH3-N)
0.91 Tons

Total Phosphorus (Calculated at P)
0.13 Tons

Note: The statistical scope of the above data covers Hexing and its major subsidiaries.

Waste Management

Adhering to the principle of "reducing hazardous waste, increasing the use of renewable resources, and promoting harmless alternatives", Hexing has established internal regulations, such as the *Procedures for the Management of Wastewater, Waste Gas, Solid Waste, and Noise*, and the *Solid Waste Management Procedures*, specifying that the General Affairs Department is responsible for waste control and treatment. The Company implements classified collection and dedicated storage of hazardous waste and general waste, and entrusts qualified entities to handle all waste in compliance with regulations, ensuring full-process traceability. Additionally, the Company strengthens employee training on waste management, actively promotes source reduction and resource recycling of solid waste, continuously improves environmental management effectiveness, and supports green and sustainable development.

Waste	Main Content	Main Treatment Measures
Hazardous Waste	Spent activated carbon, scrap PCB board offcuts, etc.	<ul style="list-style-type: none"> These wastes are placed centrally in the hazardous materials storage area, and the area is equipped with leak-proofing, ventilation, and fire safety facilities, as well as warning signs; The Company signs agreements with qualified hazardous waste disposal entities for regular transfer and inventory checks; All warehouse staff have received relevant waste management training, and emergency response plans have been established to address unforeseen incidents.
General Wastes	Waste cardboard boxes, foam, nylon film, chip trays, various plastics, etc.	<ul style="list-style-type: none"> The Company signs contracts with sanitation authorities for the collection and treatment of domestic waste in the plant area; Waste classification pavilions are set up within the plant area and managed in accordance with Hangzhou's waste classification standards.
Domestic Waste	Domestic Waste	<ul style="list-style-type: none"> Wastes are included in the factory's unified waste sorting and collection system, with contracted sanitation service providers responsible for regular collection and disposal.

2025 Key Indicator

Volume of General Waste Generated
666.04 Tons

General Waste Generation Intensity
0.14 ton/ RMB 1 million (Operating Revenue)

Recycling Volume of General Waste
556.04 Tons

Quantity of Hazardous Wastes Generated
13.52 Tons

Hazardous Waste Generation Intensity
0.0028 ton/ RMB 1 million (Operating Revenue)

Compliant Disposal Volume of Hazardous Wastes:
13.52 Tons

Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries.

▶ Noise Management

Hexing's noise primarily originates from the operation of production equipment. To effectively control noise impacts, the Company prioritizes the use of low-noise, environmentally friendly, and energy-efficient equipment and facilities to reduce emissions at the source; optimizes production schedules to minimize the time personnel spend working in noisy environments; promptly shuts off equipment power and air supplies during non-production hours; and strengthens daily maintenance to ensure stable equipment operation and prevent abnormal noise generation.

Green Operation Practices

▶ Green Office

Hexing actively promotes green office practices by formulating and implementing internal management systems such as the *Office Supplies Application and Usage Management System* and the *Regulations on the Floodlighting Management in Office Area*. The Company continuously improves energy utilization efficiency and translates low-carbon and environmentally friendly concepts into daily actions through measures including: saving paper, electricity, and water; reducing waste and strengthening recycling; and encouraging green commuting.


 Energy Conservation and Consumption Reduction

- Fully adopt LED energy-saving lighting and make full use of natural daylight; enable energy-saving modes for equipment;
- Reasonably arrange air-conditioning operating schedules;
- Install reminder signs at water-use points and conduct regular inspections and maintenance to prevent leakage;
- Prioritize procurement of high-efficiency office equipment;
- Install fresh-air systems in certain areas to improve energy utilization efficiency.


 Paper Saving

- Set up dedicated recycling bins to separately collect double-sided waste paper, used envelopes, newspapers, etc., and advocate reuse;
- Fully promote paperless office practices and prioritize approval and communication through electronic systems such as OA and ERP.


 Waste Reduction and Recycling

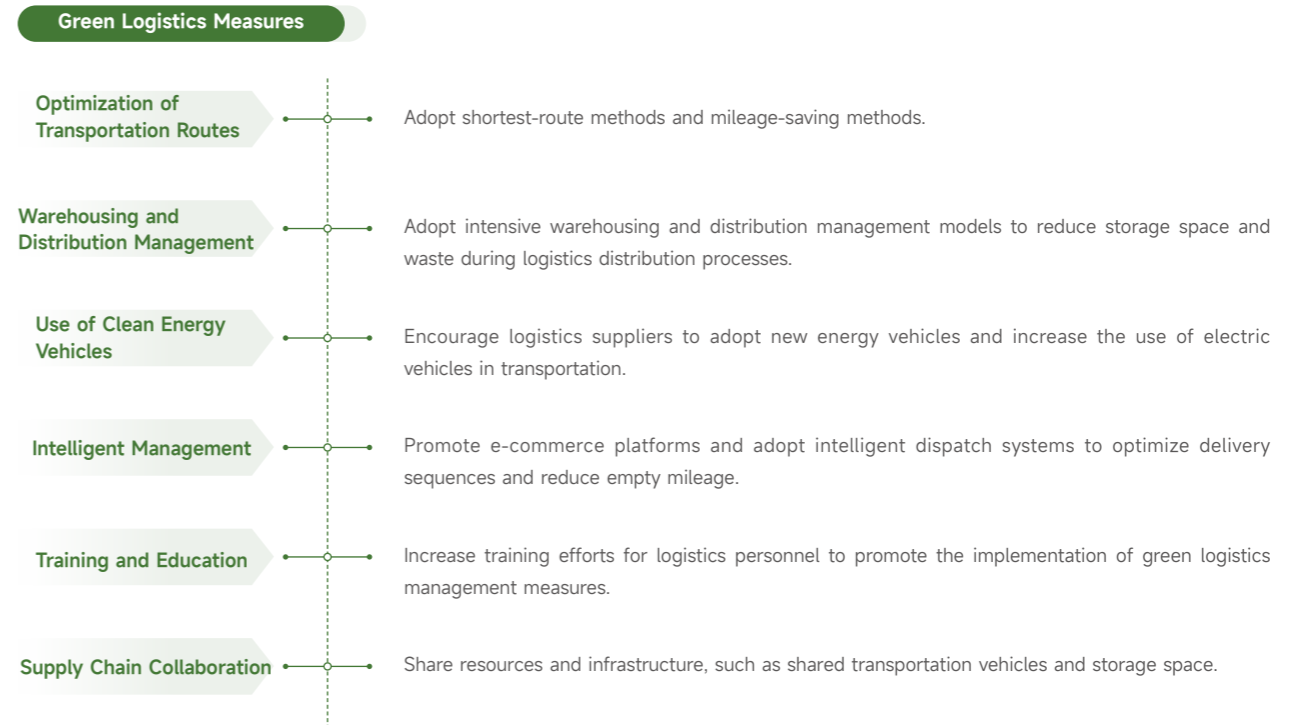
- Use ceramic or glass cups in meeting rooms instead of disposable paper cups;
- Encourage employees to bring their own water cups and use refillable pens;
- Set up dedicated recycling points for batteries and toner cartridges;
- Promote packaging reduction and encourage the reuse of shopping bags.


 Green Mobility

- Advocate low-carbon commuting by compiling and publishing guidance on nearby bus and metro routes;
- Install EV charging piles within the park and optimize shuttle bus routes;
- Prioritize the use of new energy vehicles for intra-city official travel and encourage vehicle sharing.


▶ Green Transportation

Focusing on key aspects such as energy conservation, emission reduction, and packaging reduction, Hexing has formulated the *Regulations on Management of Green Logistics*. We actively promote the use of clean-energy transport tools, continuously optimize transportation routes and modes, and strive to achieve both environmental friendliness and economic benefits in logistics activities, working with partners to advance the development and application of green logistics.




Case

Low-Carbon Logistics Operation Practice



The Company has established a workshop material distribution system, integrating data flows between MES, WMS, and RCS (Robot Scheduling System), and introduced AGVs equipped with laser and vision-based intelligent navigation. This system covers logistics scenarios such as material distribution, inter-workshop transfer of semi-finished products, and finished goods warehousing, driving the automation and intelligent scheduling of workshop logistics. During the Reporting Period, the on-time delivery rate of intelligent AGV logistics distribution increased from 80% to 98%, and delivery efficiency improved by 60%.



Intelligent AGV Logistics

Green Product Design

Guided by its mission to provide "Green Energy, Clean Water", Hexing integrates the philosophy of green development throughout the entire product lifecycle. From the initial stages of strategic planning and product design, we incorporate climate impact assessments and promote eco-design, making environmental sustainability a core consideration in product design. We also focus on optimizing energy-efficient and eco-friendly designs across four key dimensions—hardware design, software design, structural design, and component selection—to develop high-efficiency, low-emission, and easily recyclable products and solutions. During the Reporting Period, the Company obtained certification for the Green Design Product Management System.



Green Design Product Management System Certification

Green Design Application Cases

- Hardware Design**

Apply low-power technologies and PCB layout technologies to improve power conversion efficiency and achieve efficient energy savings; establish a CBB standard circuit library; realize double-sided PCB layout through lightweight technologies; and further reduce material usage through miniaturized components and compact layout solutions.
- Application Software**

Through built-in software tariff time-period settings, encourage residential users to shift electricity usage to off-peak hours to achieve energy conservation and consumption reduction; through built-in chip power-off warning mechanisms, enable systems to enter low-power states to further reduce energy consumption.
- Structural Design**

Through innovative development of meter housing mold designs, achieve compatibility with State Grid and China Southern Power Grid products, reduce mold development costs, and lower quality risks caused by mold replacement during production; structural plastic components fully adopt 100% recyclable environmentally friendly materials.

Inclusive Green Electricity Services

To ensure that green electricity benefits a broader user base, we are committed to improving the accessibility of our products and services. Leveraging chip technologies, we support power grid enterprises in providing user-friendly electricity services such as "real-time electricity bills" and "tiered tariff alerts" to residential users. After residents conveniently access electricity consumption data via smart meters, they proactively adjust the usage times of high-power appliances (such as shifting the use of air conditioners and washing machines to off-peak hours). This model has already helped reduce average electricity consumption among local residents by 6%, fostering a green electricity ecosystem based on "technology guidance + user participation". This not only lowers the threshold for residents to participate in energy conservation and carbon reduction and promotes awareness of green electricity consumption, but also provides a feasible pathway for building an inclusive low-carbon society.

Global Practice of Green Products and Services

Hexing actively deploys in the new energy sector and supports the green transformation of energy structures based on PV inverters, energy storage batteries, and microgrid control technologies. The smart inverter products manufactured by the Company meet both small-scale PV system application needs and large-scale power station construction requirements, comprehensively promoting efficient utilization of renewable energy. In overseas markets, the Company provides smart power distribution and utilization solutions to 51 countries along the Belt and Road Initiative, helping reduce dependence on traditional energy and lower carbon emissions. In addition, the Company's smart energy management system significantly improves energy efficiency through real-time monitoring and optimized dispatch, indirectly reducing resource consumption. A typical example is the large-user tariff control device project in the African market, which effectively reduces electricity waste through precise metering and load management and fully demonstrates the practical application value of green products.

Case Smart Meter Factory in Romania

The Company actively promotes the green development of overseas production bases. The smart meter factory in Romania has vigorously expanded into the clean energy sector. The project was equipped with grid-connected inverters and solar panels, and a lithium-ion battery energy storage system was added on top of the existing solar setup to establish a "photovoltaics + storage" clean energy supply model. The project can generate up to 383 MWh of electricity annually, saving approximately USD 116,000 in electricity costs and reducing carbon dioxide emissions by 115 tons each year. The payback period for the solar system is 1.4 years, while that of the energy storage system is 2.4 years. The project realized a synergistic improvement in economic benefits, environmental benefits, and energy security, highlighting the Company's commitment to sustainable development in global operations.



Green Manufacturing

Hexing deeply integrates intelligence and green practices into production and manufacturing by establishing highly automated workshop material distribution systems, building advanced intelligent digital production workshops and manufacturing operation management systems, and deploying advanced process flows such as SMT fully automated production lines. These efforts effectively improve resource utilization efficiency and continuously optimize environmental performance.

Building on this foundation, the Company has further implemented comprehensive green initiatives across the entire production process from multiple dimensions, including processes, materials, equipment, and energy utilization. Specific measures include: fully adopting lead-free processes in the SMT workshop to reduce the environmental impact of hazardous substances; implementing no-clean processes in production to eliminate wastewater and contaminated water at the source; and using environmentally friendly conformal coatings and recyclable, biodegradable raw materials to promote resource recycling.

Case Equipment Upgrade for Raw Material Saving in SMT Workshop

To advance green manufacturing, the Company carried out a strategic upgrade of core production equipment in the SMT workshop, completing a comprehensive replacement of outdated equipment, such as placement machines. Through equipment upgrades, process optimization, and system integration, the Company achieved a significant improvement in overall energy efficiency. Key achievements include: an average 75% reduction in equipment scrap rates, an 80% reduction in electronic component solid waste generation, and a 27% increase in overall equipment efficiency. Additionally, by establishing a real-time scrap rate monitoring module, the Company enabled automatic data collection and analysis, and implemented an automatic alarm mechanism for exceedances, reducing response times to within 5 minutes. Precision maintenance plans based on equipment operation data have reduced equipment failure rates by 70% and lowered maintenance costs by 45%.



Old Equipment

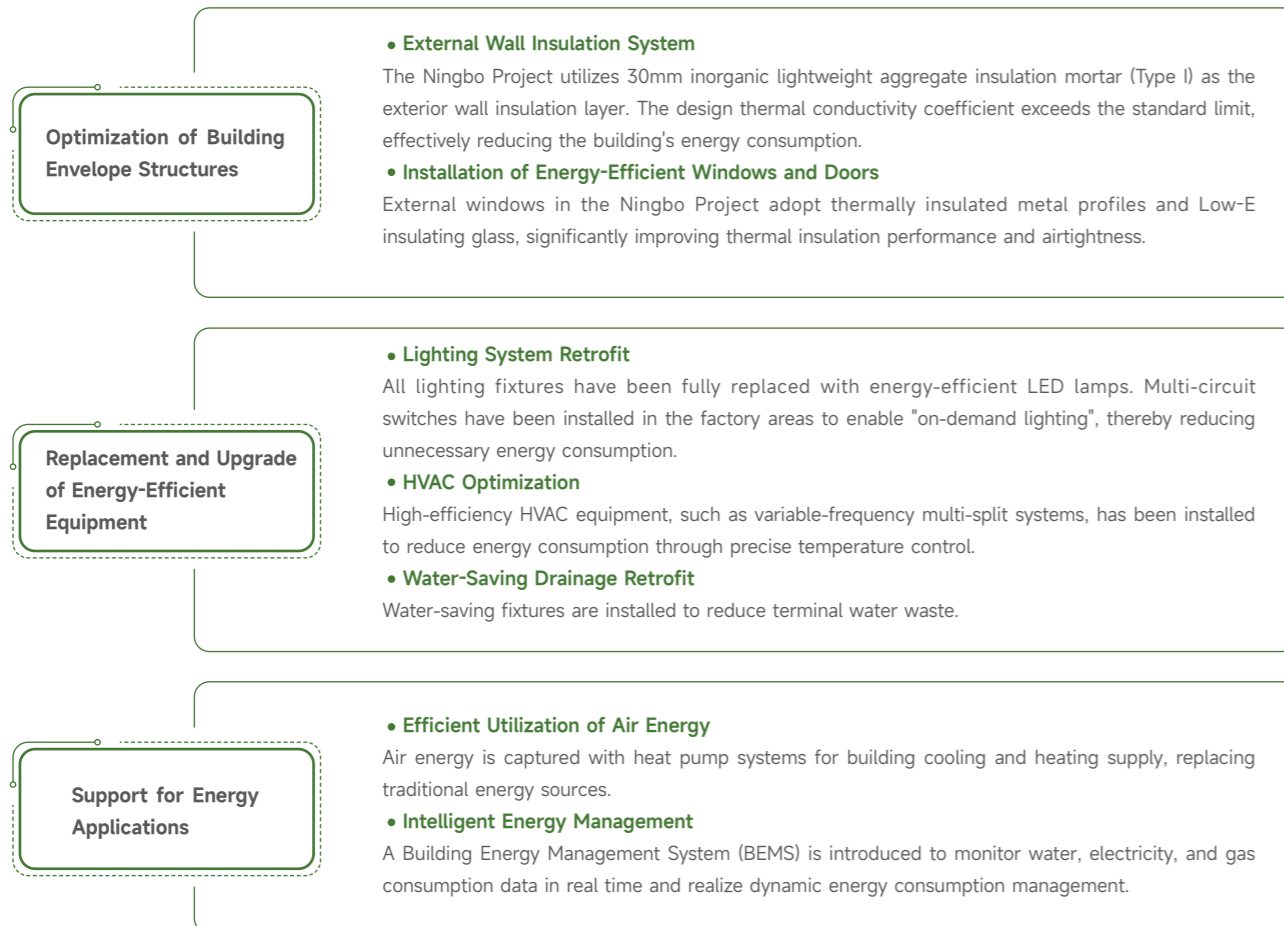


Updated Equipment

Green Building Retrofits

In line with the sustainable development strategy, Hexing has implemented comprehensive green retrofits of existing buildings. By optimizing building envelopes and upgrading energy-efficient equipment, the Company has effectively reduced energy consumption and carbon emissions throughout the building's lifecycle while simultaneously enhancing the user experience and resource utilization efficiency.

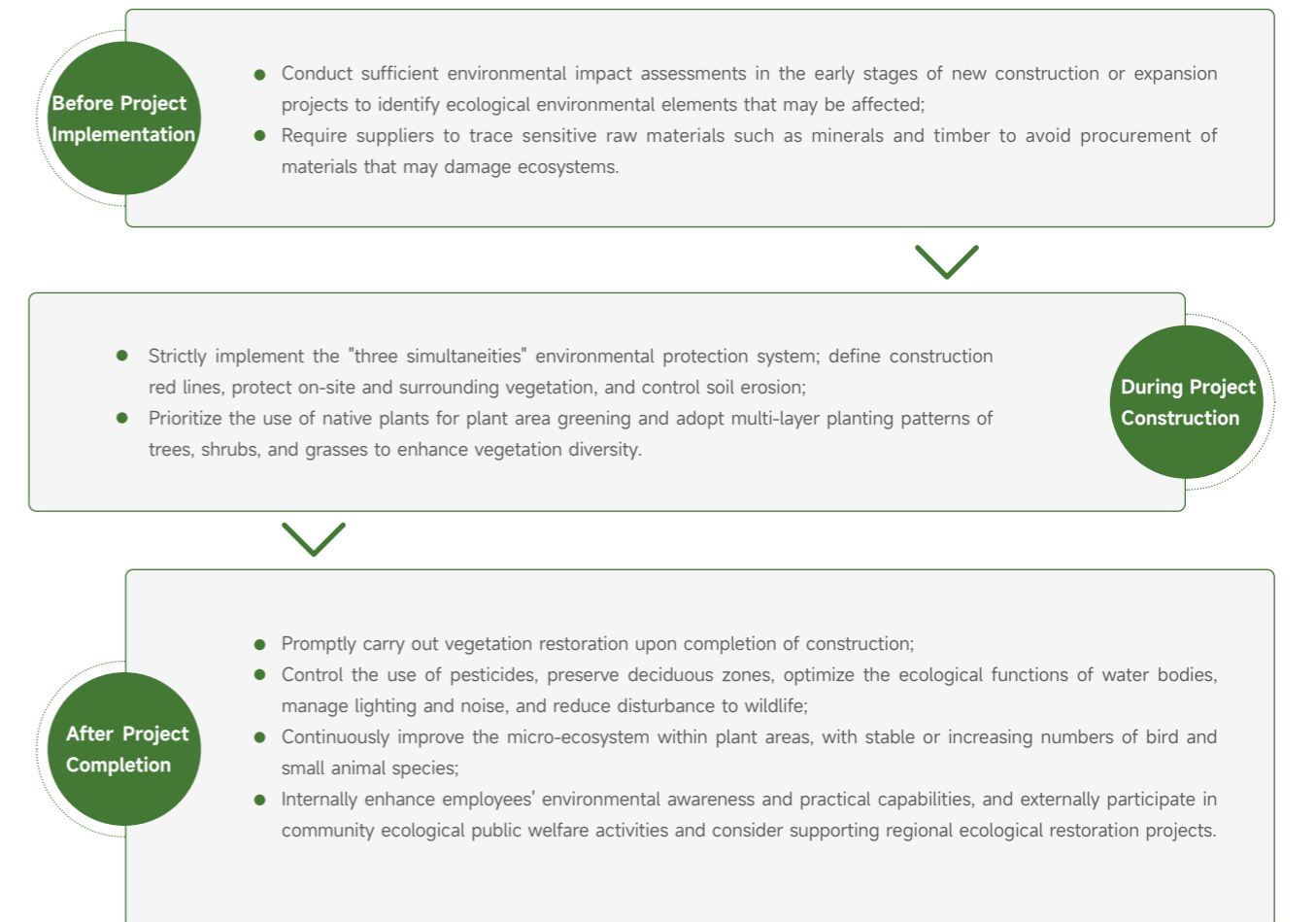
Green Building Retrofit Measures



Photovoltaics Power in Nanjing Grid

Protection of Ecosystem and Biodiversity

Adhering to the principle of "Respecting Nature, Minimizing Impact, and Making Positive Contributions", Hexing has formulated the *Philosophy, Practices, and Commitments on Biodiversity Conservation*, and integrated ecological conservation into the management system. Through direct measures such as advancing ecological development on company premises, strengthening water environmental protection, and standardizing construction and operations, as well as indirect approaches including supply chain management and product and service innovation, the Company systematically implements ecological protection. Concurrently, we foster an internal ecological culture and drive continuous improvement in practices through monitoring and evaluation.



Case Water Environmental Protection for Xitang River

In 2025, the Company launched a water environmental protection and ecological restoration project for the adjacent Xitang River, establishing a comprehensive protection system ranging from source prevention and process control to emergency response. Since the implementation of the project, the Company has not experienced any water pollution incidents arising from production and operations. All water-related risk sources within the plant areas are under control. Through regular training and emergency drills, "Protecting the Xitang River" has become a conscious action and shared environmental commitment among all employees.

Innovation-Driven Excellence: Winning the Future Through Quality

Our Philosophy

Hexing leads the development of the power Internet of Things through innovation, strictly upholds the baseline for product and service quality, and fortifies defenses for data security and privacy protection. By promoting collaborative responsibility across the supply chain and jointly building a responsible business ecosystem with partners, the Company lays a solid foundation for high-quality development.

Our Actions

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SDGs



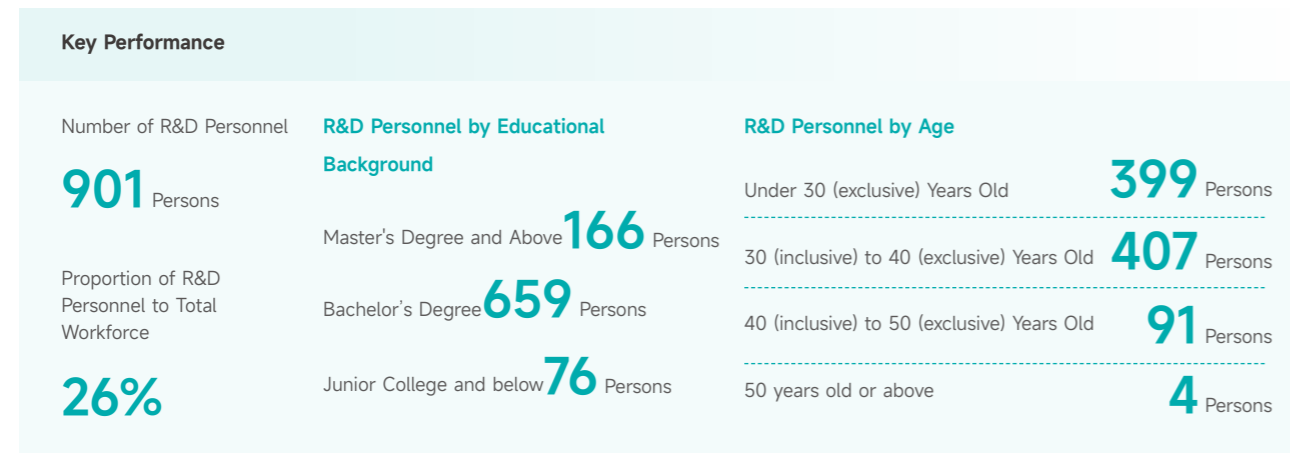
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Innovation-driven Development

Governance

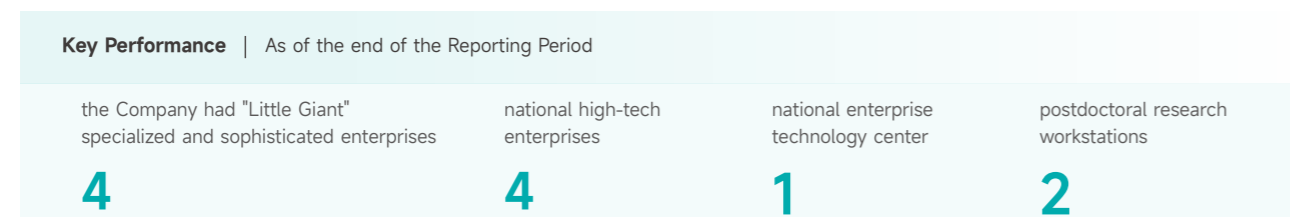
Hexing has formulated documents such as the Enterprise Innovation *Management System* and the *Measures for the Ministration of the Identification and Tracking of Innovation and New Technologies* to standardize innovation activities across product, technology, management, and service dimensions, ensuring the orderly advancement of innovation efforts. To strengthen organizational support, the Company has established an Enterprise Innovation Management Committee. Chaired by senior leadership and comprising department heads and key personnel, the committee is responsible for formulating innovation strategies and plans, coordinating resources, and overseeing innovation activities. It has established sub-groups for product, technology, management, and service innovation, each responsible for innovation efforts in their respective fields.



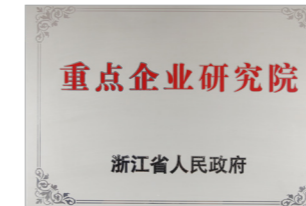
Innovation Platforms and Enterprise Recognitions

Hexing successfully established two core R&D platforms: a national-level enterprise technology center and a provincial-level key enterprise research institute. It also jointly established a "Joint Research Center for Water Treatment" with Zhejiang University of Technology, and promoted deep integration of industry, academia, and research through postdoctoral research workstations and joint laboratories. The Company, together with Nanjing Hexing and Ningbo Henglida, have all obtained national high-tech enterprise certification. Meanwhile, Nanjing Hexing and Ningbo Henglida were each recognized as national-level "Little Giant" specialized and sophisticated enterprises, demonstrating the Company's sustained innovation capability and technological leadership in key areas.

As a National-Level Enterprise Technology Center, Hexing shoulders important responsibilities such as driving technological innovation, developing new products, and maintaining its technological leadership. By establishing a multi-tiered, high-performance organizational structure for the technology center, the company accelerates technology development processes and facilitates the rapid commercialization of scientific and technological innovations. Meanwhile, the Technology Committee, Expert Committee, Institute of Frontier Technology, Product Technology Development Center, Overseas R&D Center, as well as the technical management and experimental testing platforms all work in concert to ensure the efficient advancement of technology R&D efforts.



National Enterprise Technology Center



Provincial Key Enterprise Research Institute



High-tech Enterprise Certification of Hexing



Zhejiang Provincial Postdoctoral Workstation

Strategy

Type of Risk/ Opportunity	Description of Risk/ Opportunity	Likelihood of Occurrence	Extent of Impact	Duration of Impact	Value Chain Links Impacted	Priority Ranking	Potential Financial Impact	Countermeasures
Technology Iteration Risks	Patented technologies relied upon by core products are approaching expiration, while the pace of internal product upgrades remains relatively slow, which may weaken technological barriers and reduce market competitiveness	Medium	High	Medium to long term	Operations, downstream	High	Reduction in operating revenue	Increase R&D investment and plan for next-generation products or technology upgrade roadmaps; establish a patent monitoring and management system to proactively secure new patents or seek technology partnerships
R&D Management Risks	Amid intensified market competition and upgrading customer demands, the Company's existing R&D accumulation, speed, and resource allocation may not effectively support sustained innovation output	Medium	Medium	Medium term	Operations	Medium	Increase in operating costs	Optimize R&D processes and enhance cross-departmental collaboration efficiency; evaluate and reasonably allocate R&D resources to ensure sufficient investment in key innovation projects
Opportunities in Open-Source Technology	The expiration of competitors' core patents creates a window of opportunity for the Company to legally integrate and improve upon mature technologies, thereby accelerating product upgrades and reducing R&D risks	Medium	High	Medium term	Operations	High	Reduction in operating costs	Systematically monitor expiration information of key industry patents; plan secondary innovation and integration development projects based on technologies in the public domain
Opportunities in Brand Reputation	Achieving technological breakthroughs and launching innovative products in cutting-edge fields such as smart grids and new energy can shape the Company's professional brand image as a "technology leader" and enhance its industry influence	Medium	Medium	Medium to long term	Upstream, operations, downstream	Medium	Increase in operating income	Transform major technological breakthroughs into authoritative technical white papers or industry solution case studies; promote core innovative products to participate in authoritative domestic and international award evaluations to obtain third-party recognition and endorsement

Innovation Strategy and Technology Roadmap

Strategic Positioning

Centered on the strategic positioning of "new power systems and digital energy infrastructure", the Company has established three primary technological focus areas:

- Grid-friendly power electronics and control technologies
- Energy Internet of Things and end-edge-network-cloud collaborative platforms
- Microgrid and distributed energy system solutions

Five-Year Technology Development Direction

Over the next five years, the Company will focus on achieving breakthroughs in:

- High-reliability grid-connected control algorithms
- High power-density modular power electronics platforms
- Independently controllable embedded system platforms
- AI-driven prediction and optimization algorithms
- Low-power multi-mode communication integration technologies

The goal is to establish a technical system featuring "independent core components, platform-based control algorithms, and integrated system solutions"

Impact, Risk, and Opportunity Management

To effectively manage potential risks in R&D innovation and ensure R&D effectiveness, Hexing has established a lifecycle management process covering risk identification, evaluation, monitoring, and response, clarifying control methods, standards, and responsibilities at each stage and forming a closed-loop management mechanism to safeguard sustainable innovation.

Risk Identification

The R&D Management Department, in collaboration with various business departments, has conducted a comprehensive review of risks across all core stages of the R&D process.

Risk Assessment

Risk matrix methods, quantitative evaluation methods, and expert review methods are adopted to quantitatively and qualitatively assess identified risks from dimensions such as probability of occurrence, impact severity, and duration, and to prioritize them based on clearly defined calculation standards, forming the *Project Risk Register*.

Risk Monitoring

Dynamic tracking and status assessments are conducted for identified risks and newly emerging risk points, with differentiated monitoring frequencies and emergency response measures implemented based on risk levels.

Risk Response

Based on evaluation results, differentiated measures are implemented for risks of different priority levels, and effectiveness is tracked and assessed to ensure risks remain under control and R&D objectives are achieved. Relevant implementation outcomes are incorporated into performance assessment.

Metrics and Targets

In R&D innovation management, Hexing focuses on the systematic development and quantitative evaluation of intellectual property (IP) outcomes. By establishing a three-tiered target and weighting assessment mechanism (Tier A: 100; Tier B: 60-100; Tier C: fewer than 60), the Company drives high-quality IP output—including invention patents, software copyrights, and academic papers—to inject core momentum into enhancing the Company's technological competitiveness and sustainable development.

Key Performance | During the Reporting Period

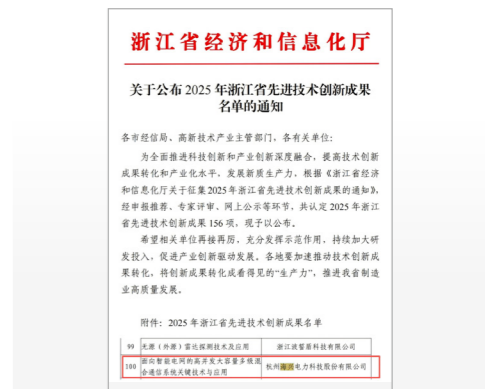
the Company's R&D investment totaled RMB **393.2223** million, accounting for **8.25%** of operating revenue.

Incentives for Science and Technology Innovation

To stimulate employees' innovative spirit and creativity and enhance the Company's core competitiveness, Hexing has established systems such as the *Measures for the Administration of Innovation Project Incentives*, the *Innovation Incentive Policy*, and the *Intellectual Property Reward and Punishment System*. The Company implements incentives based on full lifecycle project assessment results, with a focus on encouraging product innovation in medium- and low-voltage power distribution and microgrids, providing clear rewards for intellectual property achievements, and closely linking innovation contributions with employees' career development. During the Reporting Period, through the selection and commendation of "Outstanding Teams", "Outstanding Employees", and "Hexing Craftsmen", the Company further implemented the incentive mechanisms, significantly stimulating innovation vitality across all employees and promoting the transformation of technological achievements.

Presentation of Innovation Achievements

Hexing actively participates in national key R&D programs, promotes independent innovation of core technologies, and continuously enhances product competitiveness and domestic substitution capabilities. In addition, the Company deeply participates in technical standard formulation, expands domestic and international green energy projects, supports energy transition and industrial development, continuously cultivates new-quality productive forces, and promotes coordinated development of technology, industry, and society. During the Reporting Period, the Company's R&D Project titled "Key Technologies and Applications of High-Concurrency Large-Capacity Multi-level Hybrid Communication Systems for Smart Grids" was selected as an Advanced Technological Innovation Achievement in Zhejiang Province for 2025.



List of Advanced Technological Innovation Achievements in Zhejiang Province for 2025

Technical Standards and Social Organizations

Hexing actively undertakes industry responsibilities by leading and participating in the formulation of multiple national and industry technical standards covering key fields such as power energy efficiency monitoring, electrical measurement equipment, and new energy grid integration. During the Reporting Period, the Company was invited as a vice-chairman unit to attend the First New Energy and Artificial Intelligence Collaborative Development Conference and the Inaugural Meeting of the New Energy and AI Application Committee, actively promoting industry-research collaboration and large-scale application of "AI + New energy", continuously demonstrating industry responsibility and influence.



Inaugural Ceremony of the New Energy and AI Application Committee

● Product and Solution Innovation

In terms of products and solutions, Hexing closely follows the development trend of "generation-grid-load-storage", creating integrated power distribution solutions covering metering terminals, communication networks, system platforms, and operation services. During the Reporting Period, the M2C (Meter to Cash) solution based on a distributed intelligent architecture was upgraded from "Orca Pro8.0" to "Orca Pro10.0", enhancing security and data protection capabilities and supporting access for tens of millions of devices.

Case Largest Wi-SUN AMI Benchmark Project in Latin America

The project covers more than 130 cities in the state of Paraná, benefiting approximately 4 million people. The successful implementation of the project demonstrates the stability and broad adaptability of Wi-SUN RF mesh network technology in urban, rural, and complex geographical environments, laying a solid technical and practical foundation for the comprehensive digital and intelligent transformation of regional distribution grids in the future.

Customer Requirements

- Increase meter reading accuracy and realize remote control
- Interoperability

LiTiToT Solution

- Smart meters and AP
- IoT platform and MDC

AMI Benefit

- 98% success reading rate of 15 min loading curve
- 98% success reading rate of TOU data
- 99% success rate of on demand reading command

● Cultivation of New-Quality Productive Forces

Centering on an "end-edge-network-cloud" architecture, Hexing has independently developed an energy Internet of Things (IoT) technology system. This system achieves multi-mode converged communication and domestic substitution, establishing a self-reliant and controllable energy technology foundation. By empowering new energy applications and grid energy efficiency management, the Company drives the green transformation of the energy structure and enhances resource efficiency. Simultaneously, leveraging the global footprint and platform-based strategy, the Company leads industry development by reducing resource and energy consumption through low-power technology, system optimization, and automated testing. This creates a virtuous cycle of "technology-driven innovation—industrial implementation—social value", effectively fostering new-quality productive forces and achieving the coordinated development of science and technology, industry, the environment, and security.

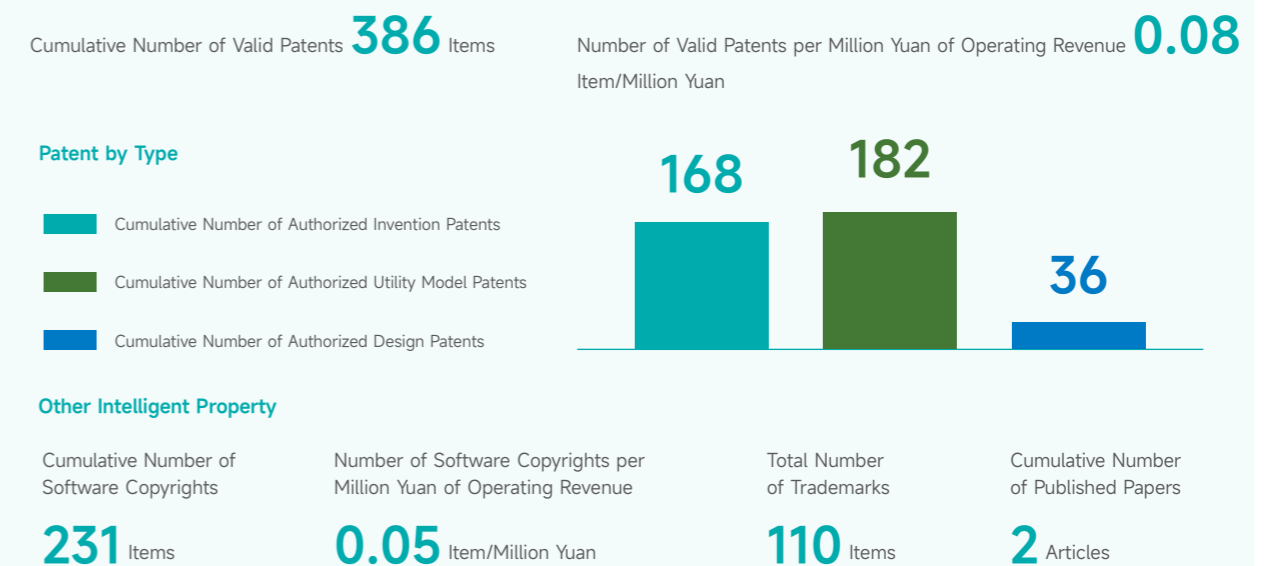
➤ Protection of Intellectual Property Rights

Hexing has established systems such as the *Innovation and Intellectual Property Management Manual* and has clearly designated the Chairman as the primary responsible person for innovation and intellectual property management, tasked with formulating strategies and ensuring resource allocation. The Intellectual Property Department has been established under the Chairman to handle intellectual property compliance management, risk prevention and control, and the commercialization of research outcomes. During the Reporting Period, the Company successfully passed the Level 3 *Innovation and Intellectual Property Management Capability* based on the ISO 56005 international standard, marking a new level in intellectual property management system development.



Level 3 Certification Certificate

2025 Key Performance



Note: Data here is as of 2025.

During the R&D phase, Hexing enhances employees' awareness of infringement prevention and their search capabilities through standardized disclosure and search procedures, as well as regular intellectual property training, thereby preventing infringement at the source. At the application stage, systematic patent and trademark layouts are carried out to effectively protect innovation achievements. Simultaneously, through trade secret protection, infringement monitoring, and performance assessments, we effectively safeguard our own intellectual property. By conducting regular reviews to drive continuous system optimization, we have established a healthy intellectual property ecosystem that protects our own rights while respecting those of others.

Case Patent Training

On August 5, 2025, the Company organized an offline training session for R&D and intellectual property management personnel on the theme of "Patent Search, Drafting, and Layout". The training covered patent search methods, drafting techniques, and intellectual property layout strategies. This training effectively enhanced the relevant personnel's understanding and awareness of intellectual property practices, further strengthening the Company's intellectual property system.



Collaborating with the Industry for Shared Progress

Hexing is committed to expanding its global presence. By participating in numerous international exhibitions and industry forums, the Company continues to enhance our brand influence and localized service capabilities, steadily advancing our globalization strategy. Moreover, Hexing strengthens cooperation both domestically and internationally. Abroad, we have launched green energy projects in Nigeria, Senegal, and other countries, providing reliable power and sustainable development solutions to local communities. In China, we foster industry-university-research collaboration to drive the R&D and commercialization of key technologies. Through practical partnerships and technological innovation, Hexing promotes both international development and sustainable practices.

Active Participation in International Exhibitions to Strengthen Global Connections

In 2025, Hexing further expanded our global footprint, participating in over 70 exhibitions and industry forums across Asia, Africa, Latin America, and Europe. By engaging closely with customers and partners worldwide, the Company continuously strengthens our brand and localized services, demonstrating our commitment to expanding our international presence. From cutting-edge technologies to regional markets, Hexing actively participates in global industry dialogue, consolidating our international foundation through concrete collaboration and promoting sustainable growth via global expansion.



At the event venue

Strengthening Domestic and International Cooperation to Advance Green Energy Projects

Globally, Hexing has successfully implemented power supply and green energy projects in Nigeria and Senegal, providing sustainable solutions for local communities. Domestically, the Company has established a joint R&D center with Zhejiang University of Technology to focus on emerging technologies, such as seawater desalination. We also collaborate with the Artificial Intelligence Innovation Institute of Zhejiang University of Technology on developing IoT-enabled monitoring systems for new power grids, undertaking key municipal-level research projects.

Case Powering Communities in Nigeria – Launch of the First Medium-Voltage Microgrid Project

In June 2025, Hexing signed a contract with De-Janees Concepts Ltd to implement a solar medium-voltage microgrid in Saki Community, Oyo State, Nigeria. The first phase includes a 2MW photovoltaic system with 3MWh of energy storage, supplying clean and reliable electricity to approximately 4,000 households and key facilities such as schools and hospitals. Hexing provided a complete technical solution, including PV modules, energy storage systems, and a smart energy management platform. The project has significantly alleviated local power shortages, enhanced energy security, and improved residents' quality of life.



Case Partnering with the Association of Mayors of Senegal to Advance Green Distributed Infrastructure

In July 2025, Hexing signed a tripartite strategic cooperation agreement with the Association of Mayors of Senegal (AMS) and local partner Malaaji Solaar to jointly develop green distributed infrastructure in Senegalese communities. This cooperation includes deploying distributed solar power systems, public lighting, smart water pumps and irrigation systems, clean water systems, and other digital infrastructure. It aims to provide sustainable and affordable green energy and clean water solutions for local agriculture, municipal services, healthcare, and education.



Science and Technology Ethics

Hexing fully integrates scientific and technological ethics and social responsibility into the entire R&D and operational process, strictly adheres to laws, regulations, and ethical guidelines, and upholds a development philosophy of compliance, doing good, and steady progress to achieve long-term success, thereby promoting responsible technological innovation. The Company places equal emphasis on technological breakthroughs and risk prevention and control, ensuring that the application of technologies such as AI is safe and reliable, and aligns with human values and the public interest. During the Reporting Period, the Company had no litigation incidents related to science and technology ethics.

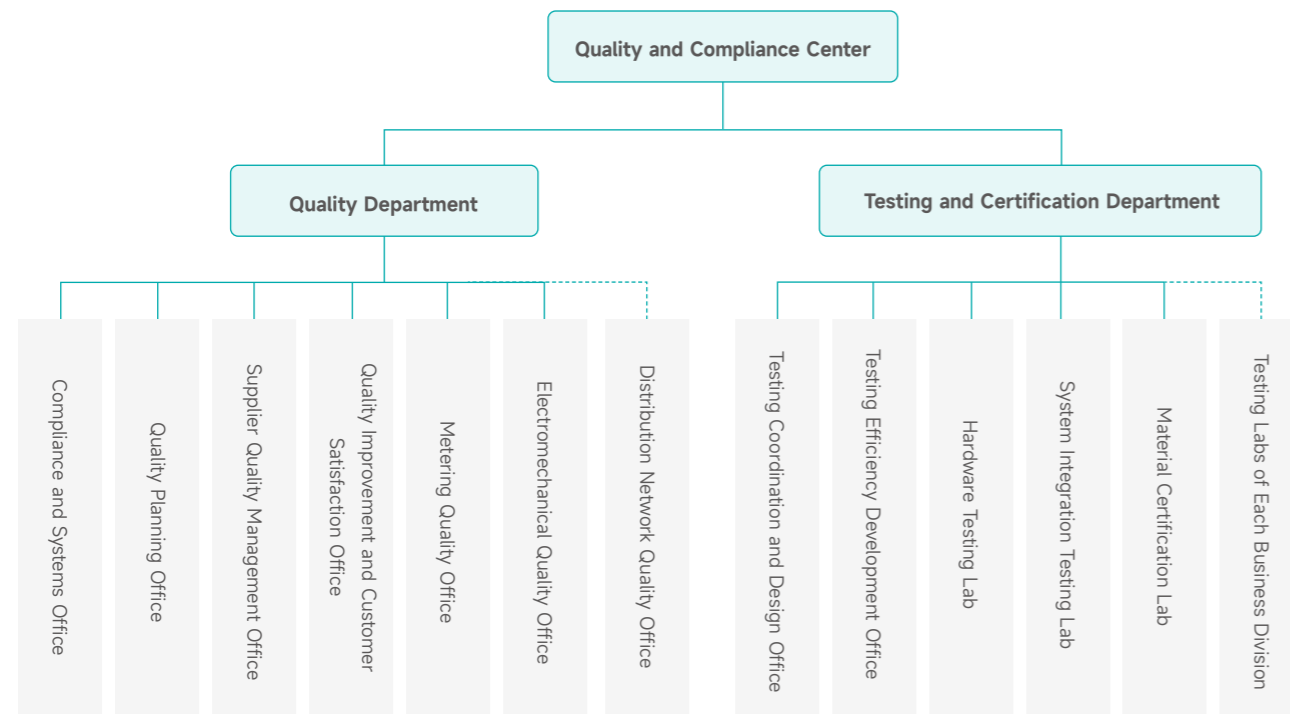
Safety and Quality of Products and Services

Governance

Through formulating the *Quality, Environment and Occupational Health and Safety Management System Manual* and related process control procedure documents, Hexing comprehensively promotes the construction and continuous improvement of the quality management system. The Company has clearly designated a Chief Quality Officer appointed by the President and established a Quality and Compliance Center, which is responsible for defining quality strategies, improving control systems, and strengthening process supervision and risk prevention. This center oversees departments such as the Quality Department and the Testing and Certification Department to achieve end-to-end management and supervision of products from requirements to delivery, effectively ensuring product reliability. As of the end of the Reporting Period, Hexing, together with Nanjing Hexing and Ningbo Henglida, have all passed ISO 9001 quality management system certification.



Quality Management System Certificate



Organizational Chart

Quality and Safety Responsibilities

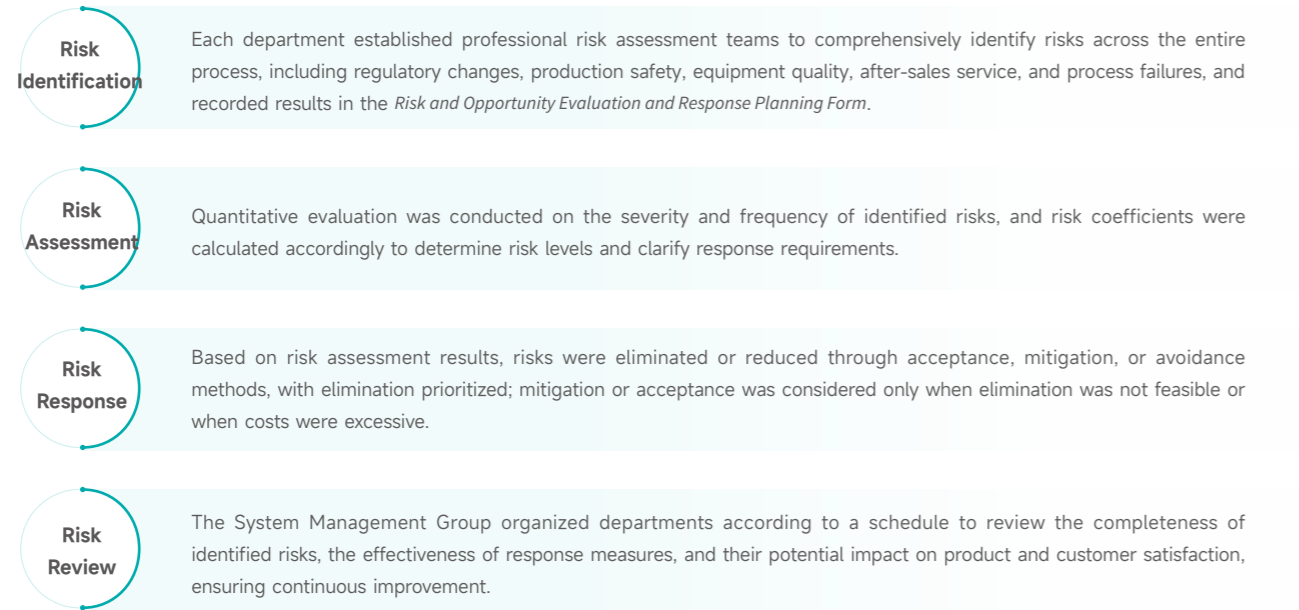
Following the principle of "responsibility leadership, systematic control, and continuous improvement", Hexing incorporates quality and safety responsibilities into the leadership responsibility system and further decomposes them to units, departments, each process link, positions, and employees. In addition, we sign the *Quality and Safety Target Management Responsibility Statements* at each level to establish a company-wide quality and safety responsibility management mechanism, ensuring full implementation of responsibilities.

Strategy

Type of Risk/ Opportunity	Description of Risk/Opportunity	Likelihood of Occurrence	Extent of Impact	Duration of Impact	Value Chain Links Impacted	Priority Ranking	Potential Financial Impact	Countermeasures
Quality Risk	If major quality defects or safety hazards arise in key products, they may lead to operational failures or safety incidents, triggering risks such as customer claims, loss of orders, reputational damage, and legal litigation	Medium	High	Medium to long term	Operations, downstream	High	Increase in operating costs	Strengthen full-chain quality control and product lifecycle management; enhance product safety testing and failure analysis to drive design optimization; establish efficient customer quality feedback and improvement mechanisms
Market Risk	Intensifying market competition and accelerating technological iteration may lead to product homogenization and increased price pressure, or misjudgments regarding technology roadmaps may result in product obsolescence, impacting profitability and market position	High	High	Medium to long term	Operations, downstream	High	Reduction in operating revenue	Increase R&D investment to build technological barriers; optimize cost structures and improve operational efficiency; strengthen technical insights and ecosystem partnerships to maintain technological agility
Opportunities in Market Policy	The global energy transition and the explosive growth of the distributed energy market are driving sustained and widespread growth in market demand for core grid operations and new energy businesses	High	High	Medium to long term	Downstream	High	Increase in operating income	Focus on key markets and deeply participate in target-country grid upgrade projects; innovate product solutions and develop cost-effective products; expand channel ecosystems and build cooperative service networks
Opportunities in Technological Evolution	The convergence of AI, big data, and IoT technologies is giving rise to new business models such as virtual power plants, driving the Company's transition from product sales to a sustainable revenue model centered on "products + data + services"	High	High	Medium to long term	Operations, downstream	High	Increase in operating income	Continuously iterate the "Hexing Cloud" platform to enhance data integration and intelligent dispatching capabilities; explore new business models with key partners; and strengthen professional software and energy service teams
Opportunities in Corporate Governance	Excellent ESG ratings can reduce financing costs, attract long-term investors, and win the favor of high-quality clients and partners	High	High	Medium to long term	Operations	High	Increase in operating income	Deeply integrate ESG into corporate strategy, operations, and assessment systems; regularly publish high-quality ESG reports and proactively respond to rating agencies and investors; actively apply for sustainability-linked loans and issue green bonds
Opportunities in Operational Optimization	Under the trend of global supply chain restructuring, the Company can optimize supply chain layout and improve overall efficiency and risk resilience	Medium	Medium	Medium to long term	Upstream, operations	Medium	Reduction in operating costs	Increase localization production ratios in major sales markets (such as Brazil and Indonesia); establish regional procurement, warehousing, and distribution centers; enhance supply chain responsiveness through joint forecasting, planning, and innovation

Impact, Risk, and Opportunity Management

Hexing has established a quality risk management system that comprehensively identifies, evaluates, and responds to quality and safety risks through a model of "top-level leadership, systematic control, company-wide responsibility, digital support, and closed-loop improvement". During the Reporting Period, through multi-level quality audit mechanisms including third-party certification audits, customer audits, and internal system audits, the Company ensured that the quality and safety management system complied with internal and external standards and requirements and continuously optimized and improved to ensure effective operation and sustained enhancement.



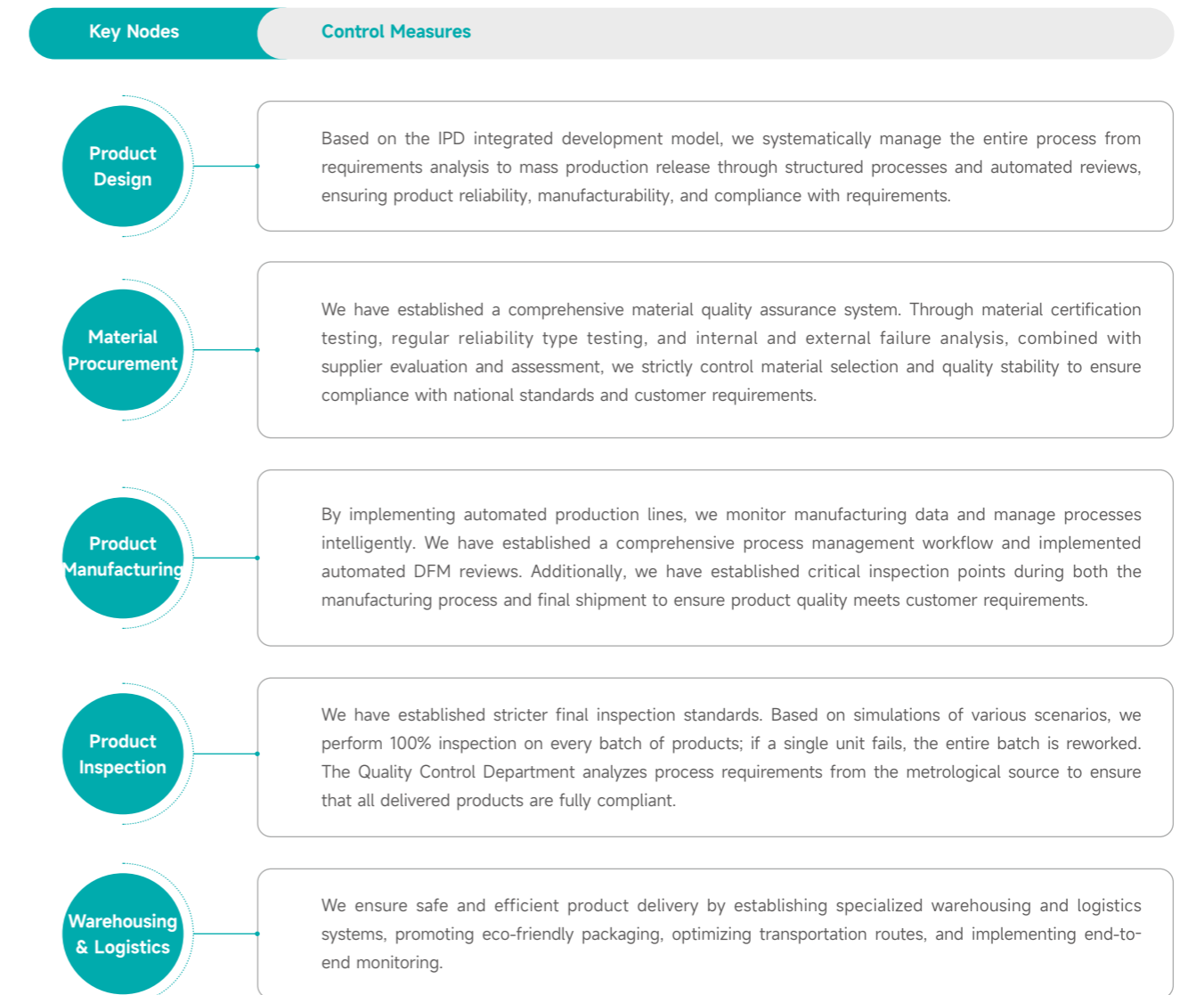
Metrics and Targets

Adhering to the principle of "Quality First, Do It Right the First Time, Do It Well the First Time", Hexing promotes the annual improvement of quality objectives through digitalized and standardized lifecycle quality management. We continuously provide customers with reliable products and high-quality services, thereby solidifying the foundation of trust for the Company's sustainable development.

Indicator Type	Specific Indicators	Goals by 2025	Achievement
Market	Pass Rate in Customer Unpacking	≥ 99.97%	Achieved ✓
	Number of ITR Customer Complaints	≤ 12 cases/month	Achieved ✓
	Major Quality Accidents	0	Achieved ✓
Incoming Materials	Inspection Pass Rate	≥ 99.4%	Achieved ✓
PCBA	SMT Pass Rate	≥ 99.6%	Achieved ✓
	Wave Soldering Pass Rate	≥ 98.2%	Achieved ✓
	FCT Pass Rate	≥ 99.4%	Achieved ✓
Finished Products	Re-inspection Pass Rate	≥ 97%	Achieved ✓
	FQC Sampling Pass Rate	≥ 99.90%	Achieved ✓

Product Quality Control

To ensure full-process controllability of products from design to delivery, Hexing has established lifecycle management processes covering design, procurement, manufacturing, inspection, and warehousing/logistics, and implemented targeted control measures at each key stage to comprehensively ensure product quality and delivery objectives. During the Reporting Period, the product pass rate of Hexing reached **99.97%**.



Monitoring of Hazardous Substances

To implement hazardous substance control requirements, Hexing has formulated the Specification on *RoHS Management*. We monitor hazardous substances throughout the entire process—from raw material procurement, incoming inspection, and process control to storage. The Product Department is designated to coordinate and communicate customer RoHS requirements to all relevant departments, ensuring products comply with RoHS and related standards. In the event of any anomalies, we will promptly communicate with the customer and collaborate on a resolution.

● Digitalization Construction

Through intelligent digital production workshops and manufacturing operation management systems, Hexing has realized intelligent control and data traceability throughout the entire production process. Based on MES, ERP, and LIMS systems, automatic collection and analysis of production supervision and quality data are achieved. Additionally, digital control platforms and electronic dashboards have been deployed in SMT, DIP, and finished product workshops to monitor key indicators such as plan achievement rate, equipment operation, and first-pass yield in real time, and promote the visualization and refined management of production processes. Furthermore, through the PLM system, the Company has realized lifecycle management and collaborative development covering product design, development, production, and retirement. Combined with the QIS system and AI intelligent quality monitoring, digital lifecycle quality management has been achieved, significantly improving production efficiency, quality control, and decision-making support capabilities.



Digital Kanban in DIP Workshop



Digital Kanban in Finished Goods Workshop

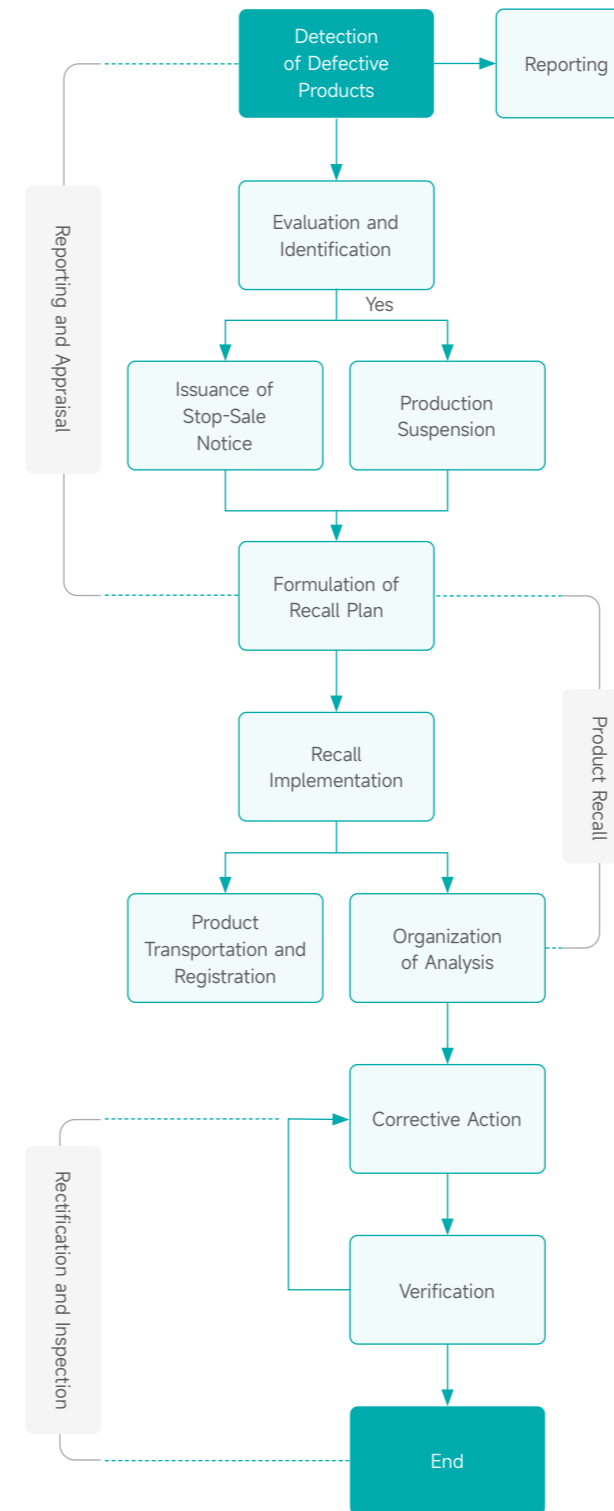
● Product Recall

To establish a scientific product recall and non-conforming product management mechanism, Hexing has formulated the *Non-conforming Output Control Procedure* and the *Defective Product Recall Management System*. These documents standardize the processes for identifying, isolating, reviewing, and disposing of non-conforming products across all stages—from raw material inspection and production process control to finished goods and after-sales service—and enable rapid response and traceability-based improvements for quality issues in delivered products.

Hexing has established the Quality Management Department as the central administrative body responsible for recording and reviewing non-conforming products. In the event of a defective product recall, the Quality Department and other relevant departments will promptly investigate the cause, defects, and scope of impact, and take appropriate disposal and corrective measures based on the investigation results to prevent similar issues from recurring.

Key Performance | During the Reporting Period

the Company and its major subsidiaries had **0** products that needed to be withdrawn or recalled for health and safety reasons.



Product Recall Process

▶ Quality Culture Development

Hexing continuously conducts quality and skills training covering the entire product lifecycle. The training covers key areas such as domestic product technology, market strategy, overseas delivery, and project management. It aims to enhance the professional capabilities and collaborative efficiency of all business teams, systematically strengthen the foundation of product and service quality, and ensure customer satisfaction and market competitiveness.

Case In-Depth Training on Domestic Terminal Products

In April 2025, the Company offered training on terminal products for domestic marketing personnel, product specialists of subsidiaries, and R&D interface staff. The training focused on the core technologies, differentiated functions, application scenarios, and competitive product analysis of the new generation of smart meters, communication modules, and IoT terminals, promoting the transformation of frontline personnel from product sales to solution provision.



Key Performance | During the Reporting Period

the Company offered **125** quality training sessions for **1,766** participants, with a total training duration of **267** hours.

Note: The statistical scope of the above data covers Hexing and its major subsidiaries.

Product Accessibility

Hexing is committed to enhancing the accessibility of products and solutions through technological innovation and global localization deployment. The Company continues to advance the construction of overseas production bases, enabling smart meters, smart energy solutions, and distribution network products to better meet the needs of global customers. In addition, the Company is deeply integrating into the smart grid ecosystem in China and actively implementing new energy microgrid solutions overseas, ensuring that safe, efficient, and green energy technologies benefit a broader range of regions and users.

Customer Service Assurance

Customer Service Management

Upholding the service philosophy of "customer demand orientation and customer satisfaction at the core", Hexing adheres to the philosophy of high-quality and efficient service. We have formulated systems such as the *Complaint Handling Procedures*, the *Guidelines for Customer Relationship Management of Regional Headquarters*, the *Contract Performance Management System*, and the *Technical Service Department Work Management System*, continuously optimizing the full-process service system. Through digital intelligent platforms, the Company empowers service upgrades and continuously improves customer service quality and response efficiency.



Pre-sales Service

Through the "Performance System", the Company manages the entire process of customers and projects, strengthens departmental collaboration, and enables data sharing and traceability.



After-sales Service

Through the "Performance System" and the "Hexing Intelligent Manufacturing Industrial Internet Platform", the Company realizes capabilities such as interconnection of equipment software, and remote intelligent operation and maintenance of products, promoting efficient collaboration across all stages including sales, R&D, and procurement. Additionally, project-related technical training is carried out to enhance customer capabilities.

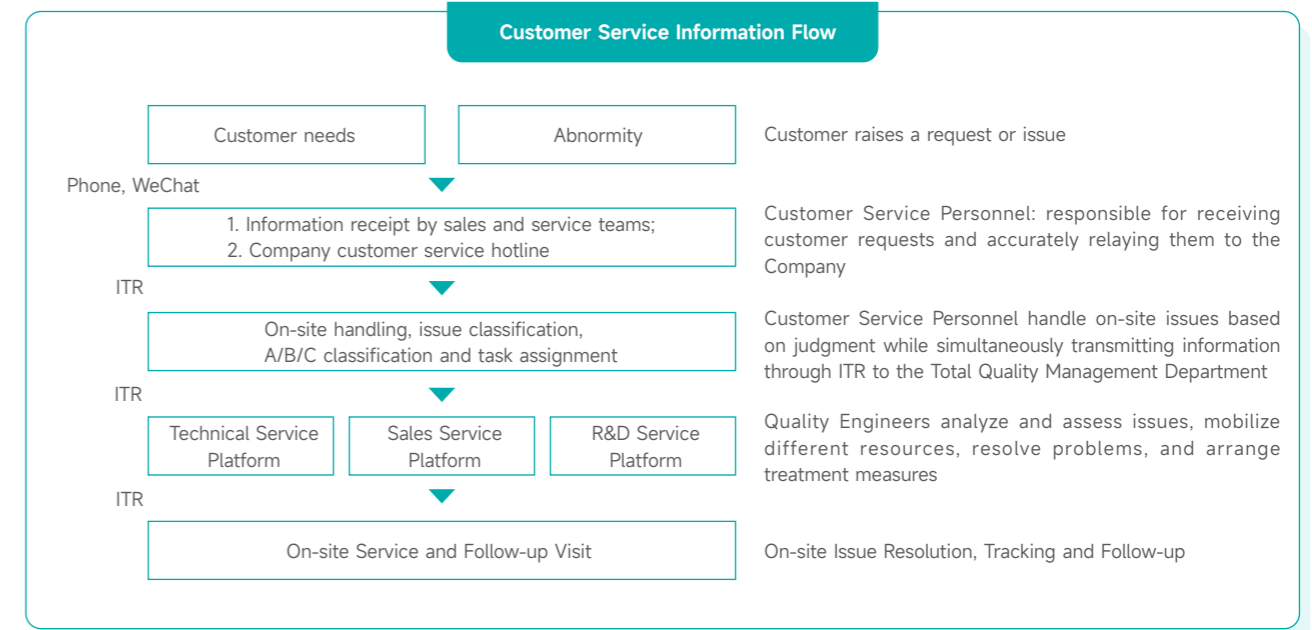
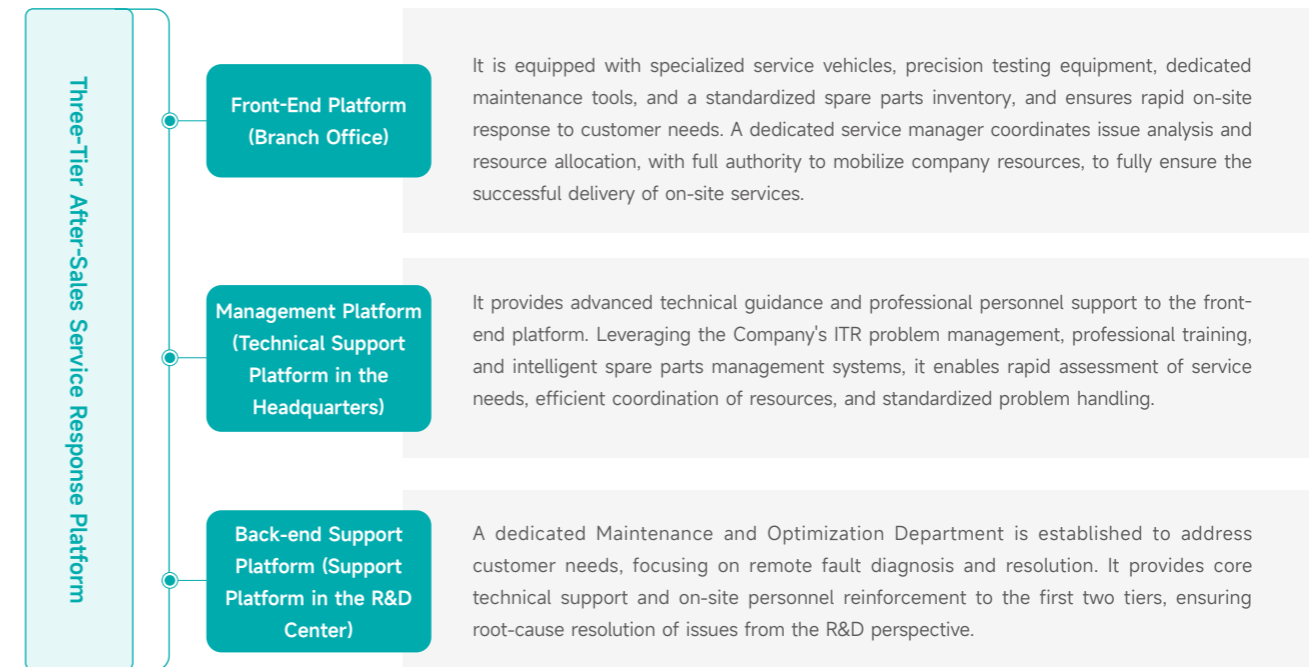


After-sales Service

We have established a nationwide service network with 114 service engineers covering the entire country, providing customers with a three-tier technical support system comprising regional technical service departments, the headquarters technical support platform, and the R&D center support platform. We offer 24/7 service, with a timely issue resolution rate exceeding 99.5%.

Customer Complaint Management

To properly handle customer complaints and respond promptly to customer needs, Hexing has established systems such as the *After-sales Service Management System* and the *ITR Management System*, and set up an After-sales Service Department responsible for after-sales support including customer-submitted inspections, incoming inspections, installation and commissioning, and system operation and maintenance. Concurrently, the Company has built a comprehensive after-sales service system and established a DingTalk after-sales service response platform. Issues are categorized into three levels—A, B, and C—based on customer needs and the urgency and severity of on-site problems, with clear response times and service workflows defined for each category. Furthermore, the Company has established a two-way evaluation mechanism for the Technical Support and R&D Centers, setting strict performance metrics for technical support staff to ensure that all user issues are addressed promptly and effectively.



Key Performance | During the Reporting Period

Customer Complaint Resolution Rate

100%

Evaluation of Response to Customer Complaints

23 times

Pass Rate of Evaluation of Response to Customer Complaints

100%

Training on Customer Service

To improve the professional skills and overall competence of marketing personnel, Hexing has formulated the *Measures for the Administration of the Training of Marketing Personnel*. This document specifies the concrete requirements and operational standards for core processes such as training needs assessment, curriculum design, training implementation, performance assessment, and record management, thereby establishing a standardized and systematic training management framework. In January of each year, the Marketing Management Department initiates training needs surveys and formulates the *Annual Training Plan*. Each region organizes at least one training session per month. For each new policy or product, additional briefing and training sessions are arranged on an ad hoc basis to ensure training activities align with actual needs and deliver practical results.



Customer Training

Key Performance | During the Reporting Period

Number of Customers Surveyed: **110**; Percentage of Customers Participating in the Satisfaction Survey: **89.57%**;
Number of Valid Copies of Customer Satisfaction Questionnaires Issued: **103** Copies; Customer Satisfaction Rate: **95** Points.

Key Performance | During the Reporting Period

Number of Participants in Special Training on Response to Customer Complaints

2,984 participants

Total Duration of Special Training on Response to Customer Complaints

114 Hours

Special Training on Response to Customer Complaints

38 Sessions



Receptance of Customer Visits

Customer Satisfaction

Customer feedback serves as an important basis for service optimization. Hexing has formulated the *Customer Satisfaction Measurement and Control Procedures*, clarifying full-process management requirements for customer satisfaction surveys, measurement, analysis, and improvement. The Marketing Center serves as the dedicated responsible department for overall customer liaison, satisfaction surveys, and measurement activities. Marketing personnel communicate with customers through various channels to collect relevant information. Each year, customer satisfaction questionnaires are distributed to customers in different regions through telephone inquiries, face-to-face inquiries, and other methods. The surveys collect *satisfaction levels and suggestions* across four indicators: quality, delivery time, price, and service. Based on survey results, the Marketing Center leads special analysis meetings with relevant departments, including R&D, production, procurement, and after-sales service, to identify root causes of issues and formulate targeted improvement measures and implementation plans. Responsibilities and completion timelines are clearly defined, forming a closed-loop management process of "survey-analysis-improvement-implementation" to continuously optimize service quality.

Responsible Marketing

To ensure the legality and compliance of marketing activities, Hexing, in strict accordance with the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests*, the *Advertising Law of the People's Republic of China*, and other applicable laws and regulations, has formulated the *Guiding Standards for Domestic Marketing Management* and the *Daily Domestic Marketing Management System*. These documents form a full-process risk control system for marketing operations. Prior to transactions, we conduct customer eligibility ratings, credit assessments, and tiered credit approvals; during transactions, we strengthen contract compliance controls and performance monitoring, with real-time monitoring of orders, deliveries, and collections to provide timely alerts and standardize business operations; and at the post-transaction stage, we work with the Legal and Finance Departments to jointly assess transaction risks and implement closed-loop solutions to ensure risks are preventable, controllable, and traceable, thereby ensuring standardized, orderly, and reliable marketing activities.

Key Performance | During the Reporting Period

Total Number of Violations of Regulations or Voluntary Codes Concerning Marketing Communication (including Advertising, Promotion, and Sponsorship): **0** Case

Data Security and Customer Privacy Protection

Data Security Management

Following the overall policy of "standardizing information management; ensuring information security; enhancing information technology; serving production and operations", Hexing has formulated information security management systems such as the *Hexing Information Security Strategy* and the *Hexing Code of Conduct for Employee Information Security Management*. We have also established a governance structure consisting of an Information Security Leading Group responsible for overall decision-making, an Information Security Working Group responsible for implementation, and business centers and functional departments responsible at different levels, continuously improving the information security management system. As of the end of the Reporting Period, the Company has passed the ISO 27001 Information Security Management System certification.



Information Security Management System Certification Certificate

Key Performance | During the Reporting Period

No major information safety incidents occurred in the Company.

▶ Data Safety Risk Management

To ensure data security, Hexing has established an information security risk management mechanism covering the entire process of "monitoring and identification, assessment and grading, rectification and treatment, reporting and improvement", enabling dynamic quantification and systematic control of risks and comprehensively safeguarding information asset security, thereby providing strong support for digital transformation and high-quality development.

Risk
Identification

Risks are accurately identified through a combination of asset inventory, automated monitoring, and manual inspections. Data security audits are conducted on a regular basis, and privacy impact assessments are initiated in specific scenarios in accordance with relevant management regulations

Risk
Assessment

We have established risk assessment standards and a privacy risk quantification model to scientifically classify risk levels; we promptly investigate and classify anomalies, and conduct annual specialized risk assessments to quantify the results.

Risk
Treatment

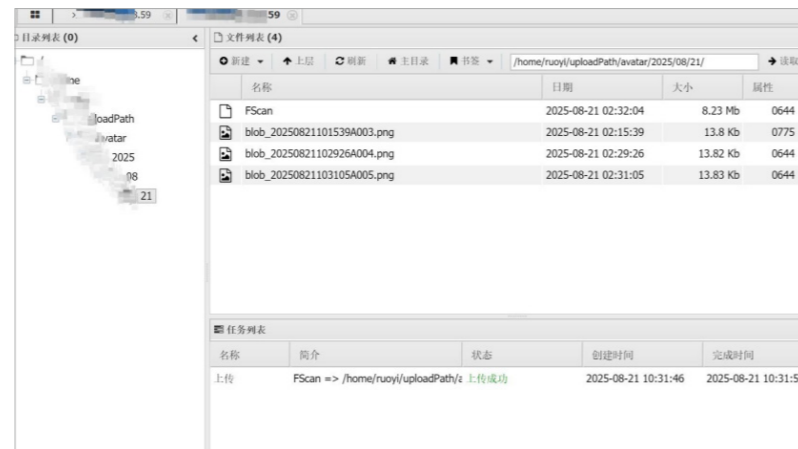
We have established a full-process risk monitoring mechanism, leveraging security platforms and third-party services to enable 24/7 uninterrupted monitoring, and promptly identifying potential risks through security audits and log analysis.

Risk
Management

Graded risk response and closed-loop rectification requirements are implemented. Information security incident emergency response plans are activated as needed. Through continuous optimization and improvement of management processes, iterative upgrades of the security management system are promoted.

● Emergency Response Plans and Drills

To effectively address information security risks, Hexing has formulated the *Emergency Response Plan for Network and Information Security*. During the Reporting Period, the Company organized routine practical drills such as "phishing email simulations" and "Webshell file upload interception drills" to continuously enhance the Company's comprehensive risk management capabilities, thereby establishing a solid defense for business continuity and data security protection.



Webshell File Upload Interception Emergency Drill

● Data Security Audit

Hexing attaches great importance to data security auditing and incorporates it into routine management, actively promoting the establishment and improvement of a data security audit mechanism. During the Reporting Period, our routine data security audits covered multiple dimensions of R&D data security, focusing on full-process control and auditing across key areas such as access control, administrator behavior, host and application security, network and data flows, employee behavior, and physical security. For certain security risks identified during the audit process, rectification actions were initiated immediately. On this basis, we have established a dedicated rectification ledger and formed a virtuous cycle of "audit-rectification-optimization", continuously improving our data security management level and effectively strengthening our full-process data security protection capabilities.

▶ Data Security Management Measures

Hexing has established a multi-level technical security defense system, adhering to a dual approach of external attack prevention and internal risk control, and systematically advancing network protection, endpoint security, access control, and physical environment protection. Externally, we effectively defend against external intrusions and cyberattacks, and internally, we standardize endpoint management, permission auditing, and physical security controls. By achieving internal-external coordination and full-process coverage, we comprehensively fortify our data security defenses.

Data Security Management Measures

Cybersecurity Protection

Boundary protection equipment has been deployed to build a multi-layer defense system. Network partition isolation and traffic monitoring are implemented, and vulnerability scanning is regularly conducted with closed-loop remediation.

Endpoint and Equipment Security

Security control software is mandatorily installed on office terminals and removal is prohibited. Patches and virus definition databases are regularly updated to prevent malware intrusion and data leakage.

Control of Access Permission

A full lifecycle access permission management mechanism has been established. Following the principle of least privilege, strict approval and dynamic adjustment of permissions are implemented, and regular permission audits are conducted to prevent unauthorized access.

Physical and Environmental Security

Access control systems and 24-hour video surveillance have been deployed to strictly regulate visitor management, and server rooms implement strict environmental control and routine inspection systems.

● Training on Data Security

During the Reporting Period, Hexing organized multiple data security training sessions for all employees, covering the importance of information security, daily office security practices, and full-process security management requirements, effectively enhancing employees' awareness of data security and customer privacy protection and further clarifying security behavior standards in daily work, thereby strengthening the foundation of the Company's data security management.

Case Training on Information Security Awareness

During the Reporting Period, Hexing organized information security awareness training for all employees, covering foundational knowledge of information security, relevant company policies, and specific control requirements. These training sessions effectively enhanced employees' awareness of information security protection and strengthened their ability to identify information security risks and conduct compliant operations, further reinforcing the Company's information security defense line.

Key Performance | During the Reporting Period

our total investment in data security amounted to RMB **2.98** million, and we offered **2** training sessions on information security for **2,589** participants.

Note: The statistical scope of the total investment in data security covers Hexing and its major subsidiaries, while the statistical scope of information security training indicators covers Hexing and its major domestic subsidiaries.

➤ Customer Privacy Protection

Hexing strictly complies with the *Personal Information Protection Law of the People's Republic of China*, the *EU General Data Protection Regulation (GDPR)*, and other relevant domestic and international laws and regulations. On this basis, we have established a customer privacy protection system centered on the *Hexing Personal Information Cross-border Transfer and External Provision Security Management Measures*, the *Hexing Personal Information Privacy Impact Assessment Management Measures*, and the *Hexing Information Assets and Confidential Data Management Specifications*. Adhering to the principles of legality, legitimacy, and necessity, the Company strictly limits the scope of the data usage during business operations and has established dedicated procedures to effectively safeguard customers' lawful rights regarding their personal information. Meanwhile, privacy impact assessments and third-party supervision are continuously carried out to ensure lawful, proper, and necessary processing and comprehensive protection of customer personal information.

Key Performance | During the Reporting Period

Number of Information Security and Privacy Protection Violations during the Reporting Period: **0**.

Note: The statistical scope of the above data covers Hexing and its major subsidiaries.

Supply Chain Management

➤ Governance

To ensure standardized, efficient, safe, and controllable operation of the supply chain system, Hexing has formulated management systems such as the *Supplier Onboarding Management System*, the *Supplier Assessment Management System*, and *Procurement Internal Control Management System*, and established a three-tier supply chain governance structure comprising the Board of Directors, the Management, and the execution level. The Board of Directors is responsible for ESG strategic decision-making and direction guidance; the Management formulates procurement compliance standards and KPIs and coordinates risk control; and the execution level implements various decisions and standards. Responsibilities and coordination requirements among relevant departments are clearly defined, comprehensively standardizing the full lifecycle management process for supplier onboarding, review, evaluation, and tiered elimination.

➤ Strategy

Based on the long-term development strategy, Hexing has explicitly elevated supply chain management to a strategic priority and proposed the philosophy of "Trinity Integrated Supply Chain". Additionally, as a key pillar of our supply chain management system, the global strategic procurement relies on three core pillars—regional procurement networks, advanced blockchain technology, and a three-tier emergency response mechanism—to achieve cost reduction and efficiency gains, ensure quality control, and effectively respond to complex and volatile market conditions as well as various contingencies.

Concept of Integrated Supply

Whole-Life-Cycle Management

The entire process from raw material procurement to product recycling is under comprehensive management. With the support of technological and system investments, supply chain dynamics are monitored in real time, enabling risk prediction and response strategy formulation.

Dual Circulation Model

We have established a coordinated dual-circulation model that integrates domestic and international operations. Domestically, we leverage mature industrial systems and supply chain advantages to ensure stable production; overseas factories adopt localized production and sales, significantly shortening delivery cycles and enhancing customer satisfaction and global competitiveness.

Value Co-creation Ecosystem

We have established a scientific supplier classification and management system.

Type of Risk/ Opportunity	Risk/Opportunity Description	Likelihood of Occurrence	Extent of Impact	Duration of Impact	Value Chain Links Impacted	Priority Ranking	Potential Financial Impact	Countermeasures
Operational Risk	Supplier production disruptions (e.g., equipment failure, fire, quality issues) lead to a shortage of critical components.	Medium	Medium	Short term	Operations	Medium	Increase in operating costs and decrease in operating revenue	Conduct on-site audits of key suppliers; require suppliers to provide business continuity plans; and establish safety stock or buffer stock
Digitalization and Intelligence Opportunities	The use of big data, AI, and IoT technologies to optimize demand forecasting, inventory management, and transportation routing can improve supply chain efficiency.	High	High	Medium to long term	Operations, downstream	High	Reduction in operating cost and increase in operating income	Introduce and promote mature industry AI solutions; integrate full-process data across production, sales, warehousing, and logistics to provide data support for integrated intelligent decision-making on demand, inventory, and transportation

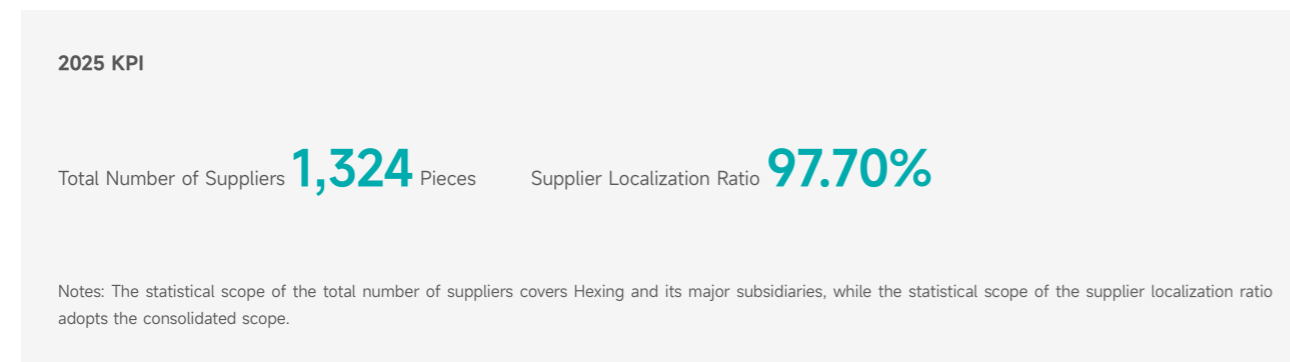
Impact, Risk, and Opportunity Management

To effectively control supply chain operational risks and reduce the adverse impact of emergencies, Hexing has formulated the *Specifications for Business Continuity Management* and established a Business Continuity Management Committee led by the Vice President of the Supply Chain Center with members from relevant departments. The committee is mainly responsible for managing and controlling risks related to business continuity activities and clarifying risk identification management processes. Through standardized management and emergency response measures, risk impacts are mitigated and stable, sustainable operation of the supply chain is ensured.

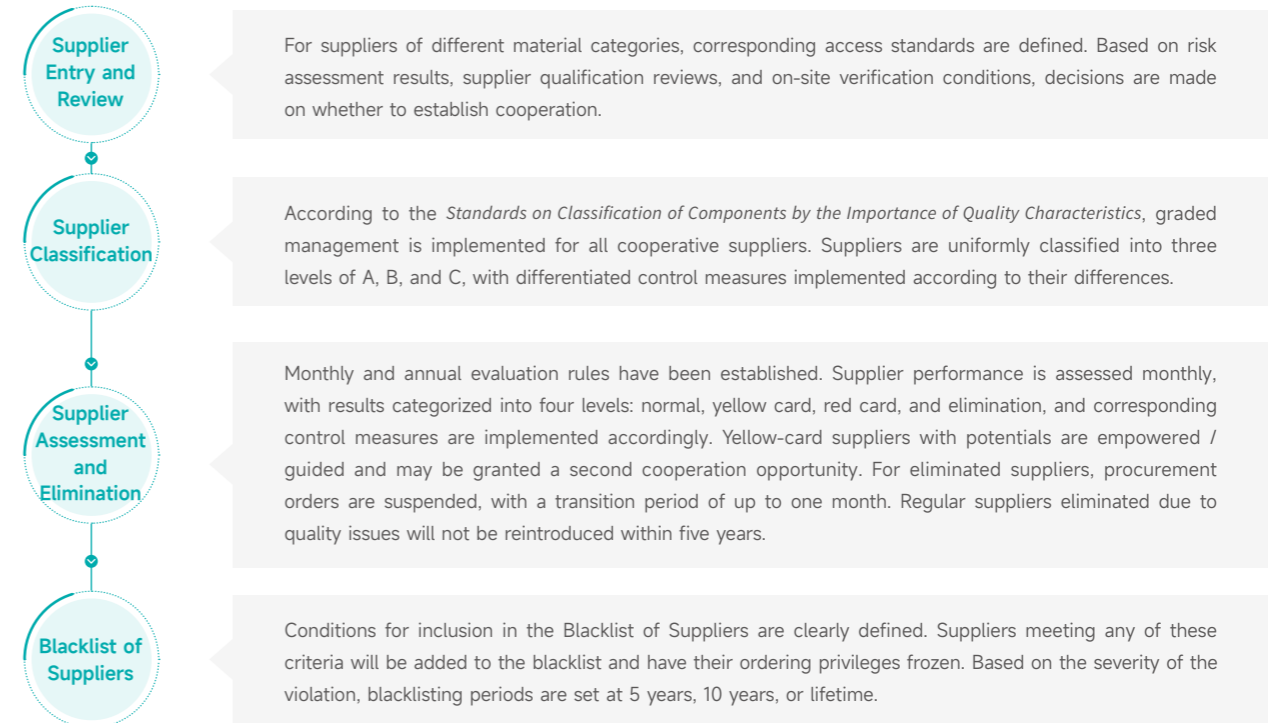


Metrics and Targets

Supply chain management indicators focus on strengthening supply chain resilience and efficiency. Hexing concentrates on key links across the supply chain, optimizes process control, implements management measures, and continuously improves supply chain responsiveness and operational efficiency.

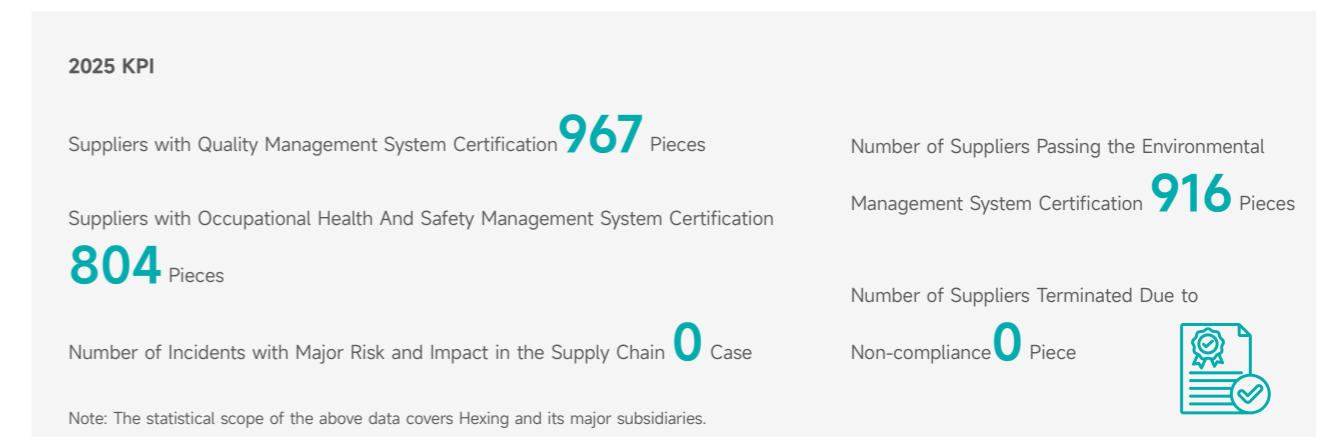


Supplier Lifecycle Management



Supplier ESG Management

Hexing incorporates sustainable development and fair business practices into the supply chain management system and comprehensively regulates supplier ESG management. In terms of labor rights, suppliers are required to obtain SA8000 certification to effectively safeguard the legitimate rights and interests of workers. In terms of environmental management, ISO 14001 standards are followed to promote the implementation of environmental protection measures by suppliers and reduce environmental impacts from production and operations. In terms of business ethics, anti-bribery management requirements are implemented to prohibit all forms of improper commercial conduct and maintain a fair and transparent market competition environment.



Integrity in the Supply Chain

To build a clean and efficient supply chain system, Hexing has formulated the *Code of Conduct for Procurement Business*, clearly specifying that all business activities must follow the principles of integrity and business ethics. Procurement activities throughout the entire process are carried out under the overall strategy of "value-based procurement and transparent procurement". It is strictly prohibited for business personnel to request or accept any form of gifts, benefits, or cash from suppliers, and they must fulfill their responsibilities and obligations regarding the confidentiality of procurement information. The Company also requires suppliers and employees to sign the *Supplier Commitment* and the *Employee Commitment*, respectively, to strengthen integrity awareness among all employees and suppliers.

Hexing mandates the signing of the *Transparent Cooperation Agreement* as a prerequisite for supplier onboarding and conducts on-site compliance audits of high-risk suppliers. In addition, the Company strengthens integrity and compliance management of business partners through contractual constraints, internal integrity education and training, and routine supervision and inspection.

Key Performance | During the Reporting Period

the signing rate of the Supplier Integrity Agreement was **100%**.

Note: The statistical scope of the above data covers Hexing and its major domestic subsidiaries.

Responsible Supply Chain

Hexing has formulated the *Conflict Minerals Management Procedure*, clearly stating the policy of not supporting or using conflict minerals. Suppliers are required to investigate the sources of metals such as gold, tantalum, tin, and tungsten contained in their products to eliminate the use of minerals originating from armed conflicts or illegal mining. New suppliers are required to sign the *Commitment to Non-use of Conflict Minerals* upon onboarding, establish and implement their own conflict minerals management policies, and simultaneously carry out supply chain due diligence.

Additionally, Hexing strictly adheres to the principles of a responsible supply chain. If any supplier is found to employ child labor, cooperation will be immediately suspended and rectification will be required within a specified period. Cooperation may only be resumed after the suppliers pass a third-party audit.

Green Supply Chain

Hexing actively establishes a green supplier evaluation system and strengthens environmental management and energy control from the source of the supply chain. During procurement, priority is given to suppliers that comply with environmental protection requirements and demonstrate high energy utilization efficiency. ISO 14001 Environmental Management System certification and ISO 50001 Energy Management System certification are taken as admission requirements for core suppliers. Packaging material suppliers are required to provide testing reports to verify environmental compliance. In addition, the RoHS Directive and environmentally friendly packaging requirements are incorporated into regular supplier assessments. The Company also conducts dedicated R&D to optimize material formulations and packaging design, establishes a KPI monitoring system, regularly evaluates progress against targets, and incorporates such performance into management assessments, thereby continuously promoting the development of a compliant, low-carbon, and sustainable green supply chain.

Digitalization Development

Hexing continuously promotes supply chain optimization. On the one hand, we significantly increase investment in digitalization by developing and applying digital tools, building an intelligent supply chain platform, and establishing a supply chain control tower integrating 12 subsystems to precisely improve supply chain operational efficiency through intelligent means. On the other hand, we deepen data-driven optimization by establishing a supplier health model and a carbon efficiency management mechanism. Based on four core dimensions—quality, cost, delivery, and ESG—we conduct comprehensive and systematic evaluations of suppliers to accurately understand their overall performance and continuously improve the overall level of suppliers.

Intelligent Management



Development of Supply Chain Platform

- Build decision-making models with digital tools, to enable one-stop solutions through online systems;
- Develop cluster procurement platforms, including a materials procurement platform, engineering project procurement platform, and equipment procurement platform;
- Focus on the core elements of quality, cost, and delivery, digitize evaluation and performance assessment processes, and efficiently and scientifically screen materials and suppliers.



Efficient Application of Digitalization and Informatization

- Implement a digital operations system comprising ERP-ASP, PLM, MES, SRM, EWM, and IBP systems to enhance cross-functional collaboration and ensure high-quality delivery.



Inventory Visualization

- Leverage the Internet of Things (IoT) and data analysis to improve the accuracy of inventory visualization, monitor inventory dynamics, optimize production and sales plans, and reduce costs while improving efficiency.



Optimization of Resource Allocation

- Utilize big data and AI algorithms to improve demand forecasting accuracy, enable advanced production planning and optimize resource allocation to boost production capacity and customer satisfaction.



Enhancement of Early Warning for Abnormal Events

- The Supply Chain Control Tower enables rapid response to anomalies, shortens response times, and ensures supply chain stability through the development and application of automated early warning mechanisms and intelligent decision-making systems.

Supply Chain Communication and Training

Hexing is committed to fostering collaborative development with suppliers through continuous empowerment and in-depth cooperation. Internally, the Procurement Department formulates learning and training plans based on job requirements and business development needs, and regularly organizes training sessions aimed at comprehensively improving the professional competence, business skills, and overall management capabilities of personnel across departments within the Procurement Center.

Externally, Hexing provides customized ESG training for suppliers and continuously enhances suppliers' comprehensive capabilities and performance levels through diversified approaches such as supplier conferences and supplier visits, to achieve long-term value co-creation with upstream and downstream partners.

Case Seminar on Key Legal Risks in Procurement Contracts

In August 2025, the Company organized an offline exchange session on legal risks in procurement contracts for procurement, supply chain, and related business personnel. Legal staff provided systematic explanations based on typical procurement contract clauses. The training focused on key provisions such as payment arrangements, acceptance mechanisms, liability for breach of contract, dispute resolution, and contract effectiveness. Through comparisons of positive and negative cases, business personnel deepened their understanding of contract risks and further enhanced their compliance awareness and risk prevention capabilities during procurement negotiations and contract execution.

Case Visits to Instrument Transformer Manufacturers

To deepen collaboration with current transformer suppliers, from December 1 to 4, 2025, Hexing organized relevant personnel to conduct specialized exchange and learning activities with current transformer manufacturers, including Shandong Yuxing Electric Tools Co., Ltd., Jiangsu Jingyi Electrical Appliance Co., Ltd., and Wuhu Junhua Materials Co., Ltd. Through technical seminars, factory visits, and cost accounting alignment, the Company studied the full-process production technologies of instrument transformers, identified key cost points and control advantages, and proposed rectification measures for quality anomaly inspection findings at each manufacturer. These activities helped build a collaborative communication bridge and supported the Company in enhancing supply chain management capabilities.



Training on Fault Indicator for Mexican Distributors



Visit to Mexican Power Distribution Dealers and Product Promotion

Equal Treatment of Small and Medium-Sized Enterprises

Hexing attaches great importance to fair cooperation with SMEs, and strictly complies with the Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises and the Regulations on Ensuring Payments to Small and Medium-sized Enterprises. In terms of market access, policy support and fair competition, the Company treats SMEs on an equal footing, without imposing discriminatory conditions or hidden barriers, and continuously fosters a stable, fair and transparent development environment. The Company strictly fulfils its payment obligations in full and on time, and fully supports the stable and healthy development of SMEs. As of the end of the Reporting Period, the Company had no overdue payments to SMEs, thereby effectively safeguarding the legitimate rights and interests of SMEs.



People Orientation: Creating Shared Prosperity Through Unity

Our Philosophy

Hexing consistently upholds the principle of synchronizing talent development with corporate growth, remains committed to safeguarding employees' legitimate rights and interests, improves talent development mechanisms, facilitates career advancement pathways, and continuously refines occupational health and safety management systems to create a harmonious, orderly, safe, worry-free, and fair work environment.

Our Actions

Protection of Employees' Rights and Interests	97
Occupational Health and Safety	111
Social Contribution	118

SDGs



06



Protection of Employees' Rights and Interests

Talent Attraction and Recruitment

Talent is the core cornerstone of enterprise development and the fundamental source of innovation and core competitiveness. The Company attaches great importance to talent recruitment and continuously strengthens high-quality development through targeted talent acquisition.

Recruitment Management

In strict accordance with the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*, Hexing has formulated the *Personnel Management System* and the *Recruitment Management System*. Following the recruitment principles of fairness, openness, impartiality, and person-position matching, recruitment activities are coordinated by the Human Resources Center with support from employing departments, thereby standardizing recruitment processes, improving recruitment efficiency and quality, actively attracting outstanding talent, and continuously enhancing the core competitiveness of the Company. Each department prepares a *Recruitment Demand Review Form* and corresponding *Job Description* based on the Company's strategy and annual departmental business plans. HR then formulates targeted recruitment strategies to ensure that talent recruitment aligns with the Company's development objectives and is implemented efficiently.

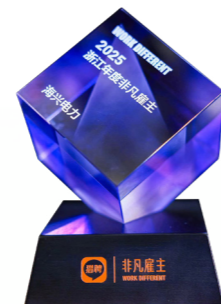
We regards talent as our core competitive strength. Leveraging our outstanding performance in talent development and overseas human resources management, we have been granted the Yonyou Dayi 2025 Overseas HR Management Leadership Award, the 51Job "2026 Outstanding Employer" Award, and the Liepin 2025 Zhejiang Extraordinary Employer of the Year Award. Through professional human resources management practices, we have established a solid talent foundation to support the development of our global businesses.



Yonyou Dayi 2025 Overseas HR Management Leadership Award



51Job "2026 Outstanding Employer" Award



Liepin 2025 Zhejiang Extraordinary Employer of the Year Award

2025 Employee Composition Indicators

Signing Rate of Employment Contract
100%

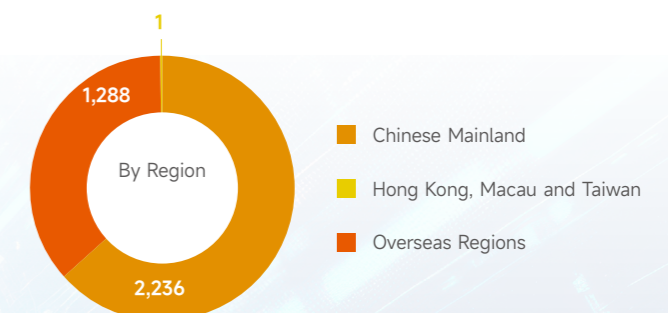
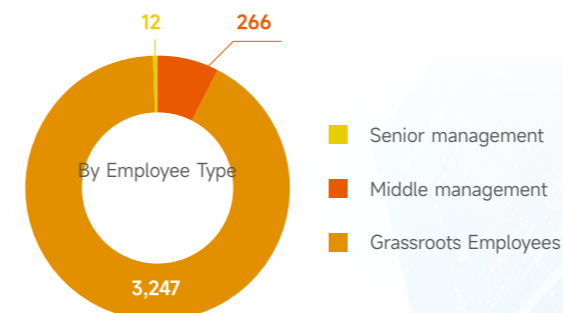
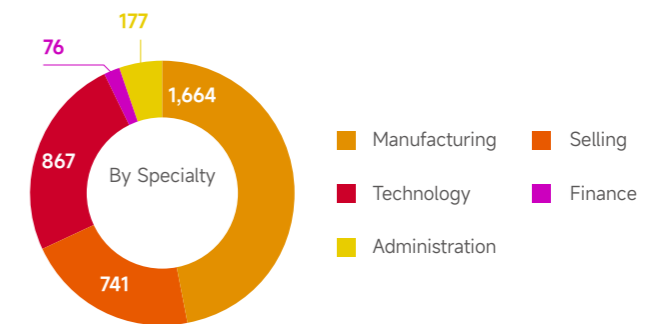
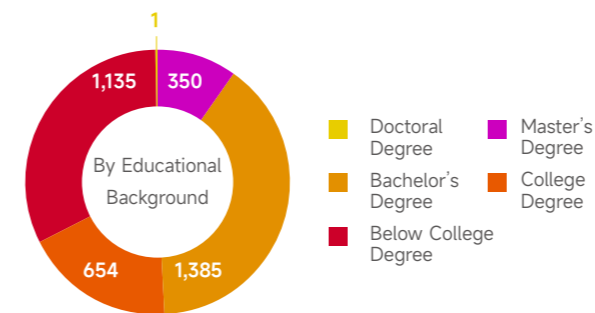
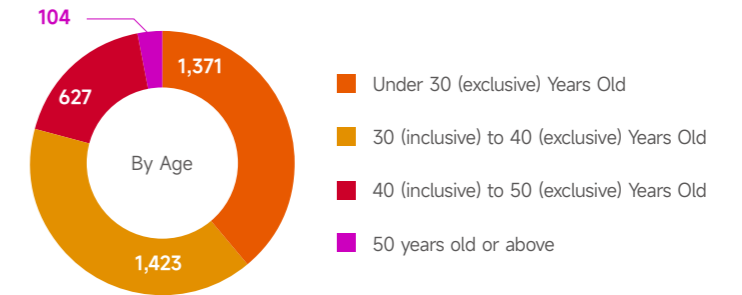
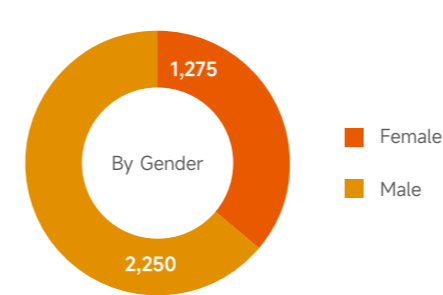
Number of Employees of Minority Nationalities
74 Persons

Number of Employees
3,525 Persons

Number of Employees with Disabilities
52 Persons

Number of Dispatch Employees
4 Persons

Number of Ethnic Minority Employees in Management
7 Persons



Hexing adheres to a diversified recruitment philosophy and has established integrated internal and external recruitment channels. Internally, we encourage employee referrals and offer cash rewards to fully leverage our existing talent pool; externally, we integrate channels such as campus recruitment, social recruitment, headhunting, and job boards to attract outstanding talent from all backgrounds. The selection process adheres to principles of fairness and inclusivity, bringing together talent from diverse backgrounds to continuously inject innovative vitality into the Company's development.

Recruitment Channels

<p>Talent Pool</p> <p>Suitable for long-term accumulation and reserve of core outstanding talent</p>	<p>Recruitment Websites</p> <p>Suitable for most entry-level and mid-level positions</p>	<p>Internal Referral</p> <p>Suitable for technical/highly specialized positions, and able to leverage internal talent resources</p>
<p>Headhunting/RPO</p> <p>Suitable for mid-to-high-level positions (Headhunting), and urgent large-scale recruitment needs (RPO)</p>	<p>Campus Recruitment</p> <p>Suitable for management trainee programs to reserve future outstanding talent</p>	<p>On-site Recruitment</p> <p>Primarily through open day events, inviting candidates who are interested but not strongly committed</p>
<p>Social Media</p> <p>Featuring regular release of urgent positions, and rapid dissemination and mobile recruitment</p>	<p>Media Advertising</p> <p>Suitable for factory recruitment or positions in second-tier and lower-tier cities, but rarely used</p>	<p>Recruitment Agencies</p> <p>Suitable for factory recruitment and lower-level administrative positions</p>



Campus Recruitment Presentations at Zhejiang University of Science and Technology



Campus Recruitment Presentations at Xi'an Jiaotong University

Key Performance | During the Reporting Period

the Company recruited **1,044** new employees, and participated in **40** campus recruitment events (recruiting **246** individuals), and **8** social recruitment events (recruiting **68** individuals), with a total of **798** social recruits for the year.

Diversity, Equality, and Inclusion

For overseas employees, Hexing emphasizes cross-cultural integration and value co-creation. Through cultural adaptation guidance, diverse interaction, and localization initiatives, the Company fully respects and leverages the unique strengths of different cultural backgrounds. The *Code of Conduct* strictly prohibits all forms of discrimination and workplace harassment, and resolutely eliminates violations such as the employment of child labor and forced labor. During the Reporting Period, the Company had no incidents related to child labor, forced labor, workplace discrimination, or harassment.

Adhering to the principles of "equal opportunity" and "value discovery", the Company does not make discriminatory decisions based on personal characteristics such as race, gender, religion, or sexual orientation during the recruitment and promotion processes.

We foster an "inclusive ecosystem culture" by organizing events such as Global Culture Day and Diverse Perspectives Forums to encourage employees to freely express differing viewpoints. We also implement inclusive decision-making processes to ensure that diverse voices are incorporated into decision-making considerations.

In our global operations, we prioritize local integration. For branches in different regions, we offer localized training courses and materials covering local languages, business etiquette, laws and regulations, market customs, and introductions to social and cultural practices.

Our *Labor Protection Management Procedure* establishes strict employment access standards and explicitly prohibits any department from hiring child labor under the age of 16. Forced labor is also strictly prohibited, with safeguards implemented through recruitment, training, supervision and inspection, and reward and punishment mechanisms.

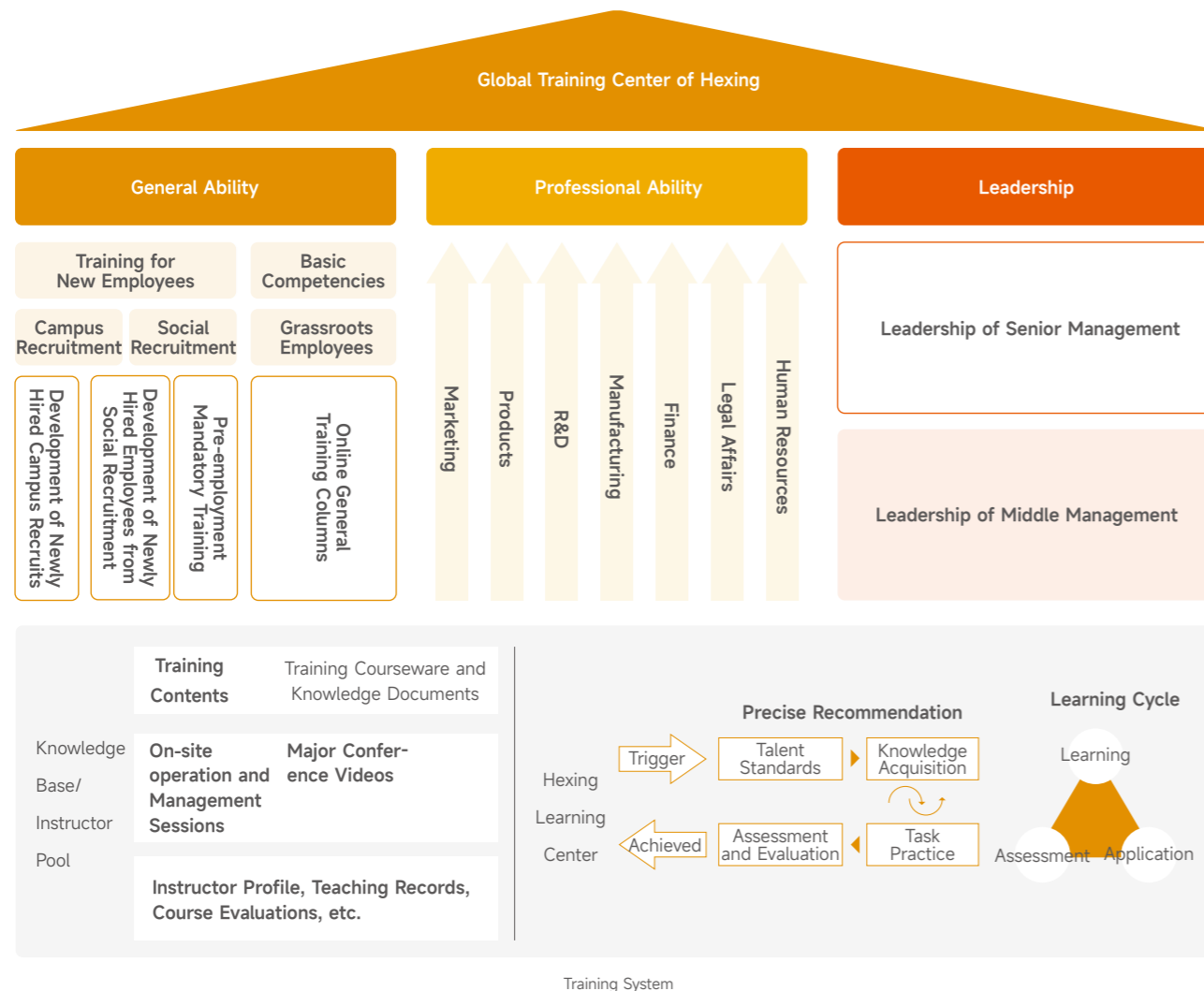
Any form of workplace harassment or behavior that causes others to feel sexually uncomfortable is strictly prohibited.

Training and Development

Governance

To improve person-position matching, organizational effectiveness, and team atmosphere, Hexing has formulated the *Training Management System* to systematically promote training initiatives. Each business department formulates training plans based on the Company's human resources strategy, departmental HR planning, and qualification assessment results, and reports them quarterly to the Human Resources Center in the headquarters. HR personnel from each department collaborate with the center's training specialists to carry out training activities. The Company implements strict quality control over the training process. All training programs include assessment components and are followed by two-way evaluations, covering both trainee assessments and trainee evaluations of instructors, ensuring that training effectiveness is measurable and assessable.

Hexing encourages employees to enhance their personal capabilities by providing financial support—including registration fees, textbook costs, exam fees, and necessary training expenses—for employees pursuing professional certifications. Employees who successfully obtain certifications are rewarded with bonuses, promotion opportunities, and additional benefits. This helps to stimulate the entire workforce's drive for excellence and fosters a positive atmosphere of collective growth.

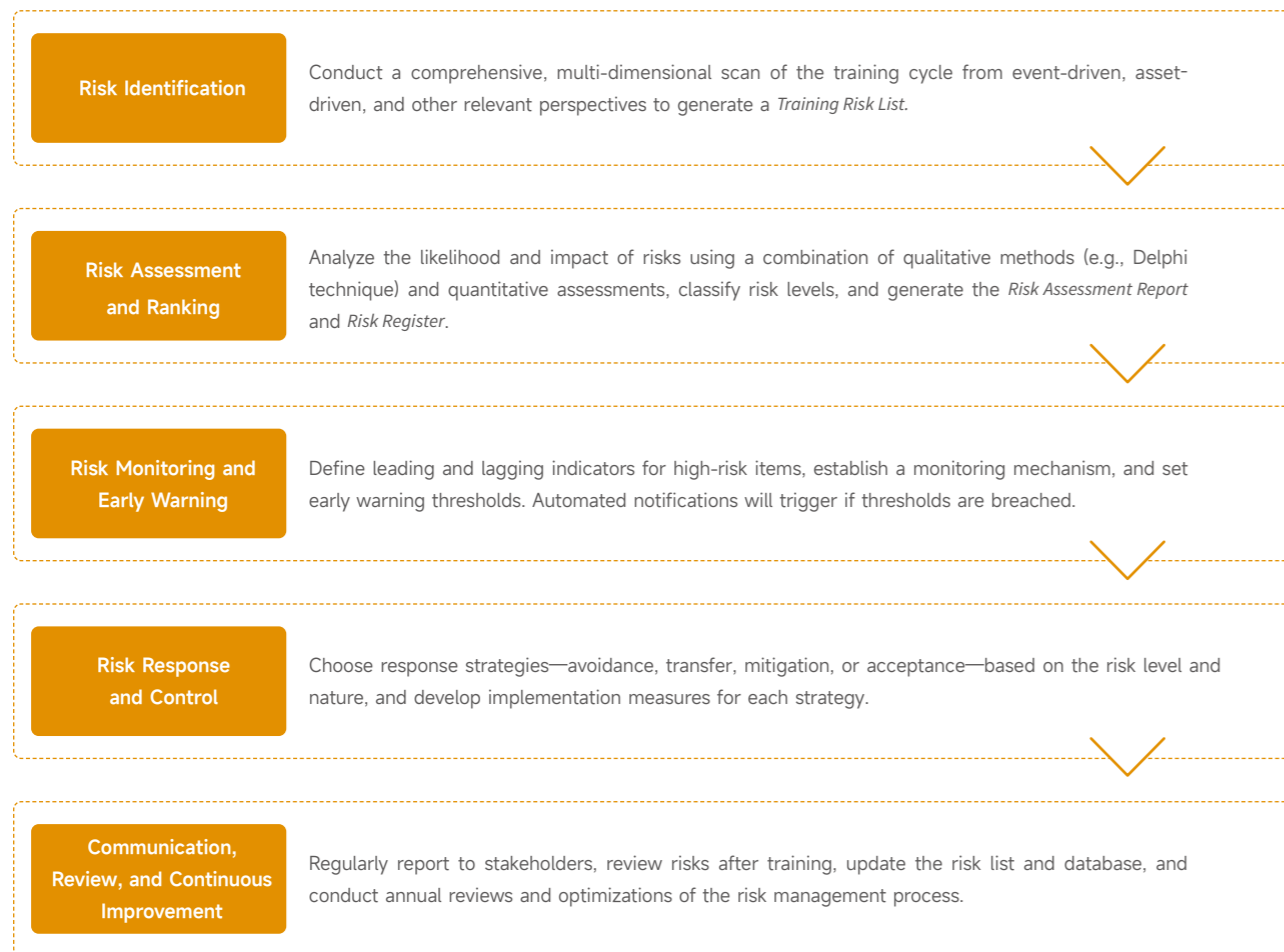


Strategy

Type of Risk/ Opportunity	Description of Risk/ Opportunity	Likelihood of Occurrence	Extent of Impact	Duration of Impact	Value Chain Links Impacted	Priority Ranking	Potential Financial Impact	Countermeasures
Talent Turnover Risk	Employees in key technical or core positions resign due to higher external salaries and limited internal growth opportunities	Medium	High	Short and medium term	Operations, downstream	High	Increase in operating costs	Establish a transparent promotion system, implement equity incentives, and create career development plans
Inadequate Training Effectiveness Risk	Training content is disconnected from business operations or excessively formal, which fails to enhance employees' practical competencies	Medium	High	Medium to long term	Operations	Medium	Increase in operating costs	Conduct training needs analysis, establish effectiveness evaluation mechanisms (e.g., KPI alignment), and use practical training models
Skill Enhancement Opportunity	Enhance employees' comprehensive skills through systematic training, boosting per capita efficiency and innovation capacity	High	High	Medium to long term	Operations	High	Increase in operating income	Develop skill maps and learning paths, launch cross-departmental training programs, and create skill certification and reward systems
Opportunities from Digital Transformation	Expand training coverage using technologies like AI learning platforms and virtual practical training	Medium	High	Medium to long term	Operations	High	Reduction in operating costs	Implement adaptive learning systems, create micro-courses and simulation tools, and train managers on digital operational methods

Impact, Risk, and Opportunity Management

Hexing has developed a *Comprehensive Risk Management Plan for Employee Training and Development Programs*. By incorporating advanced risk identification methods, combining both quantitative and qualitative assessment tools, and establishing dynamic monitoring indicators along with tiered response strategies, the Company has created a closed-loop management system for risk prevention, control, and continuous improvement. This ensures the maximum return on training investments, aligns talent development with organizational strategic goals, and mitigates potential legal, financial, and operational risks.



Metrics and Targets

In line with the strategy of "Global Development + Business Transformation and Upgrading" and the Human Resources Center's mission to "Build an organizational and talent system that drives strategy, empowers the business, and supports employees", Hexing focuses on three key initiatives: "building a talent pipeline, upgrading organizational capabilities, and creating an intelligent global SSC platform". Additionally, the Company aligns with three core objectives: "matching capabilities with strategy, connecting growth pathways, and supporting business development". By setting training and development goals in a hierarchical, categorized, practical, and systematic manner, we foster a mutually beneficial outcome—enhancing employee capabilities, improving organizational efficiency, and driving the successful execution of the group's strategy.

Overall Objectives

By 2028, establish a comprehensive training and development system characterized by "strategic alignment, hierarchical classification, practical empowerment, and digital support". This system will create a well-defined talent training product line that covers all levels and stages. The goal is to achieve "consistent training coverage, targeted improvement of core capabilities, and an independent, controllable talent pipeline", while supporting the development of a "dynamic talent pipeline" and an "agile, efficient organization".



Set Sail for Talent Empowerment

2025 Key Performance

Investment in Employee Training RMB 1.0573 million	Number of Employee Training Sessions 431 Sessions	Total Number of Employees Trained 3,295 Persons
Total Training Attendances 44,310 Person-times	Coverage Rate of New Employee Training 100%	Total Training Duration 25,964.60 Hours
Average Duration of Employee Training 7.88 Hour/Person		

Training Measures

Trainer Team Development

Hexing continuously enhances trainer development, creating a well-structured and professionally diverse trainer team. Internal trainers serve as the core, while external experts are brought in to deliver specialized lectures and offer professional guidance. This approach fosters a complementary and efficient collaboration between internal and external resources, strongly supporting the Company's talent development efforts.

Regarding internal trainer management, we have implemented rigorous certification and assessment criteria. Internal trainers must obtain teaching certification from the Human Resources Department and meet relevant employment requirements, including minimum years of service and work experience. Additionally, they must develop training courseware on an annual basis. The quantity and quality of such courseware are integrated into their performance appraisals and serve as core criteria for job qualification reviews. We select five Outstanding Internal Trainers of the Year, awarding each a RMB 50,000 prize, which effectively boosts their teaching enthusiasm and enhances their professional capabilities.

Key Performance | As of the end of the Reporting Period

the Company has a total of **340** trainers, including **247** internal trainers and **93** external trainers.

Online Learning Platform

We have made significant progress in developing the online learning platform, which offers a well-structured and comprehensive set of courses aligned with our business development needs. The platform currently hosts 1,253 courses across 16 core areas, including technology, products, marketing, human resources, management, and safety. It also enables digital management of the entire process, from training check-ins to exams and evaluation surveys, facilitating data collection and analysis. Additionally, the platform supports mobile access, offering employees convenient and extensive online learning resources to enhance their professional skills.



Learning Platform



Career Development

Upholding the principles of fairness, alignment, and competitiveness, the Company has developed the *Hexing Position and Rank Management System*, creating a position- and rank-centered framework. We have established dual promotion paths for management and professional/technical tracks, fully respecting employees' development choices. This system supports employees in achieving personal growth and career advancement by enhancing their professional capabilities, while also promoting the shared development of employees and the enterprise. In addition, a horizontal mobility mechanism has been implemented, allowing eligible employees to move between management and non-management positions in an orderly manner. This approach effectively optimizes the allocation of internal talent and fully activates the potential of employee development.

Hexing Position and Rank System

Grade	Management Rank	Title	Professional Rank	Title	Operation Rank	Title
20	M11	Rotating President/President				
19	M10	Senior Vice President				
18	M9	Vice President	P18	Scientist		
17	M8	General Manager	P17	Senior Expert		
16	M7	Deputy General Manager	P16			
15	M6	Director	P15			
14	M5	Deputy Director	P14	Advanced	S13	Craftsman
13	M4	Manager	P13		S12	
12	M3	Deputy General Manager	P12		S11	
11	M2	Head	P11	Intermediate	S10	Senior Worker
10	M1	Group Leader	P10		S9	
9			P9		S8	
8			P8	Junior	S7	Intermediate Worker
7			P7		S6	
6			P6		S5	
5				S4	Primary Worker	
4				S3		
3				S2		
2				S1		
1						

Key Performance | During the Reporting Period

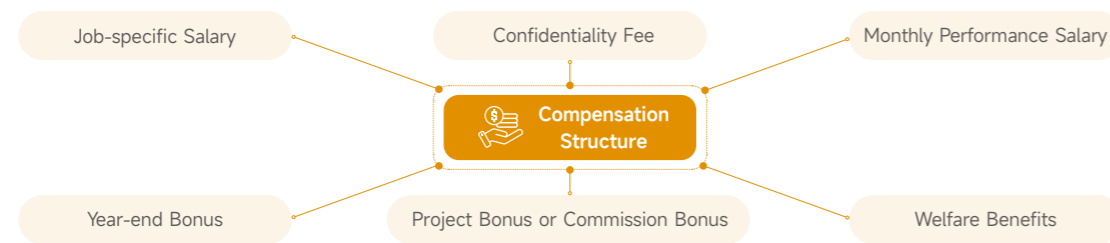
320 employees underwent internal transfers or submitted internal job applications, accounting for **9.10%** of the total workforce.

Compensation and Benefit Management

Compensation Management

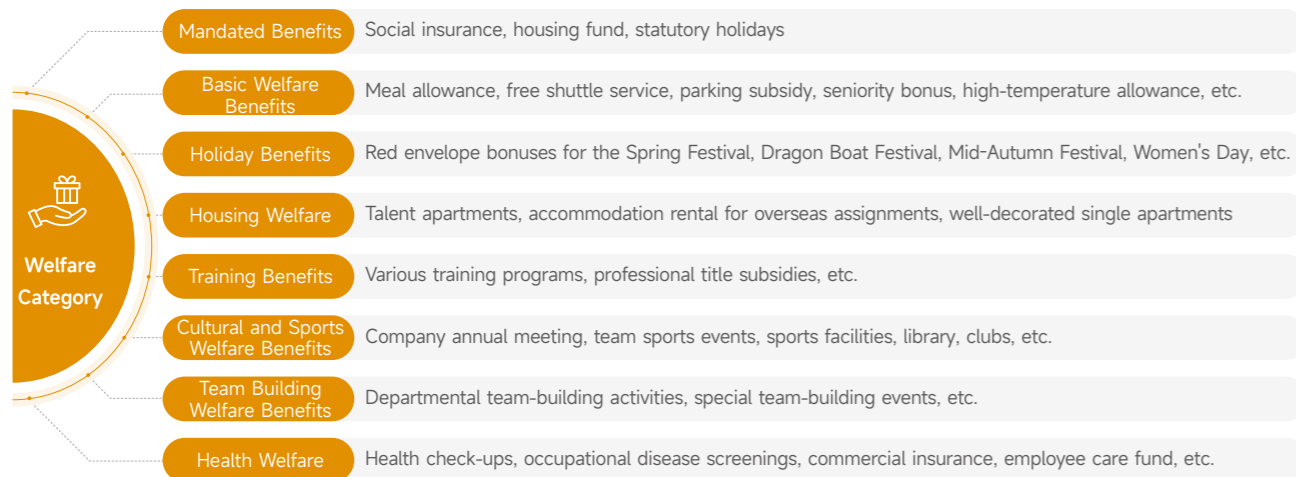
Hexing has established the *Compensation Management System*. The Remuneration Committee is responsible for approving the design of the compensation system and the annual total wage budget, while the Human Resources Center handles the day-to-day management of compensation. Salaries are determined by comprehensively considering national and local salary policies, the CPI, industry and regional salary levels, talent market supply and demand, and other relevant factors, ensuring the competitiveness and fairness of compensation, while maintaining the attractiveness of key positions. We have also implemented a value-oriented compensation incentive mechanism, which emphasizes individual performance while incorporating organizational performance, promoting the sustainable growth of both corporate value and employee value.

Since 2022, the Company have officially implemented a profit-sharing incentive mechanism, which has been in effect for three consecutive years. It has covered over 500 employees and distributed more than RMB 200 million in profit sharing, effectively converting our development achievements into tangible employee benefits.



Welfare Benefits

To demonstrate our commitment to employee well-being and enhance their sense of belonging and loyalty, Hexing has developed the *Employee Welfare Management System*. In terms of statutory benefits, the Company provides five types of social insurance and a housing fund for employees in compliance with the law, ensuring basic protections. We also strictly observe national holidays and guarantees employees' right to paid annual leave. Additionally, we offer a comprehensive and diverse welfare program, covering areas such as festivals, housing, training, culture, sports, and more. This program integrates humanistic care into all aspects of work and life, helping to foster stronger team cohesion.



Key Performance | During the Reporting Period

the Company achieved a **100%** social insurance coverage rate, with an average of **15.79** days of paid annual leave per employee.

Performance Management

Performance Appraisal Mechanism

To effectively align our strategic goals with employees' personal objectives and enhance overall operational efficiency and core competitiveness, Hexing has developed a *Performance Management System*. The Human Resources Center is responsible for organizing employee assessments and conducts performance evaluations at both organizational and individual levels on a monthly, quarterly, and annual basis. These assessments are based on job characteristics and work content, with key performance indicators (KPIs) and key work indicators set accordingly. Performance levels are evaluated, and performance bonuses are calculated based on employees' work results, ensuring that assessment outcomes are directly tied to incentives.

Key Performance | During the Reporting Period

100% of employees received regular performance and career development assessments.

Appeal and Feedback Mechanism

The Company has established a robust performance feedback and appeal mechanism. Upon completion of the performance appraisal, the direct supervisor will communicate the results to the employee and complete the *Appraisal Feedback (Interview) Form*. Employees who receive a performance rating of C or below will have a dedicated follow-up interview, with the records kept on file. If an employee disagrees with the appraisal result, they may submit the *Employee Appraisal Appeal Form* in writing to the Human Resources Center within five working days of receiving feedback. The Human Resources Center will respond within three working days to indicate whether the appeal is accepted. Appeals lacking an objective factual basis and based solely on subjective assumptions will not be accepted.

Labor Relations Management

Labor Dispute Management

Hexing has appointed a Labor Dispute Mediation Commissioner under the Trade Union and established a standardized process for handling labor disputes, aimed at protecting the legitimate rights and interests of both employees and the enterprise and maintaining a harmonious and stable labor relationship. When an employee raises a labor dispute, the Human Resources Department shall promptly investigate and verify the issue, issue a labor dispute report, and submit it to management for approval. Internal mediation shall be prioritized, and mediation efforts will proceed according to management's instructions. Once an agreement is reached, the results shall be implemented, and a summary report shall be prepared. If required, rectification actions will be carried out under management guidance, creating a complete closed loop from dispute handling to problem resolution.

Resignation Management

Hexing has established clear resignation procedures and a structured work handover process within the *Personnel Management System*. Resignation audits are conducted for employees in key positions, and resignation procedures can only be completed once the audit results are verified as correct. When an employee submits a resignation application, their access to key information systems, including SAP, CRM, and PLM, is immediately revoked to safeguard the Company's information security.

Employee Care and Communication

Employee Assistance

Hexing continues to implement employee care and assistance initiatives, launching various supportive measures based on employees' actual needs to effectively enhance their sense of well-being. For those engaged in high-temperature and outdoor work, the Company regularly conducts high-temperature welfare visits, providing heatstroke prevention supplies, cooling products, and health care. This effort ensures employees' well-being during summer work, helps them feel the Company's warmth, and fosters collective effort for team development.



High-temperature Welfare Visits

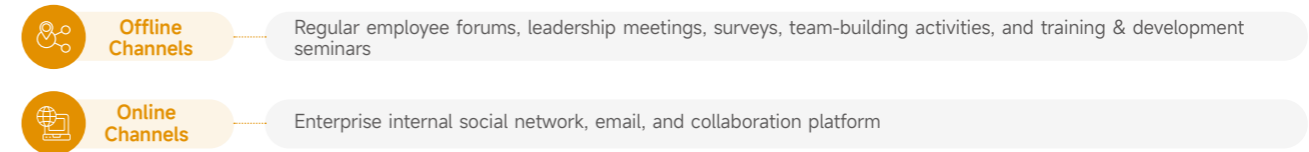
Democratic Management

Hexing continuously strengthens the democratic management system, centered on the Employee Congress and the Trade Union Committee, with an Audit Committee and a Female Employee Committee established under the Trade Union. This structure ensures employees' rights to information, participation, and supervision, allowing them to fully exercise their democratic rights and safeguarding their legitimate interests.

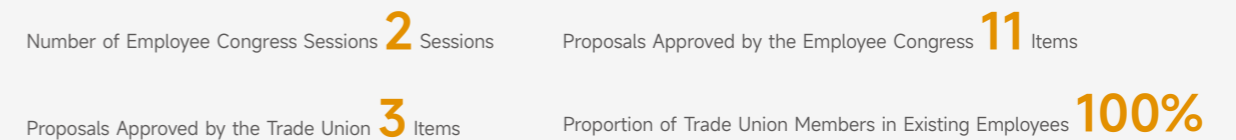


Employee Congress

In addition, the Company regularly conducts employee satisfaction surveys and has developed diversified communication channels that integrate online and offline platforms. These channels allow employees to express their needs and provide feedback, enabling efficient two-way communication. In 2025, over 1,500 employees participated in the survey, achieving an overall satisfaction rate of 91%.



2025 Key Performance Indicator (KPI)



Protection of Women's Rights and Interests

Hexing has established and strictly implements a system for protecting women's rights and interests. Female employees are entitled to fully paid prenatal check-up leave, statutory maternity leave, and breastfeeding leave, with salaries and benefits maintained at the normal wage level during the leave period. Their positions and ranks are fully retained. The Company also offers flexible working models, such as flexible hours and remote work, to help female employees balance their careers and family life. In addition, well-equipped mother-and-baby rooms are set up in the office area, providing a private, safe, and clean environment with facilities such as refrigerators and sterilizers. The Company regularly organizes care activities, including health lectures, legal consulting, and psychological counseling. We also celebrate International Women's Day on March 8th with themed events, recognition of outstanding female employees, and special welfare activities. Through these initiatives, we actively foster a workplace that respects equality and supports the development and well-being of women.



Women's Day Activities

2025 Key Performance



Employee Activities

Hexing places great importance on employee well-being and team building. We regularly organize a variety of activities, such as holiday celebrations and cultural and sports events, to enrich employees' leisure time, relieve work pressure, enhance the overall work experience, strengthen teamwork, and foster a sense of belonging.



Christmas Activity



Annual Meeting Activity

Occupational Health and Safety

Management of Work Safety

Hexing consistently implements the work safety policy of "Safety First, Prevention First, Comprehensive Management" and has developed the *Quality, Environment, and Occupational Health and Safety System Management Manual*. A Safety Committee has been established, with the Director serving as the main person responsible for workplace safety. The Committee clarifies the specific responsibilities of each department and member, creating a management structure with clear responsibilities and efficient coordination.

The Company has also developed system documents, including the *Work Safety Responsibility System* and the *Work Safety Responsibility Management and Reward/Punishment System*, to ensure strict enforcement of safety responsibilities and accountability. Relevant departments are required to sign work safety responsibility letters, clearly defining the safety duties and objectives of each role. Safety performance is incorporated into employee assessments. Commendations and cash rewards are given for outstanding achievements, while non-compliance or inadequate performance is met with strict accountability. These measures collectively strengthen the Company's safety framework.



Organizational Structure of the Safety Committee



Occupational Health and Safety Management System Certification Certificate

As of the end of the Reporting Period, the Company and its subsidiaries, Nanjing Hexing and Ningbo Henglida, have all obtained ISO 45001 Occupational Health and Safety Management System certification.

Safety Production Goals in 2025	Achievement
<ul style="list-style-type: none"> Focus on work safety and continue building an enterprise compliant with safety standardization. 	Achieved ✓
<ul style="list-style-type: none"> Ensure all employees sign safety responsibility letters at all levels. 	Achieved ✓
<ul style="list-style-type: none"> Achieve 100% pass rate for safety training; Achieve 100% of special operation personnel qualified and certified; Achieve 100% effective control of major hazards and risks; Achieve 100% rectification of potential accident hazards; Zero fatalities, fire incidents, or major equipment/production accidents; lost work time rate for injuries < 2‰ per 8,000 working hours; Incidence Rate of Occupational Disease: 0. 	Achieved ✓
<ul style="list-style-type: none"> Supervise and inspect workplace safety to promptly eliminate potential production hazards. 	Achieved ✓
<ul style="list-style-type: none"> Implement major safety technical measures to ensure effective investment in safety funds. 	Achieved ✓
<ul style="list-style-type: none"> Maintain qualified rate of key process indicators > 98%, main equipment performance > 95%, and 100% regular inspection of special equipment. 	Achieved ✓
<ul style="list-style-type: none"> Conduct 100% regular inspections of safety interlock alarms, toxic/hazardous/explosive detection instruments, and relay protection systems to ensure sensitivity and reliability. 	Achieved ✓
<ul style="list-style-type: none"> Conduct 100% regular inspections of all lightning protection and electrostatic facilities. 	Achieved ✓
<ul style="list-style-type: none"> Achieve 100% detection rate of occupational hazard factors and 100% physical examination rate for employees working with occupational hazards. 	Achieved ✓
<ul style="list-style-type: none"> Conduct at least one comprehensive emergency plan drill during the year. 	Achieved ✓

Key Performance | During the Reporting Period

the Company invested RMB **6.2562** million in work safety, representing **0.10%** of operating income.

Note: The data covers Hexing and major subsidiaries.

Safety Risk Management

Hazard Source Identification and Control

To enhance work safety management and promote the identification, evaluation, and oversight of hazard sources, the Company has established the *Hazard Source Identification and Risk Assessment Management Procedure*. The Safety Management Group within the General Affairs Department is tasked with organizing the identification, analysis, and evaluation of hazard sources. Risk levels are determined through methods such as Job Hazard Analysis (JHA) and Hazard and Operability Analysis (HAZOP). This process aims to improve accident prevention, enhance hazard source control efficiency, address potential safety hazards at their source, eliminate early warning signs, and effectively prevent major safety accidents.

Safety Hazard Identification

Hexing has established the *Work Safety Inspection and Potential Accident Hazard Rectification System*, which designates the person in charge of each department as the primary responsible party for investigating and addressing potential safety hazards within their respective areas. This individual holds the main responsibility for leading these efforts. Each department regularly reports the results of hazard investigations and rectifications to the Safety Management Group of the General Affairs Department, which maintains a database of potential hazards and oversees the investigation, treatment, and assessment process. This ensures the safe production and operation of the Company.

We routinely conduct safety hazard investigations and comprehensive inspections of production equipment, facilities, and the working environment. Identified hazards are classified, graded, and recorded in a rectification log. General hazards are required to be addressed within a specified time, while major hazards have corrective action plans, with assigned responsible persons ensuring timely resolution. For critical areas such as fire safety, transportation, and special equipment, the Company carries out targeted rectification actions to eliminate potential safety risks.

Key Performance | During the Reporting Period

the identification and rectification rate of potential hazards was **100%**.

Note: The statistical scope of the above data covers Hexing and major subsidiaries.

Emergency Response

To enhance safety awareness across all levels of the Company, improve emergency response capabilities, and strengthen both self-rescue and rescue skills, the Company has developed specific emergency plans, including the *Electric Shock Emergency Plan*, *Typhoon and Flood Prevention Emergency Plan*, and *Fire Accident Emergency Plan*. Emergency drills are conducted regularly to reinforce practical skills, rapid response, and preparedness. These drills ensure that, in the event of a sudden accident, the Company can respond quickly, act efficiently, follow standardized procedures, and minimize injuries and losses.



Case | Fire Emergency Drill

In May 2025, the Company's Safety Management Group organized a fire emergency drill at the Manufacturing Center. The drill covered essential knowledge, including escape techniques, proper use of firefighting equipment, and fire prevention measures, helping employees master correct emergency response procedures. After the drill, the Safety Management Group conducted a prompt review, identified areas for improvement, proposed corrective measures, and supervised their implementation, effectively enhancing the emergency response capabilities of our employees.



Drill Site

Key Performance | During the Reporting Period

the Company conducted **18** safety emergency drills.

Note: The data covers Hexing and major subsidiaries.

Safety Accident Handling

To standardize the management of safety accidents, including reporting, investigation, handling, and tracking, Hexing has implemented the *Production Safety Accident Reporting, Investigation, and Handling System*. The person in charge is responsible for the overall coordination of accident information transmission and reporting, directing the entire rescue process, and leading on-site disposal and verification of production resumption. The Safety Management Group of the General Affairs Department is responsible for reviewing and analyzing accidents, as well as supervising the implementation of corrective measures. This forms a closed-loop management system of "disposal - review - rectification - supervision". We continually draw lessons from accidents, address safety gaps, and improve our work safety risk prevention and control capabilities.

Key Performance | During the Reporting Period

Number of Work Safety Accidents **30** (0 in China); Number of Work-Related Deaths: **0**; Total Number of Work-Related Injuries: **5**;
Number of Working Days Lost due to Work-Related Injuries: **17** days; Lost Work Time Rate per Million Working Hours: **18.48%**;
Lost Time Injury Rate (LTIR) per Million Working Hours: **0.68**.

Note: The statistical scope of the above data covers the Hexing and major subsidiaries.

Construction of Safety Culture

Hexing places great emphasis on improving employees' safety awareness and skills, viewing work safety training as a key measure to ensure production safety. To effectively implement safety education and training, the Company has developed a special safety training plan for 2025. This plan closely aligns with the policy of "Safety First, Prevention First" and includes three levels of safety education, accident prevention training for on-the-job employees, electrical safety training, and more. By integrating safety principles into all stages of production and striving to encourage active participation from all employees, we aim to promote the long-term, standardized implementation of safety education, ensuring full participation, broad coverage, and the integration of safety training throughout the entire process.



Work Safety Training

2025 Key Performance

Investment in Safety Education and Training RMB 0.4589 million	Investment in Security Education and Training 56 Sessions	Number of Participants in Safety Training 4,476 Person-times
Total Duration of Safety Education and Training 5,532 Hours	Coverage rate of safety education and training 100%	Coverage Rate of Training on Safety Risk Prevention 100%

Note: The statistical scope of the above data covers Hexing and major subsidiaries.

Safety Management for Related Parties

To enhance the management of personnel involved in loading and unloading operations, transportation, business partners, temporary workers, external contractors, inspection and maintenance personnel, visitors, and inspectors, Hexing has developed the *Stakeholder Safety Management System*. This system designates the Safety Management Group of the General Affairs Department as the responsible body for stakeholder safety management. The group is responsible for reviewing safety-related clauses and conducts regular safety inspections at production operations and construction sites to thoroughly identify and eliminate potential safety hazards, thereby preventing accidents.

- ▶ Sign contracts with stakeholders that include an annex on safety agreements, outlining on-site operation specifications, safety reward and penalty clauses, accident accountability mechanisms, and other relevant details;
- ▶ Establish an entry permit system for external personnel, including real-name registration, safety notifications, protective equipment checks, and other required procedures before entering operational areas;
- ▶ Review the qualifications of construction management personnel and ensure the implementation of safety measures before construction begins. Provide safety education to construction workers and sign a construction safety agreement to clarify the safety responsibilities of both parties;
- ▶ Strengthen on-site safety management of external construction units through regular patrols and inspections of construction sites.

Management of Hazardous Chemicals

Hexing strictly adheres to the red line of hazardous chemicals safety management. We have established systems such as the *Hazardous Chemicals Management Procedure* and the *Safety Operating Procedures for the Hazardous Chemicals Warehouse*, designating the Warehouse Department as the responsible body. The Company has also refined operational standards for the storage, handling, use, and disposal of hazardous chemicals to mitigate safety risks, minimize accidents, and ensure the safety of both personnel and company property.



Safety Risk Notification Board

- Storage** ▶ Establish a dedicated storage facility for hazardous chemicals. Implement a dual-person system for receiving, dispatching, and custody. Clearly mark safety signs, and install temperature and humidity monitors, leakage alarms, and other safety equipment. Conduct regular inspections and testing of safety facilities to ensure proper functionality and safety.
- Transport** ▶ Perform regular safety inspections and maintenance on hazardous chemicals handling equipment. Operators must undergo specialized training, pass assessments, and strictly adhere to safety protocols and operating procedures during their tasks.
- Use** ▶ Follow the principle of assigning chemicals to specific posts. Only collect the amount needed for production, and strictly prohibit overstocking at production sites. Minimize open use during operations, and promptly report any abnormal situations.

Occupational Health Protection

Adhering to the principle of "Prevention First, Combining Prevention and Control", Hexing has established the *Occupational Health Management System* and the *Occupational Disease Prevention System*. These systems ensure the effective implementation of occupational health protection measures. The Company strictly implements the "Three Simultaneities" requirement for occupational health facilities in construction projects, controls hazards at the source, and safeguards employees' health and legitimate rights and interests.

- We engage qualified third-party institutions to monitor workplace hazard factors, conduct regular occupational health risk assessments at production and operation sites, and provide corresponding improvement recommendations.
- Employees working in roles involving toxic or hazardous substances undergo regular occupational health examinations at qualified medical institutions. The Company also provides occupational health training and maintains comprehensive occupational health records and employee health monitoring files.
- Employees are provided with appropriate personal protective equipment (PPE), along with guidance on its proper use. In addition, the Company ensures the proper installation and operation of occupational health protection facilities.
- Warning signs and hazard notification cards are clearly displayed in prominent locations in areas where occupational hazards are present.



Notification Card of Occupational Disease Hazard

Social Contribution

Rural Revitalization

Hexing actively fulfills its corporate social responsibility by promoting the coordinated development of urban and rural areas and advancing common prosperity through initiatives like paired assistance and targeted support. In line with Zhejiang Province's initiative to build a demonstration zone for common prosperity, the Company has focused on township-village pairing assistance. We have established a partnership with Yaoshan Township, Chun'an County, and donated RMB 0.15 million in targeted funds to support local rural revitalization.



"Township-Village Pairing Assistance" Coordination and Implementation Meeting

Key Performance | During the Reporting Period

Permit Holding Rate for Personnel Engaged in Special Operations	Coverage Rate of Employee Health Check-Ups	Investment in Work-Related Injury Insurance
100%	100%	RMB 2.9329 million
Employee Coverage Rate of Work-Related Injury Insurance	Investment in Work Safety Liability Insurance	Number of New Occupational Diseases
100%	RMB 0.2674 million	0

Note: The statistical scope of the above data covers Hexing and major subsidiaries.

Key Performance | During the Reporting Period

Investment in Rural Revitalization: RMB 0.15 million.

Note: The statistical scope of the above data covers Hexing.

Social Welfare

Hexing consistently integrates social responsibility with enterprise development, actively participating in a wide range of public welfare initiatives and promoting the mission of common prosperity through diverse actions. The Company operates in 51 countries along the "Belt and Road", with overseas subsidiaries in Indonesia, Pakistan, Bangladesh, Romania, and other nations. Our public welfare efforts span multiple areas, from domestic community support to overseas assistance in Belt and Road countries, including public welfare fund contributions, development of specialized welfare platforms, and targeted community projects. Through these initiatives, Hexing delivers tangible benefits to society and actively contributes to the joint construction of the "Belt and Road".

Domestic Public Welfare Initiatives



Community Support

Focusing on improving people's well-being, the Company supported Hangzhou Jiuzhi Community by donating RMB 100,000 for infrastructure upgrades and programs for the elderly and vulnerable, enhancing the living environment and supporting disadvantaged groups.



Public Welfare Fund Support

To promote the sustainable development of regional public welfare initiatives, Ningbo Henglida contributed RMB 120,000 to the Dongqian Lake Charity Federation, enabling long-term and organized support for charitable projects.



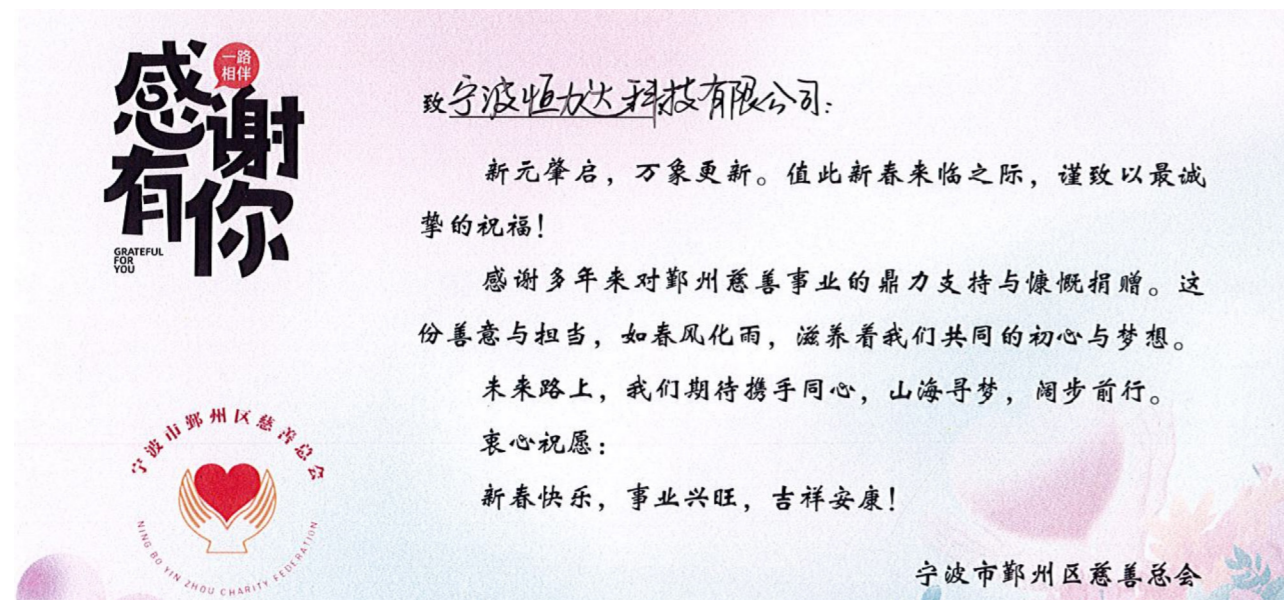
Characteristic Public Welfare Platform Construction

The Company participated in the "An Xin Yu Hu Care Fund" project in Dongqian Lake Town, helping build venues and platforms. We also established charity micro-stations and mobile vehicles, creating a sustainable platform for comprehensive social empowerment and integration.



Education Donation

The Company donated an LED display screen valued at RMB 48,000 to the Education Development Foundation of Nanjing Institute of Technology, supporting the advancement of educational initiatives at the institute.



Letter of Thanks for Charity Donation from Ningbo Henglida

Case Hexing South Africa Supports South African Children's Centers with Overseas Public Welfare Initiatives

As part of our ongoing expansion in the South African power market and in alignment with the "Belt and Road" initiative, Hexing South Africa has also actively engaged in local charitable efforts, demonstrating our commitment to corporate social responsibility. The company established a dedicated public welfare team that conducted comprehensive visits to local children's centers in South Africa. They held face-to-face exchanges with both the children and staff, taking the time to understand their specific challenges and developmental needs in education and daily life. Based on these insights, Hexing South Africa has provided targeted financial support and assistance, implementing practical measures to ensure the healthy and happy growth of children in the region.



Key Performance | During the Reporting Period

A total of RMB **0.4201** million was invested in public welfare.

Note: The statistical scope of the above data covers Hexing and its major subsidiaries.

Future Prospects

As a provider of smart green energy products and solutions, Hexing will continue to integrate ESG principles with business strategy, drive green development through technological innovation, and create shared value through responsible commitment. The specific prospects are as follows:

Technology-driven Growth: Consolidating the technological foundation for digital and intelligent energy

The Company will continue to increase R&D investment, focusing on innovations in intelligent, digital, and green technologies. We will integrate the Internet of Things, big data, artificial intelligence, and other technologies into energy products and solutions, enhancing both the intelligence of power equipment and the user experience. Moreover, we will improve our internal operational efficiency. These efforts will lay a strong technological foundation for the new power system and digital energy ecosystem, providing the core momentum for the low-carbon and intelligent transformation of the energy industry.

Green Leadership: Building a benchmark for green manufacturing and low-carbon transformation

Amid global energy transformation, Hexing will actively respond to the national "Dual Carbon" strategy. The Company will focus on core areas such as new energy power generation and adaptive technologies for the new power system. We will continue to optimize our energy structure, increase the proportion of clean energy, and build a "model of green manufacturing". Leveraging our multi-regional overseas new energy operations, Hexing will promote the development and upgrading of new energy infrastructure, drive carbon neutrality across the industrial chain through low-carbon operations, and support global energy transformation and carbon neutrality goals.

Shared Responsibility: Highlighting the value of energy enterprises

Upholding the core principle of deeply integrating social responsibility with corporate development, the Company practices our mission of sustainable development through diversified initiatives, demonstrating the value and responsibility of an energy enterprise. Internally, we will prioritize employee well-being across the entire lifecycle, strengthen health and safety systems, cultivate a harmonious and inclusive workplace. Leveraging our rich and professional business scenarios, we empower employees to upgrade their skills, supporting their career development and value realization. Externally, we use our energy business as a bridge to advance global sustainable development. In overseas markets, we create jobs and nurture local energy professionals through localized manufacturing and operations. We also actively participate in public welfare initiatives and community energy infrastructure development, building a value system in which the enterprise, employees, and society coexist and prosper together.

Global Layout: Building a global sustainable energy ecosystem

Hexing will focus on four major overseas regions—Asia, Africa, Latin America, and Europe—developing a global strategy of "multi-polar markets + localized manufacturing + regional coordination". Through technology export, localized operation and alignment with international standards, the Company will offer Chinese solutions to the global energy transition, promote advanced green energy technologies and solutions, support upgrades to overseas power systems, and foster sustainable energy development worldwide, achieving mutually beneficial outcomes for the enterprise and the global industry.

Appendix

Key Performance

Economic Performance				
Key Indicator	Unit	2023	2024	2025
Operating Revenue	RMB 10,000	420,035.03	471,702.57	476,867.22
Net Profit Attributable to Shareholders	RMB 10,000	98,240.51	100,203.80	72,909.63
Total Taxes	RMB 10,000	31,497.60	24,842.10	30,105.14

Governance Performance				
Key Indicator	Unit	2023	2024	2025
Total Number of General Meetings of Shareholders Held	Session	2	1	3
Proposals Reviewed and Approved	Item	12	21	20
Number of Members of the Board of Directors	Person	9	9	9
Proportion of Female Directors	%	22.22	22.22	22.22
Proportion of Independent Directors	%	33.33	33.33	33.33
Meetings of the Board of Directors Convened	Session	5	6	10
Number of Proposals Reviewed	Item	20	33	17
Meetings of Specialized Committees	Session	9	8	10
Number of Proposals Reviewed	Item	17	16	17
Number of Internal Audits Conducted	Time	2	2	6

Investor Relations Management				
Key Indicator	Unit	2023	2024	2025
Cash Dividend per 10 Share (Tax Inclusive)	RMB	11	7	8
Total Cash Dividend (Tax Inclusive)	RMB 10,000	53,489.06	34,038.49	38,507.76
Proportion to Net Profit Attributable to Shareholders in Consolidated Financial Statements	%	54.44	33.97	52.82
Performance Briefings	Time	3	4	4

Information Disclosure				
Key Indicator	Unit	2023	2024	2025
Regular Reports for Public Disclosure	Copy	4	4	4
Number of Interim Announcements Disclosed	Copy	30	33	67
Penalties for Violations in Information Disclosure	Case	0	0	0

Compliance and Business Ethics				
Key Indicator	Unit	2023	2024	2025
Training on Laws and Regulations (times)	Session	4	4	4
Hours of Legal Training	Hour	11	6	6
Number of Participants in Training on Laws and Regulations	Person-times	1,800	100	160
Number of Legal Personnel Participating in Training on Laws and Regulations	Person	3	3	8
Signing Rate of Integrity Agreements by Senior Management and Key Positions Such As Procurement	%	100	100	100
Total Number of Anti-corruption and Anti-bribery Incidents Reported	Case	0	2	2
Number of Directors Participating in the Training on Anti-commercial Bribery and Anti-Corruption	Person	/	6	6
Percentage of Directors Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	/	66.67	66.67
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	Hour	/	30	12
Number of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	/	25	25
Percentage of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	/	73	60
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for the Management	Hour	/	125	50
Number of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	/	400	100
Percentage of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	/	15	3
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Employees	Hour	/	2,400	200
Number of Training Sessions on Anti-Monopoly and Fair Competition	Session	2	1	1
Number of Participants in Training on Anti-Monopoly and Fair Competition	Person	85	50	60
Total Training Hours of Training on Anti-Monopoly and Fair Competition	Hour	4	2	2
Meetings of Party Committee Held	Session	2	2	2
Number of General Meetings of Party Members Held	Session	28	30	30

Environmental Performance				
Key Indicator	Unit	2023	2024	2025
Response to Climate Change				
Total GHG Emissions	tCO ₂ e	9,083.69	8,323.21	9,133.91
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	267.71	340.11	302.31
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	8,820.98	7,983.10	8,831.60
Efficient Use of Resources				
Total Direct Energy Consumption	tce	132.52	175.90	169.06
Natural Gas	10,000 m ³	3.07	4.09	5.40
Liquefied Natural Gas	Ton	/	6.66	14.78
Gasoline	Ton	11.82	21.75	19.96
Diesel	Ton	50.99	54.08	28.76
Indirect Energy Consumption	tce	1,900.93	1,828.41	2,045.62
Total Purchased Electricity	kWh	15,467,256	14,877,196	16,644,551
Total Energy Consumption	tce	2,142.34	2,088.62	2,404.45
Energy Consumption Intensity	tce/ RMB 1 million (Operating Revenue)	0.48	0.44	0.50
Photovoltaic Power Usage	kWh	886,042.40	685,975.80	1,544,145
Renewable Energy Consumption	tce	108.89	84.31	189.77
Total Water Consumption	10,000 tons	18.95	16.45	15.11
Pollutant Emissions				
Wastewater Discharges	Ton	/	/	130,468.40
Chemical Oxygen Demand (COD)	Ton	/	/	21.51
Five-day Biochemical Oxygen Demand (BOD5)	Ton	/	/	0.09
Suspended Solids	Ton	/	/	1.27
Ammonia Nitrogen (NH ₃ -N)	Ton	/	/	0.91
Total Phosphorus (Calculated at P)	Ton	/	/	0.13
Volume of General Waste Generated	Ton	372.34	584.25	666.04
General Waste Generation Intensity	ton/ RMB 1 million (Operating Revenue)	0.09	0.12	0.14
Recycling Volume of General Waste	Ton	/	455.05	556.04
Quantity of Hazardous Wastes Generated	Ton	9.50	18.33	13.52
Hazardous Waste Generation Intensity	ton/ RMB 1 million (Operating Revenue)	0.0023	0.0039	0.0028

Creation of Green Culture				
Key Indicator	Unit	2023	2024	2025
Total Environmental Investment	RMB 10,000	45	35	203.34
Number of Major Administrative Penalty Cases imposed by Ecological and Environmental Authorities due to Environmental Incidents	Case	0	0	0
Amount of Major Administrative Penalties Imposed by Ecological Environment and Other Relevant Authorities for Environmental Incidents	RMB 10,000	0	0	0
Training on Environmental Protection	Case	32	51	68
Number of Participants in Training on Environmental Protection	Person-times	314	814	1,163

Social Performance				
Key Indicator	Unit	2023	2024	2025
Focus on Innovation Momentum				
Investment in R&D	RMB 10,000	28,408.86	31,088.38	39,322.23
Percentage of R&D Investment in Operating Income	%	6.76	6.59	8.25
R&D Team				
Number of R&D Personnel	Person	731	829	901
Proportion of R&D Personnel to Total Workforce	%	28	26	26
Educational Background Structure of R&D Personnel				
Master's Degree and Above	Person	76	105	166
Bachelor's Degree	Person	562	625	659
Junior College and below	Person	93	99	76
Age Structure of R&D Personnel				
Under 30 (exclusive) Years Old	Person	322	361	399
30 (inclusive) to 40 (exclusive) Years Old	Person	333	364	407
40 (inclusive) to 50 (exclusive) Years Old	Person	68	98	91
50 years old or above	Person	8	6	4

Protection of Intellectual Property Rights				
Cumulative Number of Authorized Patents	Item	274	342	386
Cumulative Number of Authorized Invention Patents	Item	96	147	168
Cumulative Number of Authorized Utility Model Patents	Item	141	166	182
Cumulative Number of Authorized Design Patents	Item	37	29	36
Cumulative Number of Software Copyrights	Item	178	204	231
Total Number of Trademarks	Item	109	109	110

Creation of Excellence in Quality				
Number of Quality-Themed Training Sessions	Session	81	131	125
Total Hours of Quality-themed Training	Hour	102.50	127	267
Number of Product Withdrawals and Recalls due to Health and Safety Reasons	Case	0	0	0
Total Number of Employees Participating in Quality Training	Person-times	1,121	1,719	1,766
Customer Complaint Resolution Rate	%	100	100	100
Scores Gained in Customer Satisfaction Surveys	Point	95	94.9	95
Number of Participants in Special Training on Response to Customer Complaints	Person-times	1,312	1,348	2,984
Total Hours of Special Training on Response to Customer Complaints	Hour	104	109	114
Special Training on Response to Customer Complaints	Case	29	36	38
Evaluation of Response to Customer Complaints	Case	15	24	23
Pass Rate of Evaluation of Response to Customer Complaints	%	100	100	100

Sustainable Supply Chains				
Total Number of Suppliers	Piece	948	897	1,324
Signing Rate of Integrity Agreement by Suppliers	%	100	100	100

Ensure information security				
Total Investment in Data Security	RMB 10,000	253	294	298
Number of Violations Incidents Related to Information Security and Privacy Protection	Case	0	0	0
Protection of Employees' Rights and Interests				
Signing Rate of Employment Contract	%	100	100	100
Number of Incidents of Labor Discrimination	Case	0	0	0
Total Number of Employees	Person	2,641	3,130	3,525
Number of Employees with Disabilities	Person	40	39	52
Number of Employees of Minority Nationalities	Person	41	55	74
Number of Ethnic Minority Employees in Management	Person	5	14	7
Employee Gender Structure				
Female	Person	1,011	1,158	1,275
Male	Person	1,630	1,972	2,250
Employees by Age				
Under 30 (exclusive) Years Old	Person	973	1,165	1,371
30 (inclusive) to 40 (exclusive) Years Old	Person	1,102	1,263	1,423
40 (inclusive) to 50 (exclusive) Years Old	Person	470	588	627
50 years old or above	Person	96	114	104
Employees by Educational Background				
Doctoral Degree	Person	1	1	1
Master's Degree	Person	130	213	350
Bachelor's Degree	Person	1,044	1,215	1,385
College Degree	Person	500	663	654
Below College Degree	Person	966	1,038	1,135
Employee Specialty Structure				
Manufacturing	Person	1,303	1,513	1,664
Selling	Person	323	522	741
Technology	Person	777	829	867

Finance	Person	75	95	76
Administration	Person	163	171	177
Employee Category Structure				
Senior management	Person	12	16	12
Middle management	Person	168	210	266
Grassroots Employees	Person	2,461	2,904	3,247
Distribution of Employees by Region				
Chinese Mainland	Person	1,498	1,882	2,236
Hong Kong, Macau and Taiwan	Person	0	0	1
Overseas Regions	Person	1,143	1,248	1,288
Proportion of Female Employees in Management	%	17.78	18.75	17.44
Number of Employees on Maternity Leave	Person	27	55	58
Return Rate of Employees on Maternity Leave	%	100	100	100
Number of Employees on Parental Leave	Person	3	5	8
Return Rate of Employees on Parental Leave	%	100	100	100
Coverage Rate of Social Insurance	%	100	100	100
Average Paid Annual Leave Days per Employee	Day	17.73	16.45	15.79
Proportion of Employees Receiving Regular Performance and Career Development Assessments	%	100	100	100
Proportion of Trade Labor Members in Existing Employees	%	100	100	100
Number of Employees Undergoing Internal Transfers or Applying For Internal Positions	Person	89	174	320
Percentage of Employees Undergoing Internal Transfers or Applying For Internal Positions	%	3.37	4.87	9.10
Development and Training				
Investment in Employee Training	RMB 10,000	72.12	95.92	105.73
Number of Employee Training Sessions	Session	155	278	431
Total Duration of Employee Training	Hour	16,173.54	20,841.13	25,964.60

Average Training Duration per Employee per Year	Hour/Person	6.12	7.18	7.88
Total Number of Persons Trained (Person)	Person	2,147	2,940	3,295
Total Number of Persons Trained (Person-time)	Person-times	16,250	41,040	44,310
Coverage Rate of New Employee Training	%	100	100	100
Safety and Health				
Investment in Safety Production	RMB 10,000	494.20	496.74	625.62
Number of Work Safety Accidents	Case	0	0	3
Number of Work-Related Deaths	Person	0	0	0
Total Number of Work-Related Injuries	Person	8	6	5
Working Day Lost due to Work-related Injury	Working Days	259	163	17
Total Lost Workday Rate per Million Working Hours	%	375.74	199.53	18.48
Lost Time Injury Rate (LTIR) per Million Working Hours	%	1.45	0.92	0.68
Safety Hazard Inspection and Rectification Rate	%	100	100	100
Number of Safety Training Sessions	Session	72	59	56
Number of Participants in Safety Training	Person-times	4,464	4,382	4,476
Total Duration of Safety Education and Training	Hour	46790	402.50	5,532
Coverage rate of safety education and training	%	100	100	100
Coverage Rate of Training on Safety Risk Prevention	%	100	100	100
Permit Holding Rate for Personnel Engaged in Special Operations	%	100	100	100
Coverage Rate of Work-Related Injury Insurance	%	100	100	100
Coverage Rate of Health Checkups among Employees	%	100	100	100
Number of New Occupational Diseases	Case	0	0	0
Contribution to Society				
Total Investment in Social Welfare	RMB 10,000	74.66	160	42.01

Indexes

● Index of Topics as per Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies - Sustainability Report (Trial)

Dimension	S/N	Topic	Corresponding Sections of This Report
Environmental	1	Response to Climate Change	Green Development: Advancing Growth Through Low-Carbon Transition
	2	Pollutant Emissions	Green Development: Advancing Growth Through Low-Carbon Transition
	3	Waste Disposal	Green Development: Advancing Growth Through Low-Carbon Transition
	4	Ecosystem and Biodiversity Protection	Green Development: Advancing Growth Through Low-Carbon Transition
	5	Management of Environmental Compliance	Green Development: Advancing Growth Through Low-Carbon Transition
	6	Energy Utilization	Green Development: Advancing Growth Through Low-Carbon Transition
	7	Water Resource Utilization	Green Development: Advancing Growth Through Low-Carbon Transition
	8	Circular Economy	Green Development: Advancing Growth Through Low-Carbon Transition
Social	9	Rural Revitalization	People Orientation: Creating Shared Prosperity Through Unity (The Company actively engages in rural revitalization initiatives; however, given the relatively small scale of related investments and their limited financial impact, this information is disclosed in accordance with the general materiality standard.)
	10	Contribution to Society	People Orientation: Creating Shared Prosperity Through Unity (The Company actively conducted public welfare donations and industry technology sharing. As these do not constitute a material direct financial impact on the Company, disclosure is made under general materiality.)
	11	Innovation-driven Development	Innovation-Driven Excellence: Winning the Future Through Quality
	12	Science and Technology Ethics	Innovation-Driven Excellence: Winning the Future Through Quality (The Company is not involved in sensitive fields such as high-risk artificial intelligence or bioethics and therefore has relatively low risk impacts on operations and stakeholders; disclosure is made under general materiality.)
	13	Supply Chain Security	Innovation-Driven Excellence: Winning the Future Through Quality
	14	Equal Treatment of Small and Medium-Sized Enterprises	Innovation-Driven Excellence: Winning the Future Through Quality
	15	Safety and Quality of Products and Services	Innovation-Driven Excellence: Winning the Future Through Quality
	16	Data Security and Customer Privacy Protection	Innovation-Driven Excellence: Winning the Future Through Quality
	17	Employees	People Orientation: Creating Shared Prosperity Through Unity
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	19	Communications with Stakeholders	Sustainable Development Governance
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● Index of Topics as per Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) (2021) and the Guidelines on Corporate Sustainability Reporting for Chinese Enterprises (CASS-ESG 6.0)

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Feedback

Thank you for reading this report. To continuously improve Hexing's sustainability-related work and the level of information disclosure, and to strengthen communication with stakeholders, we sincerely invite your valuable comments and suggestions!

Your Information

Name: Tel.

Unit: Email:

Multiple Choice Questions (Please check the appropriate box)

1. What is your overall assessment of the ESG Report this year?

Very Good Good Average Below Average Poor

2. How would you rate the clarity, accuracy, and completeness of the information disclosed in this report?

Very Good Good Average Below Average Poor

3. How do you rate this report in reflecting the Company's significant economic, environmental, and social impacts?

Very Good Good Average Below Average Poor

4. What are your overall commends of our ESG initiatives?

Very Good Good Average Below Average Poor

5. Do you have any other suggestions regarding our future ESG initiatives and reports?

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