

Hengli

®

Stock Code:601100

Jiangsu Hengli Hydraulic Co., Ltd.

2024 Corporate Social Responsibility (CSR) Report

www.henglihydraulics.com

**HENGLI
HYDRAULICS**

About This Report

Report Time Period

Jan. 1 to Dec. 31, 2024. To ensure the continuity and comparability of disclosure matters, some information contents shall be extended forward or backward as appropriate.

Report Reference Standard

This report is prepared with reference to the Guidelines for Environmental Information Disclosure of Listed Companies on the Shanghai Stock Exchange and the Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 14 - Sustainability Development Report (Trial).

Data Source

The data sources used in the report include publicly available data from government departments, relevant internal corporate statistical reports, administrative documents and reports.

Title description

For clarity and convenience, Jiangsu Hengli Hydraulic Co., Ltd. is referred to as "Hengli Hydraulic," "the Company," or "we" in this report.

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Chairman's Speech



Jiangsu Hengli Hydraulic Co., Ltd.:
Chairman Liping Wang

2024 is a year of resolute advancement for the company as it anchored its strategic goal of "R&D Innovation Breakthrough Year," achieving progress in technological breakthroughs, management upgrades, and global layout. Facing a complex and changeable market environment and industry competition, the company takes "technology-based and innovation-driven" as the core engine, and achieves systematic breakthroughs in nine aspects, including new product development, efficiency improvement, quality control, safety production, and management and operation. These accomplishments not only consolidate its leadership in the industry but also demonstrated the corporate responsibility of "Strong Country in Intelligent Manufacturing" with tangible actions.

Innovation-driven development and shoulder the mission of serving the nation through industry.

As a leader in China's hydraulic industry, we fully recognize the importance of achieving independent and controllable core technologies. In 2024, Hengli's self-developed achievements such as the world's largest piling ship cylinder and the V93N375 high-pressure heavy-duty pump that broke through the "bottleneck" technology not only filled the domestic gap, but also empowered the independent construction of major national projects.

Empower with green intelligent manufacturing to safeguard our green mountains and clear waters homeland

We have always integrated green development into the corporate gene. In the construction of the intelligent production base, the coating line adopts electrostatic spray gun technology, reducing paint waste while significantly improving product surface quality and production efficiency. The non-standard cylinder production line has undergone lean layout optimization, shortening logistics distance by 2,000 meters and reducing energy consumption and carbon emissions. The construction of our Mexico plant strictly complies with international environmental standards, and embodies our commitment to "local production, global responsibility." In the future, we will continue to explore green manufacturing processes and contribute the Hengli solution to the "dual-carbon" goals.

Employee-oriented, creating a secure and happy haven.

Employees are the greatest treasure of Hengli. In 2024, we invested over 50 million yuan in upgrading safety facilities and implemented "Mobile Safety Management". A total of 69 safety training sessions were conducted throughout the year, achieving "zero occurrence" of major accidents. Through mechanisms such as "Improvement Proposals", the innovation vitality of all employees was inspired, with more than 8,000 suggestions adopted throughout the year, empowering frontline staff to take the lead in enhancing quality and efficiency. We continue to improve our talent development system and have recruited nearly 400 fresh graduates, providing a growth platform for young talents. Hengli is not just a company, but a big family full of temperature and opportunities. As we look toward 2025, the journey of responsibility is endless. We will adhere to the core values of "Quality-oriented, Innovation-oriented, Employee-based, and Green-oriented", demonstrate the original intention of serving the country through technology in the technological breakthroughs, protect the earth's home in the green transformation, and convey the responsibility and kindness of Chinese enterprise in the Journey of Globalization.

Chairman of Jiangsu Hengli Hydraulic Co., Ltd.:

Jiangsu Hengli Hydraulic Co., Ltd. was established in 2005, with its predecessor being Jiangsu Hengli High-Pressure Oil Cylinder Co., Ltd. Its entrepreneurial history can be traced back to the early 1990s.

All along, Hengli has consistently adhered to the corporate vision of "Building a Timeless Enterprise, Striving for a Future of Excellence", upheld the cultural philosophy of "Social Responsibility Outweighs Corporate Profits", and committed to innovation and actively fulfilling social responsibilities. Now, the company has developed into a leading enterprise in high-end manufacturing in the field of hydraulics in China, and will continue to create more value for China's capital market in the future.

As an enterprise with strong social responsibility, we consistently uphold the core values of "Value, Innovation, Cultivation, and Trust" while pursuing our own continuous growth and development, emphasize the synergistic development of economic and social benefits, and strive to achieve the harmonious coexistence between the company, the society, and the environment.

01 Foreword



2.1 Company Profile



Company Introduction

Jiangsu Hengli Hydraulic Co., Ltd. was established in 2005 with a registered capital of 1,340.82 million RMB. It is a listed company on the A-share Main Board (Stock Code: SH601100). Hengli Hydraulic is a leading enterprise specializing in the R&D, production, and sales of series products including high-pressure hydraulic cylinders, hydraulic pumps, hydraulic valves, hydraulic systems, high-precision hydraulic castings, and pneumatic components, and is a demonstration enterprise of the dingle champion of the Ministry of Industry and Information Technology (MIIT), a demonstration enterprise of the Foundation Reinforcement Project 'One-Stop' Application Plan of the Ministry of Industry and Information Technology (MIIT), a national high-tech enterprise, a national intellectual property demonstration enterprise, a China green casting demonstration enterprise, and a national and industry standard development organization.

Hengli Hydraulic has established seven R&D centers worldwide, including Hengli International R&D Center (Changzhou, China), Hengli Chicago R&D Center in the United States, Hengli R&D Center in Berlin, Germany, Hengli China R&D Center in Shanghai, and Hengli R&D Center in France. The company has established Asia's largest hydraulic cylinder R&D center and the only "Jiangsu Provincial Engineering Technology Research Center for Miniaturized and Lightweight Design of Ultra-High Pressure Hydraulic Cylinders" in Jiangsu Province, as well as many scientific and technological innovation platforms such as Jiangsu Province High Pressure Cylinder Engineering Center, Jiangsu Province Enterprise Technology Center, Jiangsu Province Postdoctoral Workstation, Jiangsu Province Graduate Workstation, and Jiangsu Province Foreign Expert Studio.

After 30 years of innovative development, Hengli Hydraulic has become a leading enterprise in China's hydraulic industry. It is the first listed company in China's A-share market primarily engaged in hydraulic businesses, and the Hengli Hydraulics is the only independent brand among China's top four excavator cylinder manufacturers. Currently, Hengli is the world's largest production base for high-pressure oil cylinders and the world's largest manufacturer of specialized hydraulic cylinders for shield tunneling machines. The products have expanded from a single hydraulic cylinder product to extended industries such as hydraulic valves, hydraulic pumps, hydraulic systems, and precision castings. Hengli Company has successively invested in and established three major bases: Hengli Hydraulic Cylinder, Hengli Casting, and Hengli Hydraulics. With a global layout, the company has established overseas sales and service subsidiaries in Europe, the United States, Japan, India, and Indonesia to develop international markets. Henli's products are sold in more than 30 countries and regions, serving more than 1,200 organizations worldwide.

Corporate Strategy

The company will firmly implement its strategy of "Internationalization, Diversification, and Electrification." The company will continue to deepen and strengthen its domestic market share while gradually enhancing the brand recognition and market share of its products in overseas regions. The company will also steadily expand the globalization of its production capacity, enhance its global operation capabilities, and deliver more efficient and premium services to overseas customers. The company will increase investment in research and development, uphold its innovation-driven growth strategy and technological leadership, diversify its product portfolio, and continuously broaden downstream applications and scenarios. The company will strategically develop relevant electric control and execution devices to meet the electrification demands of downstream industries, including construction machinery, marine equipment, and industrial equipment. The company is committed to becoming a first-class domestic and world-renowned high-end transmission equipment supplier and transmission solution provider.

Mobile Hydraulic And Electronic Components

- ◆ Hydraulic cylinders
- ◆ Hydraulic pumps
- ◆ Hydraulic multi-way valves
- ◆ Threaded cartridge valves
- ◆ Hydraulic motors
- ◆ Orbital motors
- ◆ Electronic control components



Linear Drive Technology

- ◆ Electric cylinders
- ◆ Ball screws
- ◆ Guideways



Electric Drive Components

- ◆ High-Speed motor drive assemblies
- ◆ High-Performance motors
- ◆ Electric drive system assemblies



Industrial Hydraulic And Pneumatic Components

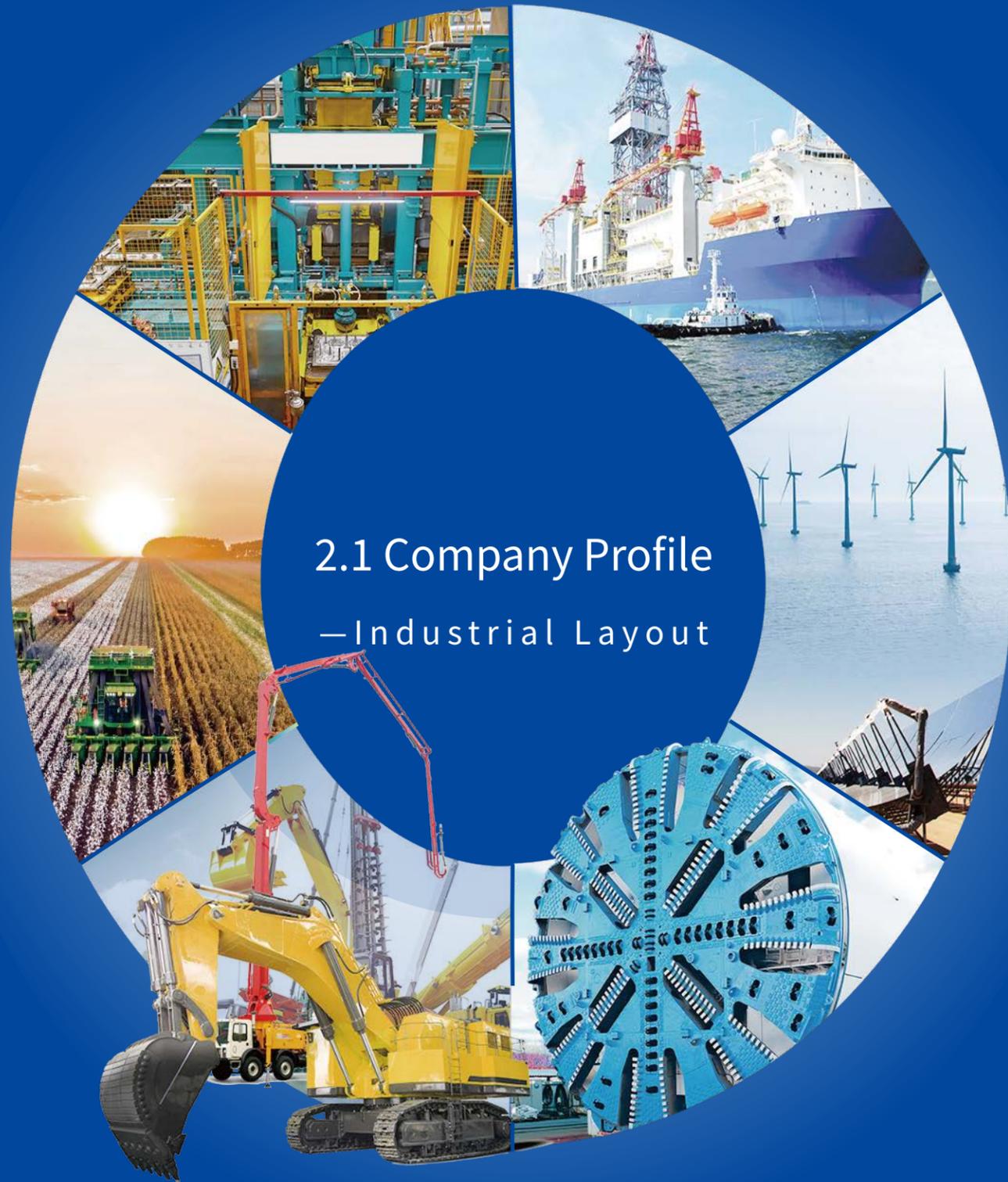
- ◆ Industrial cylinders
- ◆ Industrial pumps
- ◆ Industrial valves
- ◆ Industrial motors
- ◆ Hydraulic system integration
- ◆ Pneumatic components



Technical Components

- ◆ Castings
- ◆ Seals
- ◆ Cold-Drawn tubes





2.1 Company Profile — Industrial Layout

Hengli has consistently dedicated substantial effort and financial resources to technology and product research and development, while also setting ambitious strategic development goals: Focus on the main business, take hydraulics as the core, and expand various hydraulic product categories. Therefore, after the high-pressure oil cylinder reached stable development, Hengli develops pumps and valves with higher technical complexity and added value, aiming to break the foreign brands' monopoly on high-end hydraulic components and overcome the "bottleneck" technology.

Hengli invested 594 million yuan in its listing year to build China's first large-scale production base for high-precision hydraulic castings. The key is to grasp the core of high-end hydraulic components, which echoes the saying, "Master Casting, and You Master Hydraulics."

With the official commencement of production by the casting company in Dec. 2012, Hengli met the quality and capacity demands for high-precision hydraulic castings required by high-pressure oil cylinders and hydraulic pump valves. This also demonstrates that Hengli has progressively built the industrial foundation for mass production of pumps and valves. Thus, in 2013, the company established Jiangsu Hengli Hydraulic Technology Co., Ltd., focusing on the development of high-performance hydraulic piston pumps and multi-way control valves.

The company successively hired dozens of experts in the field of pumps and valves from many countries such as Germany, Japan, and the United States, and invested in equipping world's leading scientific research facilities and technical processes. After more than two years of dedicated efforts, the company successfully developed high-pressure piston pumps and multi-way control valves specifically for 6T/8T excavators. This pioneering initiative has energized the market of China's engineering machinery industry, making the localization of high-end hydraulic components a reality. After supplying in bulk to supporting units such as Sany Heavy Industry, XCMG Group, and LiuGong Group, customer feedback indicates that the product performance has reached and even surpassed that of mainstream international products.

In 2015, with the establishment of the Hydraulic Systems Division, Hengli has the ability to independently design and manufacture high-performance hydraulic test benches. In early 2017, Shanghai Lixin Hydraulic's system division was merged into the Changzhou production base, marking the beginning of a new journey in integrated system design and manufacturing. The division has already achieved remarkable accomplishments in various fields.

① Providing complete hydraulic system assemblies for various

TBMs and shield tunneling machines in domestic and international markets.

② In the marine engineering field, it has integration capabilities for 2800T marine platform latch lifting hydraulic system and development capabilities for 450T-class drag-suction dredger hydraulic systems.

③ The successful research and development of EHA system integration demonstrates the strength of developing high-precision servo actuators.

Hengli has successively overcome technical challenges in key components such as high-pressure oil cylinders and hydraulic pumps and valves, establishing R&D and manufacturing capabilities for delivering high-end hydraulic components and systems. It has become a leading domestic enterprise capable of competing with foreign brands. To further highlight the nature of its main business, the parent company's name was changed from Jiangsu Hengli High-Pressure Oil Cylinder Co., Ltd. to Jiangsu Hengli Hydraulics Co., Ltd. in 2016, our commitment to excellence as a high-end hydraulic component and system integration provider.

Currently, the series of excavator-specific oil cylinders developed by Hengli are widely used in supporting equipment for internationally renowned construction machinery manufacturers such as Caterpillar, Hitachi Construction Machinery, Sany Heavy Industry, and XCMG Excavators. This has earned Hengli to become the only enterprise in Asia to receive the Platinum Quality Award from Caterpillar for five consecutive years, with a domestic market share more than 53%, ranking first in China and top three in the world; the specialized cylinders for shield tunneling machines are used in large-scale shield tunneling machines such as CCC's "Great Wall" series, achieving a domestic market share of over 85% and ranking first in China. Hydraulic actuators are used in the construction of NAOC (National Astronomical Observatories)'s FAST (Five-hundred-meter Aperture Spherical radio Telescope) project. The marine corrosion-resistant and wear-resistant composite coated cylinder was delivered and used to the "Wanshan" wave compensation power generation device and the "Nanhai 8" oil drilling platform; the domestic market share of hydraulic pumps and valves exceeds 35%, ranking second in China, among which the proportion of small excavator pumps and valves exceeds 51%, ranking first in China.

2.2 CORPORATE GOVERNANCE

During the reporting period, the Company continuously improved its corporate governance structure and enhanced the management level of internal control in accordance with the Company Law, Securities Law, Guidelines for Articles of Association of Listed Companies, Code of Corporate Governance for Listed Companies, Shanghai Stock Exchange Listing Rules, Basic Standards for Enterprise Internal Control, as well as the relevant regulations of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange. This has effectively ensured the standardized operation and steady and rapid development of the Company.

The corporate governance during the reporting period is as follows:

Shareholders and shareholders' meetings

The company conducted two general meetings of shareholders during the reporting period. The company convenes and holds the general meeting of shareholders in accordance with the relevant provisions and requirements of the Company Law, the company's Articles of Association, the Rules of Procedure for Shareholders' Meetings, and Shareholders' meetings are conducted and voted upon through both on-site and online voting methods. It guarantees equal rights for all shareholders in the company, particularly minority shareholders, and enables them to fully exercise their voting rights. The shareholders' general meeting of the company rigorously deliberates on connected transactions in compliance with the established procedures. The related shareholders abstained from voting to ensure the connected transaction complies with the principles of fairness, impartiality, and transparency without harming the interests of minority shareholders. The company's lawyer conducts on-site witnessing of the shareholders' general meeting and issues the corresponding legal opinion letter. The resolutions of the shareholders' meeting are all disclosed promptly and fully after the meeting is held.

Controlling shareholders and listed companies

The company's controlling shareholder, Changzhou Hengyi Intelligent Equipment Co., Ltd., lawfully exercises its shareholder rights and fulfills associated obligations through the shareholders' general meeting, without interfering with the normal production and operational activities of the company. The company has independent business operations and operational autonomy, with complete separation from the controlling shareholder in business, personnel, assets, organizational structure, and financial aspects. The connected transactions between the controlling shareholder and the company have strictly fulfilled the approval procedures of the board of directors and the general meeting of shareholders in accordance with the relevant regulations. The independent directors issue a pre-approval opinion and consent opinion. Interested directors and affiliated shareholders shall abstain from voting. Major connected transactions shall be subject to review opinions issued by the Audit Committee. Legally disclose related-party transactions that reach the disclosure standards. No illegal occupation of funds occurred by controlling shareholders or their related parties during the reporting period.

Supervisors and the Board of Supervisors

The company currently has three supervisors, including two employee-elected supervisors. The number and composition of the board of supervisors meet the requirements of laws, regulations and the company's articles of association. The company conducted five Supervisory Board meetings during the reporting period. The content primarily involves regular reports and profit allocation. The supervisory board members conscientiously perform their duties, and adhere to a shareholder-oriented approach to supervise the legitimacy and regulatory compliance of the directors' and senior executives' fulfillment of responsibilities, as well as the company's business operations. The convening and holding procedures of the company's Board of Supervisors comply with the relevant provisions of the Company Law, the company's Articles of Association, and the Rules of Procedure for the Board of Supervisors. The meetings of the Board of Supervisors shall be conducted in accordance with the specified procedures.

Directors and Board of Directors

The company currently has 7 directors, including 3 independent directors, and the number and composition of the board comply with the laws and regulations. A total of six board meetings were convened by the company during the reporting period. The meeting content primarily involves regular reports, profit allocation, related-party transactions, and changes in accounting policies. All company directors have exercised due diligence, acted in good faith, familiarized themselves with relevant laws and regulations, and genuinely protected the interests of both the company and its shareholders. The convening and holding procedures of the company's Board of Directors comply with the relevant provisions of the Company Law, the company's Articles of Association, the Rules of Procedure for the Board of Directors, and the Independent Director System. The Board of Directors has established four specialized committees: the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Audit Committee. The committees perform their respective duties in accordance with their working rules, making the company's decision-making more efficient, standardized, and scientific.

Investor relations management

During the reporting period, the company attaches high importance on investor relations management, and sets up a dedicated investor email address to respond to shareholder inquiries. We engaged in direct communication with investors through various channels, including on-site visits, securities forums, strategy conferences, hotline services, and online interactions, receiving over a thousand investor visits throughout the year.

Internal control construction

The company effectively implements the provisions of the "Basic Norms for Enterprise Internal Control" and its supporting guidelines, and the company's internal control policies. The Board of Supervisors supervises the establishment and implementation of internal control by the Board of Directors, while the management team is responsible for organizing and leading the daily operation of internal controls within the enterprise. This ensures compliance with laws and regulations in business operations, enhances the company's operation management capabilities, and strengthens risk prevention.

Senior management personnel

During the reporting period, all senior management personnel of the company diligently perform their duties in accordance with the authorization of the shareholders' meeting, relevant regulations, and the company's rules and policies.

Information disclosure and transparency

The Company conducts information disclosure in accordance with relevant regulations of the "Administrative Measures for Information Disclosure of Listed Companies" issued by the China Securities Regulatory Commission, the "Shanghai Stock Exchange Listing Rules," the Company's Articles of Association, and the Company's "Information Disclosure Management System.", and the Shanghai Securities News and the Shanghai Stock Exchange website are designated as the newspapers and websites for the company's information disclosure. The company conducts the registration of insiders with access to inside information in accordance with the provisions of the "Inside Information Insider Registration Management System", ensuring equal information access for all shareholders.

Corporate Integrity and Anti-Corruption Measures

In order to promote the company's operation in accordance with the law, the integrity of employees, and protect the interests of the company and the legitimate rights and interests of employees, the company has developed anti-corruption related systems such as "Employee Integrity System", "Anti-corruption and Anti-bribery Control Procedures", "Fair Trade, Advertising and Competition Management System", "Whistle-blowing Management Measures", and "Sensitive Transaction Gift System", strengthening compliance management in aspects such as code of conduct, gift acceptance, and whistleblower rewards. An integrity and self-discipline training shall be organized at least once a year for employees from procurement, outsourcing, marketing center, finance, and warehousing departments. The training content describes some common types of duty crimes in enterprises, including Non-State Functionary Bribery, Bribery to Non-State Functionaries, Job Encroachment, Misappropriation of Funds, Trade Secret Infringement, and Breach of Trust Damaging Listed Company Interests. Supported by multiple concrete case studies, the contributing factors to occupational crimes within enterprises, and their legal consequences are analyzed, and various types of unlawful actions are described in detailed. This training serves as a warning to enhance employees' integrity and anti-corruption awareness.

To build a fair, just, and transparent cooperative environment, the company requires suppliers and external contractors to sign the Integrity Responsibility Agreement at the beginning of collaboration. During the reporting period, the contract signing rate with suppliers and outsourcing vendors reached 100% during the reporting period.

The company establishes official reporting channels such as an integrity hotline and integrity email, and carries out integrity promotion through various means to encourage employees, suppliers, and other business partners to participate in the integrity and compliance supervision system. The company rigorously follows the Employee Integrity Policy, Anti-Corruption and Anti-Bribery Control Procedure, and Whistleblowing Management Policy to standardize the investigation and handling mechanisms for reporting matters. The General Manager's Office is the only authorized department responsible for handling fraud-related complaints, ensuring the independence and impartiality of investigation results. The company encourages all staff to monitor and report issues. Substantiated reports will be rewarded, and the anonymity of whistleblowers is guaranteed.

3.1 2024 Corporate Events

Strategic development at full speed

1.Hengli International R&D Center Project

In Oct. 2024, the civil works and curtain wall works of the R&D building have been successfully completed, with a total construction area of 81,273.85 square meters. Currently, the decoration project and landscape greening project of the R&D building are almost finished. Soon, this "City of Future Technology," integrating R&D, office spaces, and leisure, will add the most brilliant stroke to Hengli's global R&D blueprint.

2.Hengli Precision Industry

Hengli Precision Industry covers an area of 130000 square meters and has a constant temperature, humidity, and shock resistant workshop. It officially started production in 2025 and has developed dozens of product series.

3.Hengli Mexico

The construction of our Mexico facility has been successfully completed, marking the official commencement of trial production. Initial product samples have already been delivered to customers for evaluation.

Market development depends aggressive efforts

1.The world's largest oil cylinder

On Oct. 15, 2024, the world's largest hydraulic cylinder for pile-driving vessels was successfully launched at Hengli's headquarters and officially set the Guinness World Record for "the largest hydraulic cylinder"! This fully demonstrates Hengli's strong capabilities in the design, manufacturing, and testing of various super-sized hydraulic cylinders.

2.15000-cubic-meter rake suction dredger project

In China's first 15,000-cubic-meter LNG clean-energy-powered rake suction dredger project, Hengli provided a complete set of hydraulic cylinders and hydraulic systems, supporting its integration with the nation's most advanced intelligent system.

3.3800mm-wide thick plate rolling mill project

With the rich experience accumulated in the industrial field, Hengli Hydraulic provided 5 core systems for a renowned steel enterprise's 3800mm wide-thick plate project. They are servo hydraulic system and auxiliary transmission hydraulic system in the rolling mill area, pre-aligning hydraulic system, hot aligning hydraulic system, and cooling bed hydraulic system, including hydraulic pump stations, accumulator groups and all control valve stands (including AGC valve stands and AWC valve stands).

4.Strategic cooperation with the Quality Standards Institute of the Ministry of Water Resources

On May 14, 2024, Hengli Hydraulics signed a strategic cooperation agreement with the Institute of Product Quality Standards of the Ministry of Water Resources / Hangzhou Machinery Design and Research Institute of the Ministry of Water Resources in Changzhou. The two sides further exchanged views on the water conservancy industry and future cooperation directions, and reached an on-site agreement on a product-research collaboration project to achieve domestic substitution using Hengli Surface Technology's coating materials.

5.Henli and Siemens Spray Coating Cooperation Project

On Aug. 28, 2024, the signing and groundbreaking ceremony for the Hengli-Siemens Energy coating project was grandly held at Hengli Surface. This not only embodies the shared vision and steadfast belief of both parties in future development, but also heralds a profound transformation in the coating industry - one driven by innovative technologies, deep trust, close collaboration, and shared prosperity.

6.Main business of construction machinery

In 2024, the pump and valve business of Hengli's excavator achieved rapid growth, supported by stabilized market demand and increased market share in medium and large excavators. The general machinery business segment will further expand into areas such as material handling machinery, agricultural machinery, and port machinery by focusing on the key points of "one-stop solutions, electrification, and customization.", achieving a year-on-year revenue growth of over 30%, and maintaining a rapid growth trend.

Honor blessing point "highlight"

1.Single champion enterprise in the manufacturing industry

In the first quarter of this year, the Ministry of Industry and Information Technology (MIIT) and the China Federation of Industrial Economics (CFIE) released the list of the eighth batch of national-level manufacturing 'Single Champion' enterprises in 2023. Jiangsu Hengli Hydraulic Technology Co., Ltd. was awarded the title of "Manufacturing Single Champion Enterprise" for its technological innovation, market operations, and industry influence in the field of high-pressure axial piston pumps.

2.First Prize of Science and Technology Award of the Machinery Industry

On Sep. 27, the results of the proposed award projects for the 2024 "Science and Technology Award of the Machinery Industry" were announced. Jiangsu Hengli Hydraulic Co., Ltd. was honored with the first prize once again for its outstanding contributions in the field of key technologies and applications of intelligent rotary drilling rigs, following its previous achievement with hydraulic multi-valve products.

3.Global Top 100 Supporting Components for Technological Innovation

In Nov. 2024, the "Top 10 Annual Ranking of the Construction Machinery Industry" was released. As a benchmark enterprise in the hydraulic industry, Jiangsu Hengli Hydraulic Co., Ltd. was awarded the "Global Supporting Component Top 100 - Technological Innovation" prize for its high-performance products and professional, reliable services.

4. Institutional Investor Awards Top Industrial Sector Again

. In June 2024, ranked first in the 'II-Asia' industrial field once again after four years. The company was honored with eight prestigious awards, including 'Asia's Most Admired Company' and 'Asia's Best Board of Directors'.

5. Honored to appear on CCTV twice consecutively

Hengli actively contributes to the green, efficient, and safe new energy strategy and had the honor of participating in the filming of CCTV Finance's documentary Energy Wave. and made a brilliant appearance in the third episode 'Power of Heavy Equipment' broadcast on the evening of March 8.

On Nov. 13, the large-scale new media series program "Intelligent Manufacturing: The Power of Innovation", produced by the Finance Program Center of China Central Television (CCTV), focused its lens on Hengli Hydraulic, delving into multiple industrial sectors of the company.

Sustained Innovation Sets the 'Standard'

As of the end of 2024, the company had a total of 897 valid patents, including over 150 invention patents and PCT international patents, forming a patent portfolio centered on hydraulic transmission, electronic control systems, and intelligent equipment. The company has 116 valid registered trademarks both domestically and internationally. The brand value of "Hengli Hydraulics" continues to rise, establishing itself as a dual benchmark for technological innovation and brand development in the industry.

Performance Improvements

1.V93N375 series-connected high-pressure heavy-duty pump

It is the innovatively produced by Hengli, and a boost impeller and power take-off are combined, simplifying the structure and saving installation space. This design also increases displacement, reduces the speed, and optimizes fuel consumption.

2. HVME750B main valve + V90N300T main pump

Energy saving and consumption reduction, making mobile machinery more efficient. Compared to the previous generation, fuel consumption is reduced by ≥8% at the same efficiency level, and the valve flow capacity is increased by ≥12% at the same volume level.

3.Closed traveling system upgrade

In 2024, the new V40E/G series high-pressure closed pumps and M60V bent-axis variable motors will be launched, and the hydrostatic closed drive system composed of them will be upgraded again, which can significantly improve the traveling performance and efficiency of vehicles.

Digital intelligence and electrification

4.Electronic pump (V30D520, V32G)

The V30D520 series and V32G300 series electronic pumps originated from Hengli Germany InLine product have the advantages of high precision and high response, suitable for large-scale construction machinery and industrial fields.

5.High-speed pump set

Responding to the market demands, Hengli combines high-efficiency motors and variable displacement pumps, and launches a variety of motor and pump assembly solutions, achieving the goal of smaller size and higher power density under the same working conditions to bring lower operation and maintenance costs to customers.

6.Four-motor reducer system

Driven by four high-speed hairpin motors working in parallel, the setup eliminates gear shifts and power loss while maximizing drive power, effectively addressing the industry pain point of high failure rates in transmissions.

Greening

7. Hydrogen compressor

Independent innovation empowers green development. The specialized oil-free lubrication coating and sealing are perfectly suited for ultra-high-pressure hydrogen dry friction operating conditions.

Product expansion

8.New hydraulic motor

In 2024, Hengli has completed the development of travel motors for all types of skid-steer loaders, achieving a breakthrough of zero installation of radial piston motors for agricultural and road machinery. Additionally, a revolutionary compact excavator swing motor with innovative braking principles has been successfully developed. A total of 12 patents were applied throughout the year, including 3 invention patents and 1 authorized invention patent.

9.Compact hydraulic new products

In 2024, Hengli increased investment in R&D and production, launching approximately 180 types of thread cartridge valves and more than 800 types of valve blocks and balance valves. We continue to provide services to customers in traditional fields such as high-rise machines, excavators, and forklifts, while achieving breakthroughs in applications for agricultural machinery, road machinery, loaders, special equipment, and industrial fields.

10.Voice coil servo proportional cartridge valve

The 2WRCVE two-way high-frequency response servo proportional cartridge valve ensures system stability and precision with its high-accuracy and high-response closed-loop control, helping customers improve production efficiency and reduce operation and maintenance costs.

4.1 Shareholder Responsibilities

The company attaches high importance on providing reasonable returns to investors. While balancing the company's development stage and long-term growth needs, we strive to share development dividends with all shareholders and maximize both corporate value and shareholder interests. Since its listing in 2011, the company has implemented cash dividends every year, with the annual cash dividend payout ratio exceeding 30% of the net profit each year. The cumulative cash dividend amount has reached 4.836 billion yuan.

The company consistently adheres to the principles of truthful, accurate, complete, timely, and fair information disclosure, actively fulfills all information disclosure obligations, and continuously improves the quality and transparency of corporate information disclosure. The company has been awarded an "A" rating in the Shanghai Stock Exchange's information disclosure assessment for the seventh consecutive year.

The company conducts multi-level communication and exchanges with investors through various channels such as earnings briefings, roadshows and reverse roadshows, investor hotlines, on-site research, and corporate email, effectively conveying the company's value to the capital market. We aim to build a healthy ecosystem where companies and investors work together to enhance the quality of development.



On-site discussion of the management level



On-site investigation by foreign shareholders



Investor Service Center Partners with Shanghai Securities News

On-Site Research Activity for Minority Shareholders



On-site communication at the exhibition

4.2 Social Responsibility

Over the years, Hengli Hydraulics has consistently adhered to the ideal of serving the nation through industry and the entrepreneurial spirit of hard work and innovation, while never forgetting the social responsibilities that a company should bear. The company has been actively participated in a wide range of charitable initiatives.



Carry out regular social care initiatives to convey warmth and hope

Caring for Special Communities, Brightening Inner Light: In June 2024, the company organized condolences for students in special schools and care activities for the elderly in the community, and there are more than 300 public welfare volunteers in the company throughout the year. In the special school, the company's volunteers play games, draw, and sing songs with the children, offering them joy and warmth. In the community, volunteers went into the homes of the elderly who were lonely, chatted with them, and delivered daily necessities, making the elderly feel the care and respect of the society.

Establishment of public welfare brand and gathering of love power

The company actively builds its public welfare brand, with annual cumulative investments exceeding 1 million yuan. A series of public welfare activities have been carried out in various forms, such as blood donation, education and assistance, conveying love to all corners of society. The establishment of Hengli's public welfare brand has continuously improved the company's social image.

Handling security incidents to maintain system stability

There are more than 610,000 security alarms throughout the year, and more than 14,000 security incidents were handled, with a 100% handling rate of the security incident. The company has established a complete security incident response mechanism to quickly analyze and handle security alarms and to take timely measures to handle security incidents, ensuring the stable operation of the company's information system. After a year of dedicated efforts, the proportion of high-risk security alerts in the company's information security system dropped from 93% in mid-year to 18% by year-end, achieving a remarkable improvement in information security conditions. The company takes safety production as the basic starting point for fulfilling social responsibilities, and establishes a special safety management department safety committee. The company implements the concept and action of safety production into all aspects of production and operation by means of improving the system, strengthening management, and strengthening training. The company regularly conduct the investigation and management of potential safety hazards, effectively preventing and avoiding safety accidents caused by hidden dangers. The company will also organize fire drills at various plant sites to enhance employees' emergency response capabilities to safety incidents. These activities include fire drill training, specialized training for team leaders, as well as activities such as Safety Month, gas safety lectures, and dormitory fire safety education. In 2024, the company's safety production situation remained stable in 2024, with no major labor safety accidents occurring.

4.3 Corporate Culture Construction

By enhancing corporate culture development, the company has continuously enriched its cultural essence, diversified cultural activities, and broadened cultural promotion avenues. Through the organizational leadership of the Party, labor unions, and youth leagues, it has united the efforts of all employees, providing robust cultural support for the company's development.

.Building a cultural system to strengthen the foundation of culture

Under the group management framework of the company, a Culture BP organization was established in 2024, and regular work meetings are held to communicate progress on initiatives. The establishment of the Culture BP organization has strengthened communication and collaboration between corporate culture development and business departments, enabling corporate culture to be better integrated into the company's daily operations. Furthermore, the company has sorted out and optimized processes related to cultural development, enhancing the efficiency and quality of cultural initiatives and laying a solid foundation for the implementation of corporate culture.

.Innovative Cultural Promotion to Communicate Corporate Values

1.Deepening the content and enhancing the cultural connotation

The company focuses on deepening the content of cultural promotion, refining and elaborating on the original basis. By thoroughly exploring cultural elements such as the company's development history, corporate spirit, and core values, a series of cultural platforms have been created. These initiatives enable employees to better understand the company's culture and enhance their sense of identity and belonging.

2.Creative Methods, Wider Influence

In 2024, the company introduced live broadcast as a new promotional method, which not only expanded the reach of communication but also enhanced interaction with employees and improved the efficiency of information collection. Through the live broadcast platform, the company can transmit cultural activities and important meetings to employees in real time, allowing employees to experience the charm of corporate culture more intuitively. Furthermore, employees can interact with the company via the live broadcast platform, sharing their feedback and suggestions, thereby enhancing a sense of participation and motivation.

3.Development of cultural and creative products, and enrichment of cultural carriers

The company actively develops cultural and creative products and enriches cultural communication carriers. By designing and producing cultural and creative products with company characteristics such as cultural shirts, notebooks, and keychains, the company integrates its cultural elements into daily necessities. This allows employees to accept imperceptibly the company culture while using these products, further spreading the company's cultural values.

.Building up the Party, labor unions, and youth leagues to enhance the leadership of the organization

1Building Party Organizations and Reinforcing Political Leadership

The company's Party committee framework has preliminarily reorganized, and the Party branch division logic has been readjusted under the company's management model. The company's Party Committee has recruited 6 new Party members and admitted 71 new Party members. By strengthening Party organization construction, the Party organizations' role as a stronghold and the exemplary vanguard role of Party members are fully fulfilled, providing solid political assurance for the company's development.

2.Trade union work to safeguard the rights and interests of employees

The company's trade union diligently performs its duties in safeguarding the lawful rights and interests of employees. The company actively organizes employee welfare activities and help employees in difficulty to effectively address practical issues and difficulties for employees.

3.Building the Communist Youth League, inspiring youth vitality

The Communist Youth League organization of the company has carried out a series of distinctive activities centered around the company's core work, such as youth volunteer initiatives and the selection of outstanding young skilled workers. These activities have ignited the work enthusiasm and innovative vitality of young employees, injecting new momentum into the company's development.



Party Branch Co-construction



Tree-planting activities



4.4 Environmental Responsibility

The company's efforts in environmental responsibility have not only laid a solid foundation for its own sustainable development but also contributed to the global fight against climate change. We are fully aware that the Earth is our shared home, and protecting the ecological environment is an obligation that every enterprise must fulfill.

Green energy transition, leading the way to a low-carbon future.

At the end of 2023, the company built a rooftop distributed photovoltaic power station with a scale of 5.6MW. The annual power generation of 5.5 million kWh not only meets part of the company's production and office electricity demands but also reduces carbon dioxide emissions by 3,870 tons.

In 2024, the company is actively planning the second phase of the photovoltaic power generation project, which is scheduled for completion in the first half of 2025. By then, the annual power generation is expected to increase by 6 million kWh, reducing carbon dioxide emissions by 4,220 tons. The implementation of this project will further increase the company's proportion of green energy and drive progress toward its low-carbon and sustainable development goals.

Energy-saving and consumption-reduction initiatives to enhance energy utilization efficiency

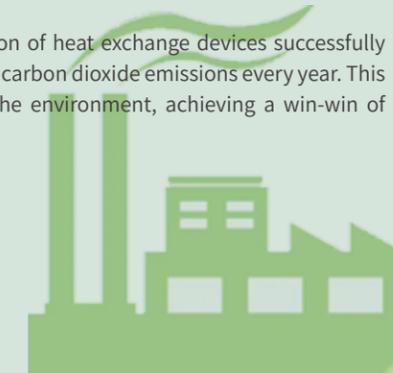
(1) Remarkable results in energy-saving transformation of equipment: The company has conducted a series of energy-saving upgrades for its equipment and facilities. Through measures such as time sequence control, frequency conversion retrofits, and LED replacements, electricity consumption was reduced by 1.67 million kWh in 2024, resulting in a carbon emission reduction of 1,174 tCO₂. The company invested 1.5 million yuan to replace the factory lighting with LED lamps, which reduces carbon emissions by approximately 1,100 tCO₂ every year. These transformations not only reduce the company's energy costs, but also demonstrate its strong commitment to environmental protection.

(2) Recovery of heat from steam condensate, turning waste into treasure: The installation of heat exchange devices successfully realized the recovery and utilization of steam condensate heat, which can save 648 tons of carbon dioxide emissions every year. This measure not only improves energy efficiency, but also reduces thermal pollution to the environment, achieving a win-win of economic and environmental benefits.

Promoting emission reduction initiatives for better air quality

(1) Successful completion of the particulate matter emission reduction and improvement project: In 2024, the casting company will successfully complete the construction and acceptance of the particulate matter emission reduction and improvement project. Through the special audit report, the implementation of the project has effectively reduced particulate matter emissions, improved the air quality in the surrounding area, and created a cleaner living environment for residents.

(2) Digital Carbon Emission Management for Accurate Control of Environmental Monitoring: The company has adopted carbon accounting software to conduct accurate calculation and digital management analysis of organizational carbon emissions and product carbon footprints. This software allows the company to monitor real-time carbon emission data, promptly identify issues, and implement targeted measures, thereby providing strong data support for achieving carbon reduction goals.



4.5 Employee Responsibility

Employees are the most valuable wealth for the company. The company always adheres to the people-oriented development concept, and is committed to creating a good working environment and development opportunities for employees. By establishing a perfect welfare system, abundant humanistic care activities, and strict occupational health and safety management, the company makes employees feel the warmth and care of a family, enhancing their sense of belonging and loyalty.



Upgrade welfare guarantee and improve the quality of life of employees

1. Increase the subsidy and enhance employees' sense of gain

The company has increased the comprehensive subsidy and housing subsidy for all employees, and the subsidy is increased by 300 - 500 yuan according to different positions, with an increase of 30% - 60%. This measure has effectively increased employees' income levels, alleviated their financial burdens, and made them feel the company's care and respect.

2. New Employee Subsidy, Boosting Your Career Journey

For newly recruited college students, a living allowance of 1,500 yuan/person will be given by the company in the first month of employment. This not only helps new employees alleviate the economic pressure at the beginning of employment, but also reflects the company's importance to the talent training, providing strong support for the career development of new employees.

3. Dormitory construction to create a warm home

The company has added two new staff dormitory buildings, which will officially start construction in Aug. 2024 and are expected to be delivered in July 2028. At that time, 556 employees can be accommodated, and the total number of employees in the company's staff dormitory building will reach 3,059. The company is committed to creating a warm home for its employees, ensuring they can enjoy ample rest and relaxation after work.



Support for the cultivation of young talents to help future development

1. Summer Childcare Program to Relieve Employees' Concerns

Since the establishment of the employee childcare initiative in 2021, the company has operated a summer childcare program to address the challenge of employee child supervision, with expenditures exceeding 6 million RMB. As of now, the program has provided childcare services for 375 employees' children, alleviating employees' worries and enabling them to focus more on their work.

2. The College Entrance Scholarship System Inspires Students to Grow

The company has established a scholarship system for employees' children who take the college entrance exam (Gaokao), awarding 68 outstanding students annually. This system serves not only as an incentive for outstanding students but also as a source of motivation and support for employees' families. By recognizing exceptional students, it motivates more employees' children to study hard, pursue excellence, and cultivates more outstanding talents for society.

3. Industry- University -Research Collaboration Empowers Talent Development

The company has established "Hengli Order Classes" with three local vocational colleges, offering over 100 internship positions every year. Additionally, the company has built industry- university -research partnerships with multiple universities to provide students with practical opportunities, promoting talent cultivation and the transformation of scientific and technological achievements.



Occupational health and safety management to ensure the life and health

1. System construction and strengthen safety foundation

The company has established and improved the occupational health and safety management document system in accordance with the ISO45001 occupational health system, and conducts internal and external audits every year. Furthermore, an occupational health and safety committee headed by the general manager is established, and monthly meetings are held to study and solve major matters found in occupational health and safety work in a timely manner. A perfect management system and organizational structure provide strong safeguards for employees' occupational health and safety.

2. Health management, care the physical and mental health of employees

The company invests more than 1.5 million yuan in employee physical examination every year, organizes all employees to receive comprehensive health examinations, including routine physical examination items, and occupational health examinations for 645 occupational hazard positions to timely discover potential health problems of employees, and achieve early prevention, early detection and early treatment of diseases, reflecting the company's great importance to the health of employees. In addition to the original regular monitoring of hypertension and diabetes, the company's infirmary classifies and files personnel with major diseases and hidden dangers of infectious diseases, and regularly supervises them for inspection in hospitals to avoid the progression of diseases. Furthermore, the company is also equipped with 4 AED first-aid equipment and 2 additional medical points to escort the health of employees.

3. Risk prevention and control to eliminate potential safety hazards

The company organized and carried out the special action of "hazard identification and risk assessment", identifying 31 major risks, and established a "red, orange, yellow, blue" four-color safety early warning mechanism. The company conducts 26 safety hazard inspections throughout the year and addressed 124 issues for rectification. The "hazard-equals-accident" zero-tolerance approach helped eliminate risks at the source, ensuring the safety of employees' lives.

4. Management of external operations to ensure the safety of all parties

The company supervised and managed the dangerous operations of foreign units 3,304 times a year, and provided safety training as well as labor protection equipment such as safety helmets and reflective vests for foreign workers. This not only ensures the safety of external workers but also maintains the company's normal production operations, preventing safety accidents caused by external operations.

5. Emergency management and enhancement of response capabilities

The company organized 51 emergency drills for fire fighting, limited space, and chemical leakage throughout the year, and innovatively proposed the 1249 fire emergency response methods. Through frequent drills, the emergency response ability and self-protection awareness of employees have been improved. There were no fires or serious injuries throughout the year, and 628 false alarms were reported by various departments. The corresponding rectification measures were made, thus effectively reducing the probability of work-related accidents.

6. Distributing cooling supplies to show care for employees working in high temperatures

During the high-temperature season, the company distributed cooling supplies worth nearly 2 million RMB, bringing relief and care to employees working in hot working environments. Meanwhile, the mutual medical insurance rate of employees has remained 100% for three consecutive years, providing additional medical security and alleviating employees' healthcare burdens.



First Aid Training



High Temperature Condolences



Humanistic care upgraded to enrich the spiritual life of employees

1. Intelligent canteen to satisfy your taste buds

The company invested 20 million yuan to build a new hydraulic technology staff canteen. The company's staff canteens now serve nearly 10,000 meals daily and over 3 million annually. All associated expenses are borne by the company.

2. Birthday care, conveying warm wishes

The company pioneered the "Employee Birthday Gift" care system. On an employee's birthday, a thoughtfully prepared gift and a warm greeting allow them to feel the company's care in their busy work, enhancing their sense of belonging and loyalty. In addition to birthday benefits, the company also customizes anniversary gifts for employees, and holiday benefits for outstanding employees. In 2024, 20,300 customized gifts will be distributed, with an expenditure of more than 2 million yuan.

3. Cultural activities to together team strength

The company has carried out 20 cultural activities such as the New Year theme, Mid-Autumn Festival and National Day, with more than 30,000 participants. These activities have enriched employees' leisure time, enhanced communication and interaction among staff, and create a positive, collaborative, and united corporate culture. Through these activities, employees experience the power of teamwork and the company's strong cohesion.



In 2025, facing the transformation of global manufacturing and the new "dual-circulation" development pattern, the company will anchor its in-depth advancement of globalization strategy, firmly pursue diversified and electrification strategies, and focus on the "bottleneck" technologies breakthrough. It will accelerate R&D in cutting-edge fields such as electro-hydraulic components and control systems while deepening industry-university-research cooperation with global universities. By diversifying its technological capabilities, Hengli aims to build a robust competitive barrier. Relying on the core product matrix such as compact hydraulic valve group, high-pressure and heavy-duty pump valve, servo hydraulics, and electric drive, the company will continue to expand downstream fields such as construction machinery, agricultural equipment, new energy, precision machining, and marine engineering; empowering sustainable development with green and intelligent manufacturing, optimizing production processes to reduce energy consumption, and practicing the concept of sustainable development offer more efficient and reliable technical solutions for global customers.

Hengli people will always uphold the mission of serving the nation through industry, climbing new heights in technological breakthroughs, and writing brilliant chapters through responsibility and commitment. We steadfastly pursue our vision of 'Becoming an outstanding supplier of high-end transmission equipment and a leading provider of transmission solutions'!

05 Future Prospects



Economic Performance

Key Accounting Data	Unit	2024	2023	2022
Operating revenue	10,000 yuan	938,968.92	898,464.04	819,671.39
Net profit attributable to shareholders of the listed company	10,000 yuan	250,870.67	249,872.91	234,272.22
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	10,000 yuan	228,492.79	244,653.35	223,154.28
Net cash flow from operating activities	10,000 yuan	247,897.49	267,714.71	206,362.68
Basic earnings per share	Yuan/share	1.87	1.86	1.79
Weighted average return on equity	%	16.75	18.69	22.60

Corporate Governance Performance

Quantitative Performance Indicator	Unit	2024	2023	2022
Number of board members	Person	7	7	7
Number of independent directors	Person	3	3	3
Number of male members on the board of directors	Person	7	7	7
Number of female members on the board of directors	Person	0	0	0
Number of board meetings held	Times	6	4	5
Number of audit committee meetings held	Times	4	4	3
Number of strategic committee meetings held	Times	4	4	4
Number of shareholders' meetings held	Times	2	1	3
Number of supervisors board meetings held	Times	5	4	5

R&D Performance

Quantitative Performance Indicator	Unit	2024	2023	2022
R&D investment amount	10,000 yuan	72,765.17	69,436.99	64,995.34
Ratio of R&D expenses to operating revenue	%	7.75	7.73	7.93
Number of R&D personnel	人	1282	1265	1203
Proportion of R&D personnel	%	17.20	19.42	19.85

Resource utilization performance

Quantitative Performance Indicator	Unit	2024	2023	2022
Power consumption	MWh	326,611	289,525.07	269,372.54
Natural gas consumption	m ³	12,186,296	10,514,397	10,951,101
Water consumption	m ³	1,144,100	946,810	935,210

Greenhouse Gas (GHG) Emissions Management Performance

Quantitative Performance Indicator	Unit	2024	2023	2022
Total greenhouse gas emissions	tCO ₂ e	224,246	250,675.16	256,524.74
Total Scope 1 Greenhouse Gas Emissions	tCO ₂ e	28,997	34,572.95	31,759.73
Total Scope 2 Greenhouse Gas Emissions	tCO ₂ e	195,248	216,102.21	224,765.01

Note: In 2024, the company adopted SGS-certified organizational carbon emission accounting software and product carbon footprint accounting software to improve and standardize accounting standards and emission factors, while implementing digital management and information archival of carbon emission data. The company's largest manufacturing plant, the Hydraulic Cylinder Factory, has conducted greenhouse gas verification in accordance with ISO 14064 and obtained TUV certification.



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