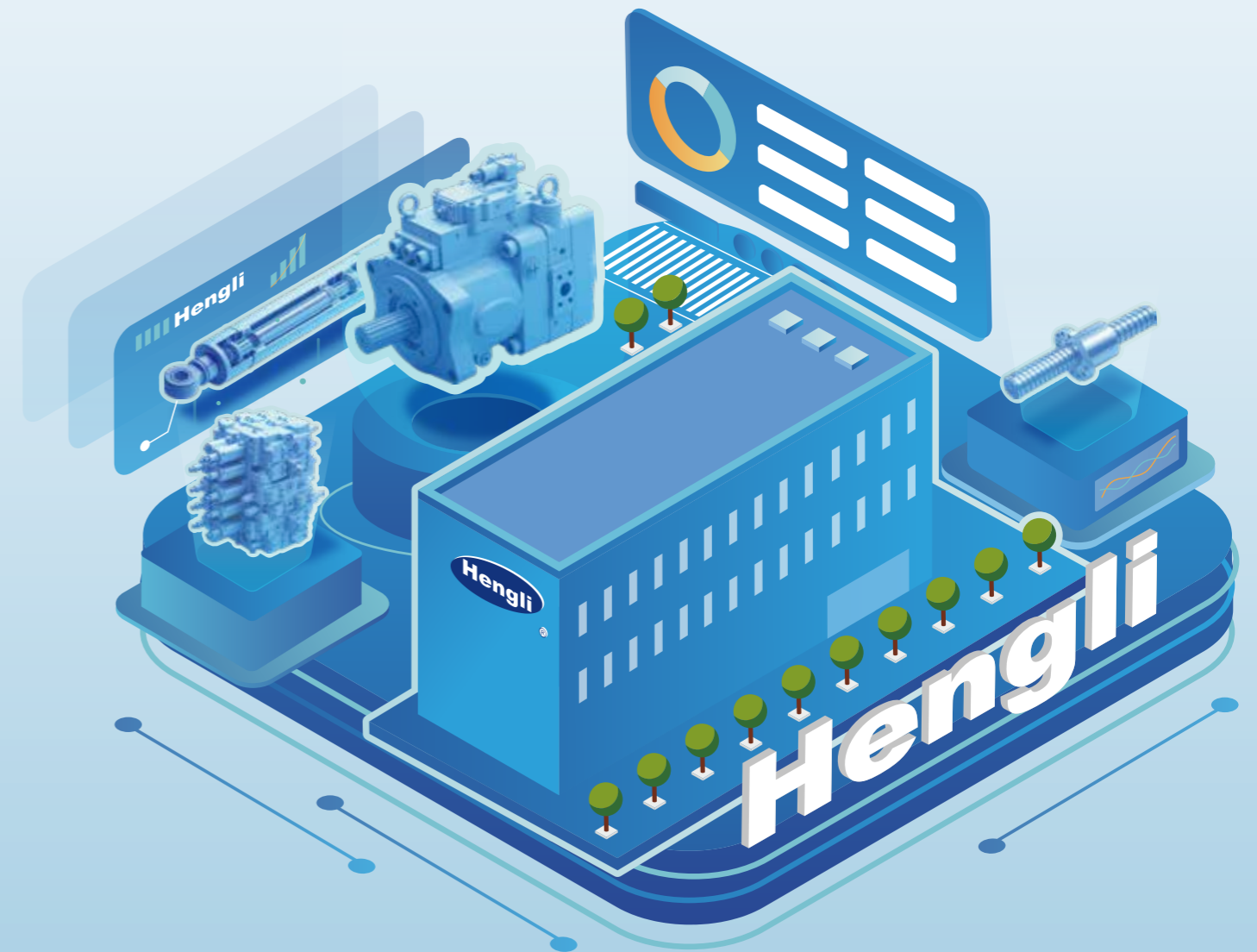


○ Stock Code: 601100.SH



2025 SUSTAINABILITY REPORT

Jiangsu Hengli Hydraulic Co., Ltd.



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About This Report >>

Report Overview

This report is the first Sustainability Report (hereinafter referred to as “this report” or “ESG Report”) issued by Jiangsu Hengli Hydraulic CO., Ltd. (hereinafter referred to as “Hengli Hydraulic”, “the Company”, or “we”). It systematically discloses our strategies, management practices, performance, and progress toward goals in the environmental, social, and governance (ESG) domains for 2025. The report aims to address the expectations and concerns of stakeholders and comprehensively presents the Company’s vision and initiatives in sustainable development.

Report Scope

This report uses "Hengli Hydraulic" as the reporting entity, covering its subsidiaries and branches. Unless otherwise specified, the scope of this report aligns with that of the Company’s Annual Report.

Timeframe

As an annual report, the information and data covered in this report span the period from January 1, 2025, to December 31, 2025 (hereinafter referred to as the "Reporting Period"). To enhance the report’s comparability and forward-looking perspective, certain content may appropriately reach back to prior years or go beyond the stated period.

Basis of Preparation

- Shanghai Stock Exchange Shanghai Stock Exchange Guideline No. 14 for Self-Regulatory Affairs of Listed Companies - Sustainability Report (Trial)
- Shanghai Stock Exchange Shanghai Stock Exchange Guidance No. 4 for Self-Regulatory Affairs of Listed Companies - Preparation of Sustainability Reports
- China of Enterprise Reform and Development Society Guidelines for Chinese Enterprises’ Sustainability Reporting (CASS-ESG 6.0)
- Global Reporting Initiative (GRI Standards)
- United Nations Sustainable Development Goals (SDGs)

Data Notes

The information and data presented in this report are derived from official company documents, internal statistical reports, audited financial statements, and verified operational data. All financial figures are consistent with the Company’s financial reports and denominated in Renminbi (RMB). In the event of any discrepancy, the financial reports shall prevail.

Explanatory Notes

Defined Terms	Definition
Hengli Hydraulic, the Company, We	Jiangsu Hengli Hydraulic Co., Ltd.
Hengli Technology	Jiangsu Hengli Hydraulic Technology Co., Ltd.
Hengli Precision	Jiangsu Hengli Precision Industry Co., Ltd.
Hengli Surface	Changzhou Hengli Surface Technology Co., Ltd.
Shanghai Lixin	Shanghai Lixin Hydraulics Co., Ltd.
Hengli Indonesia	PT JIANGSU HENGLI HYDRAULIC INDONESIA
Hengli Mexico	HENGLI DE MEXICO S.A. DE C.V.
Hengli Brazil	Hengli Brazil Co., Ltd.

Confirmation and Approval

This report was approved by the Company’s Board of Directors on April 25, 2026, and is released concurrently with the Q1 Report. The Board of Directors and management assume responsibility for the authenticity, accuracy, and completeness of the contents of this report, ensuring there are no false records, misleading statements, or material omissions.

Access and Feedback

We welcome oversight and feedback from investors and the public. This report is published in electronic format and can be accessed and downloaded from Hengli Hydraulic’s official website (<http://www.hengli-hydraulic.com>) or the Shanghai Stock Exchange website (www.sse.com.cn).



Chairman's Message >>

The year 2025 marks a pivotal moment as we successfully conclude the 14th Five-Year Plan and prepare to embark on the 15th Five-Year Plan. Standing at this new starting point, we have deeply integrated sustainable development principles into our operations. We have intensified our efforts in new product R&D, green manufacturing, smart production, and talent cultivation, forging ahead with determination as we strive to penetrate high-end markets and expand our global footprint, endeavoring to write a new chapter in high-quality development.

Serving National Needs and Assuming Industrial Responsibilities

Advancing in sync with the nation and the industry, we have consistently aligned our growth with the broader national strategy. In 2025, the Company successfully applied for and undertook seven national-level projects and certifications, spanning key areas such as smart manufacturing, high-end CNC machine tools, construction machinery, and agricultural machinery. We played a significant role in the Pinglu Canal project—a century-long engineering endeavor—empowering national water resource development with our "Hydraulic Heart". Through our independently innovated "Hengli Solutions", we have solidified the foundation for national key projects and industrial transformation, contributing to the building of a strong manufacturing nation through concrete actions.

Global Footprint, Writing a New Chapter Overseas

In 2025, Hengli's global expansion advanced with determined strides, yielding significant milestones. The inauguration of our Global R&D Center has opened new frontiers for innovation, while the grand opening of our Mexico plant marks a new chapter in Hengli's globalization strategy. Concurrently, we have deepened the application of our core components across diverse scenarios and sectors. Notable achievements include: the successful rollout of hydraulic cylinders for the world's largest 22-meter ring rolling mill; the successful implementation of Asia's largest trailing suction hopper dredger project; and the on-time delivery of over 100 sets of vulcanizer hydraulic systems and cylinders. These accomplishments powerfully demonstrate the robust capabilities and global competitiveness of Chinese manufacturing, amplifying Hengli's voice on the world stage.

Scaling Technological Heights, Powering the Innovation Engine

Moving forward with innovation, we unlock the boundless potential of technology. In 2025, the launch of our Smart Design Platform delivered nearly 1,000 highly efficient and precise design schemes with 100% accuracy, comprehensively transforming R&D efficiency. For the fourth consecutive year, we championed our "Innovation Unlimited" initiative, creating a platform for technical talent to engage in hands-on innovation and continuously energizing our engineers' creativity. By actively expanding into diverse new product areas, we successfully launched electronic control piston pumps, open-center directional control valves, and active heave compensation servo motors — building a more comprehensive portfolio of serialized hydraulic components and systems, and solidifying our industry leadership through robust innovation.

Green Manufacturing, Empowering a Low-Carbon Future

Guided by the national "Dual Carbon" goals, we actively promote the transition to green and low-carbon development. We have established a digital carbon accounting system and initiated third-party professional carbon verification, continuously enhancing the standardization and scientific rigor of our carbon emission management. In terms of green production, we adhere to the principles of "reduction, recyclability, and low pollution". We strictly control pollutant emissions, strengthen the recycling of green packaging, and vigorously advance the construction of intelligent production lines. Additionally, we are deploying green energy efficiency projects such as photovoltaic power generation and waste heat recovery, continuously improving resource and energy utilization efficiency while steadily advancing toward a greener, smarter development paradigm.

Nurturing Talent Growth in Fertile Soil

Employees are the core internal engine of our sustainable development. Upholding a people-oriented approach, we have built an integrated talent cultivation system—combining platforms, training, and projects—to pave a broad path for the career growth of every striver. The "Eagle Plan" and Hengli University operate as dual engines, systematically cultivating managerial and supervisory talent pipelines to continuously supply backbone forces for our high-quality development. The Practical Training Center is now fully operational, establishing a robust foundation for hands-on skills development and professional growth. At the same time, we are deeply committed to safeguarding employee well-being, fostering open and democratic communication channels, and thoughtfully organizing diverse cultural and sports activities. Spanning from living support to spiritual care, we strive to create a workplace home that is warm, inclusive, and genuinely fulfilling.

Staying True to Our Mission, Forging Ahead with Resolve. Looking ahead, we will steadfastly pursue our "Internationalization, Diversification, and Electrification" strategy, steadily advancing the global deployment of production capacity. We will drive industry advancement through technological innovation and build a solid development foundation with precision craftsmanship. With unwavering determination, we will deepen our commitment to low-carbon development, continuously advancing in smart manufacturing and high-end equipment. Through concrete actions, we will honor our commitments and meet societal expectations, contributing a more robust and dynamic "Hengli Strength" to building a green, low-carbon, and sustainable future together.



Jiangsu Hengli Hydraulic Co., Ltd.
Chairman Wang Liping

Welcome to Hengli Hydraulic >>

Company Profile

Jiangsu Hengli Hydraulic CO., Ltd. (Stock Code: 601100) is a Shanghai Stock Exchange-listed company specializing in the R&D, production, and sales of hydraulic components and systems. The Company has been successively recognized by the Ministry of Industry and Information Technology (MIIT) as a Demonstration Enterprise for Single Champion Products, a "One-Dragon" Application Plan Demonstration Enterprise under MIIT's Strengthening the Foundation Project, a National High-Tech Enterprise, a National Intellectual Property Demonstration Enterprise, and a China Green Foundry Demonstration Enterprise. It is also a drafting unit for national and industry standards.

Hengli Hydraulic has built a global footprint with seven R&D centers and twelve manufacturing bases, supported by mature technology and large-scale production capacity. The Company operates one National Demonstration Smart Factory and three Jiangsu Provincial Smart Workshops, outfitted with cutting-edge equipment and advanced processes to consistently enhance product quality. With operations spanning over 30 countries and regions and serving more than 2,000 global clients, Hengli has established overseas technical service and marketing centers in multiple locations, enabling localized, efficient service delivery and steady progress in its global market expansion.

Business Layout

The Company is primarily engaged in the R&D, manufacturing, sales, and service of control equipment and system integration in the power transmission sector. Our product portfolio includes high-pressure hydraulic cylinders, high-pressure piston pumps, hydraulic multi-way valves, hydraulic motors, industrial valves, hydraulic systems, hydraulic test benches, high-precision hydraulic castings, precision lead screws, linear guides, and electric cylinders—building a diversified product ecosystem under the Hengli Hydraulic brand. Having successfully overcome technical challenges in core components such as high-pressure hydraulic cylinders and hydraulic pump valves, the Company has established a robust foundation in the domestic hydraulic sector while continuously strengthening its competitive edge in the international market.

Hengli Hydraulic Product System

Mobile Hydraulics & Electronic Components

- 1 Hydraulic Cylinders
- 2 Hydraulic Pumps
- 3 Hydraulic Multi-way Valves
- 4 Cartridge Valves
- 5 Piston Motors
- 6 Orbital Motors
- 7 Electronic Control Components



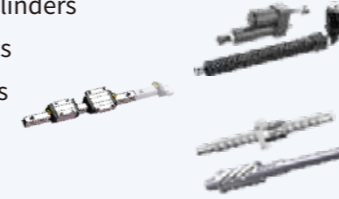
Industrial Hydraulics

- 1 Industrial Cylinders
- 2 Industrial Pumps
- 3 Industrial Valves
- 4 Industrial Hydraulic Motors
- 5 Hydraulic System Integration



Linear Motion Technology

- 1 Electric Cylinders
- 2 Ball Screws
- 3 Guide Rails



Technical Components

- 1 Castings
- 2 Seals
- 3 Cold-drawn Tubes



As core transmission devices for heavy machinery, Hengli's hydraulic products are widely applied across industries and fields, including mobile machinery, tunnel engineering, agricultural machinery, industrial engineering, offshore engineering, and wind and solar energy. Leveraging our diversified business layout, we deliver customized, scenario-based professional system solutions and full-range technical services to downstream customers.

Leveraging our profound market experience both domestically and internationally, the Company's products have earned widespread trust from global clients, securing high market shares in sectors including excavator systems, aerial work platforms, shield tunneling machines, offshore engineering, and new energy equipment. Our excavator-specific hydraulic cylinders are extensively utilized by renowned domestic and international construction machinery enterprises, including Caterpillar, Hitachi Construction Machinery, and XCMG. We have been awarded the Caterpillar Platinum Medal for multiple consecutive years and recognized as "Outstanding Supplier of the Year" by Sany and XCMG, among others. Furthermore, our core products have been deployed in numerous national and industry key projects: hydraulic actuators were successfully applied in the National Astronomical Observatories' FAST (Five-hundred-meter Aperture Spherical Telescope) project; offshore corrosion- and wear-resistant composite coating cylinders were deployed in the "Wanshan" wave compensation power generation device and the "Nanhai VIII" oil drilling platform construction; and pile driver cylinders were utilized in the luffing cylinder project for the 137-meter offshore piling equipment.

Hengli Hydraulic Industry Application Fields

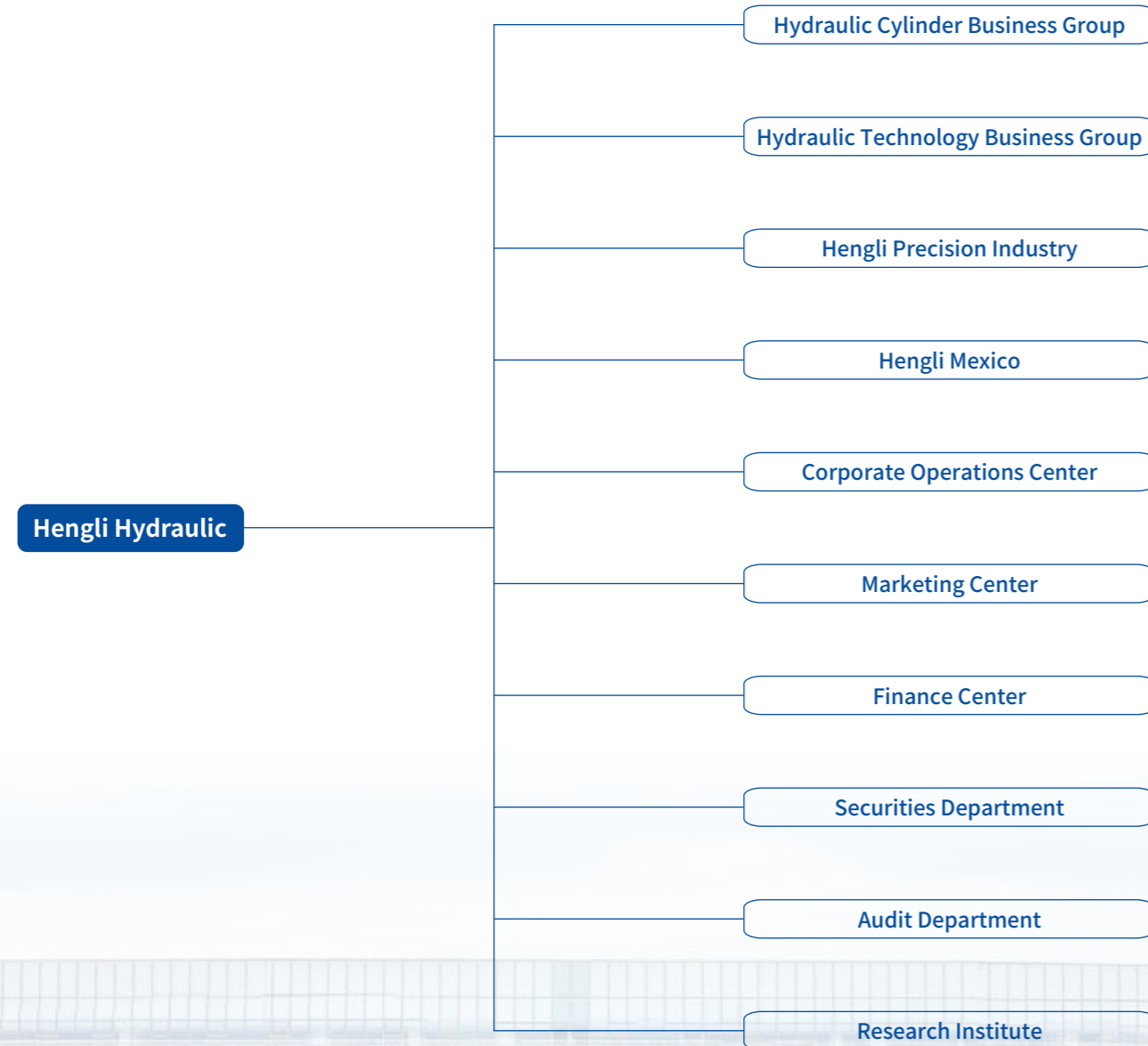


Construction Machinery Agricultural and Forestry Machinery Tunnel Boring Equipment Hoisting and Handling Machinery Mining Machinery Offshore Engineering and Ports



Metallurgical Equipment Metal Forming Rubber and Plastic Processing Energy and Water Resources Servo Control and Measurement Building Materials and Municipal Equipment

Organization Structure



Strategy & Culture

Corporate Culture

Core Culture	Cultural Values
Mission	<ul style="list-style-type: none"> Focusing on customer needs, we create value for customers, shareholders, employees, and society in the hydraulic industry.
Vision	<ul style="list-style-type: none"> Lead the industry through technology, shape the future with quality, drive growth through branding, empower employees through management, and build a century-old enterprise.
Strategic Goals	<ul style="list-style-type: none"> Go global, lead the industry, and become the world's leading brand in hydraulic system integration service provision.
Core Values	<ul style="list-style-type: none"> Value: Discover customer needs, deliver value to customers, and treat them with respect and care. Trust: Build communication bridges through trust—empowering employees with a sense of security and achieving win-win results with customers. Innovation: Maintain product advantages, market competitiveness, and corporate strength through continuous innovation. Talent Cultivation: Recruit and cultivate outstanding talent, commit to continuous learning and growth, and challenge ourselves to excel together.

Business Strategy

The company will steadfastly advance its strategy of "Internationalization, Diversification, and Electrification". In the future, it will continue to consolidate its position in the domestic market, enhance its international brand influence and market share, steadily promote global production capacity layout, strengthen global operational capabilities, and provide efficient and high-quality services to customers worldwide. The company adheres to an innovation-driven approach, increasing R&D investment to maintain technological leadership, enriching its product portfolio, and continuously expanding into downstream application fields and scenarios. Focusing on the electrification trend in downstream industries, the company will strategically develop electric control and actuation systems, seize opportunities arising from electrification in sectors such as construction machinery, marine engineering, and industrial equipment, and strive to become a first-class, world-renowned provider of high-end transmission equipment and solutions.



Development History

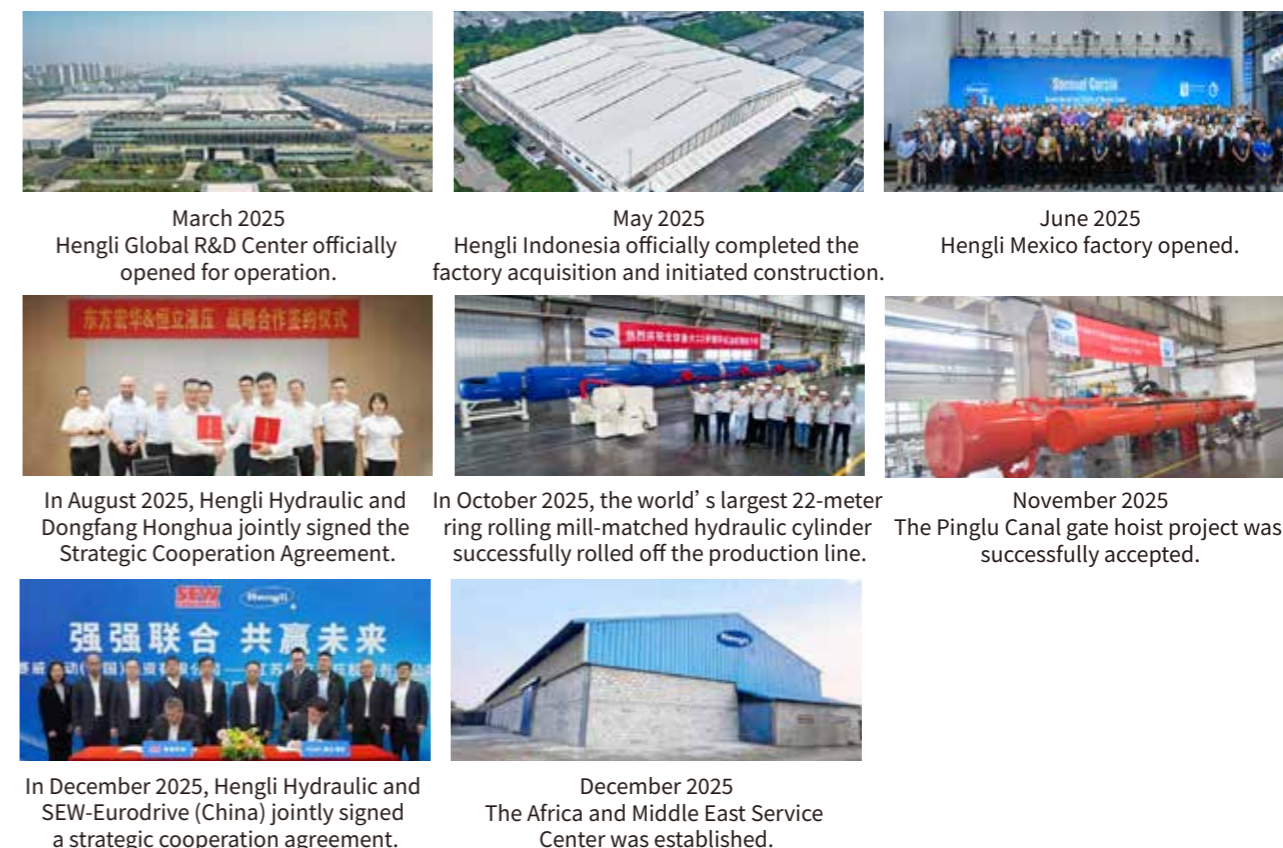


2025 Annual Highlights and Achievements

Honors and Awards



Annual Major Events Record



Highlights and Performance

Economic Performance >>



Operating Revenue: RMB **109.41** hundred million
 Net Profit Attributable to Listed Company Shareholders:
 RMB **27.34** hundred million
 Total Assets: RMB **216.71** hundred million
 Net Assets Attributable to Listed Company Shareholders: RMB **172.80** hundred million

Governance Performance >>



Number of Shareholders' Meetings Held: **2** times
 Number of Board Meetings Held: **4** times
 Proportion of Independent Directors: **42.86%**
 Number of Roadshows Conducted Both Domestically and Internationally Reached: **475** times

Environmental Performance >>



Environmental Protection Investment: RMB **3,324** ten thousand
 Total Energy Consumption: **62,261.22** tons of standard coal equivalent
 Total Environmental Training Hours: **2,120** hours
 Total Greenhouse Gas Emissions: **88,106.67** tons of CO₂ equivalent
 Hazardous Waste Compliant Disposal Rate: **100%**

Social Performance >>



R&D Investment Amount: RMB **7.05** hundred million
 Number of R&D Personnel: **1,104**
 New Valid Authorized Patents: **362** items
 Total Cumulative Authorized Patents: **1,125** items
 Product Recalls: **0** units
 Customer Satisfaction Rate: **90.6%**

Total employee training investment:
 RMB **2.0664** million
 Total Employee Training Hours:
74,691.95 hours
 Work Safety Liability Insurance Personnel
 Coverage Rate: **100%**
 Rural Revitalization Investment:
 RMB **1,038.77** ten thousand

Sustainable Development Management >>

Sustainability Goals and Vision

The company actively aligns with the United Nations Sustainable Development Goals (SDGs) and deeply integrates the concept of sustainable development into its production and operational processes. Through concrete actions, it embodies the spirit of the SDGs, striving to create sustainable value across economic, environmental, and social dimensions.

Chapter	Corporate Actions in 2025	Responding to the United Nations Sustainable Development Goals (SDGs)
“Heng” (Perseverance) as Our Core in Governance, Fortifying an Impregnable Compliance Line	<ul style="list-style-type: none"> Improve corporate governance systems, optimize the operational mechanisms of shareholder meetings and the board of directors, and safeguard the legitimate rights and interests of minority shareholders. Continuously enhance investor relations management, standardize information disclosure procedures, strengthen communication and interaction with investors, and achieve an "A" rating in information disclosure assessments. Strictly adhere to business ethics, establish anti-corruption oversight and reporting mechanisms, strengthen management of employees and business partners, prevent corrupt practices, and eliminate unfair competition. 	
“Heng”—Protecting Mountains and Rivers, Writing a New Chapter for Green Development	<ul style="list-style-type: none"> Establish a digital greenhouse gas management system, conduct annual greenhouse gas verification, and continuously improve the scientific and systematic management level of climate change. Actively carry out clean production audits, promote green packaging, continuously develop green and low-carbon products, and fully achieve green and low-carbon production. Adopt an RO membrane reuse system to achieve water resource recycling, promote energy conservation and emissions reduction through photovoltaic power generation, waste heat recovery, and energy-saving technological upgrades, and continuously improve resource utilization efficiency. 	
“Heng”—Forged Quality: Leading Development through Innovation	<ul style="list-style-type: none"> Establish R&D platforms such as nationally recognized enterprise technology centers, actively participate in industry standard-setting and technical exchange and cooperation, and continuously enhance R&D innovation capabilities. Improve quality management and customer service systems, enhance product quality, regularly conduct customer satisfaction surveys, continuously optimize service experience, and win customer trust. Improve the supplier management system, strengthen ESG compliance oversight for suppliers, and focus on building a green and responsible supply chain. Establish a data security and customer privacy protection system, strengthen risk identification and emergency management, and conduct regular data security training. 	
“Heng”—Committed to People's Well-being, Co-building a Better Homeland Together	<ul style="list-style-type: none"> Adhere to the principle of equal employment, strengthen age verification processes in recruitment, and resolutely eliminate any form of harassment, discrimination, child labor, and forced labor. Build a diverse and inclusive workplace, ensure equal pay for equal work regardless of gender, establish lactation rooms, and actively protect the legitimate rights and interests of female employees. Provide diverse compensation and welfare packages, and establish a comprehensive performance appraisal and grievance mechanism. Strengthen democratic management, streamline employee communication and complaint channels, and broadly solicit employees' opinions and suggestions. Establish a tiered employee training system, provide employees with training platforms such as "Hengli University" and "Cloud Classroom", and improve career development pathways for employees. Promote digital management of workplace safety, enhance occupational health protection, regularly conduct occupational disease screenings, and comprehensively ensure employees' health and safety. Actively engage in social public welfare activities, contribute to rural revitalization, fulfill corporate responsibility through action, and promote harmonious social development. 	

Sustainable Development Governance

ESG Governance Framework

The company is committed to a sustainable development-oriented approach. It has formulated the Environmental, Social, and Governance (ESG) Work Management System and built a three-tier ESG governance structure spanning decision-making, management, and implementation. Sustainability requirements are deeply embedded into strategic planning and operational management decision-making processes, driving the standardized, efficient, and sustained execution of ESG initiatives.

ESG Governance Organization	Responsibilities
 <p>Board of Directors</p>	Review and approve the company's ESG development strategies, objectives, material issues, governance structure, and management systems; review and approve the company's ESG report.
 <p>Strategy Committee</p>	Formulate the company's ESG development strategies, objectives, key issues, and management systems; identify and control risks associated with daily ESG management, and guide the ongoing implementation of ESG work; review and submit the company's ESG report to the Board of Directors.
 <p>ESG Working Group</p>	Implement the company's ESG development strategies and objectives, and drive the implementation of ESG initiatives across relevant executing departments; develop ESG policies and documents, and establish phased work plans and implementation roadmaps; organize ESG-related training sessions, monitor regulatory requirements and industry trends; assess and summarize ESG performance and challenges, report regularly on progress to the Strategy Committee, and provide actionable recommendations.
 <p>Functional Departments and Subsidiaries</p>	Based on the company's ESG development strategies and objectives, establish and enhance the ESG management framework, formulate relevant metrics, management targets, and specific work plans; execute day-to-day ESG management operations, report regularly on implementation progress, and submit ESG-related information in a timely manner.

ESG Risk Management

The company has established an ESG risk management framework, incorporating ESG responsibilities into the internal control evaluation system. The Strategy Committee conducts identification, assessment, and ongoing oversight of ESG-related risks, and provides timely recommendations for enhancement. All departments and subsidiaries implement corrective actions as required, continuously strengthening the company's capabilities in ESG risk prevention and control.

ESG Training

To further enhance ESG governance, the company regularly organizes specialized ESG training sessions and external exchanges. This enables the timely uptake of the latest ESG policies and management practices, driving the continuous improvement of ESG management.

Case Study

In February 2025, Hengli Hydraulic took part in a specialized ESG training program, which included in-depth learning on ESG compliance strategies for global enterprises and comparisons of international standards frameworks. The session provided valuable insights for enhancing the company's ESG governance system.



Stakeholder Communication

The company actively maintains ongoing, two-way, and transparent communication channels, systematically identifying the needs and expectations of stakeholders including regulators, investors, customers, and employees. It continually integrates input and concerns from all parties into decision-making and operational processes, fostering mutual success and sustainable development.

Stakeholders	Expectations and Demands	Communication Channels
 <p>Government and Regulatory Bodies</p>	Business Ethics and Compliance Driving Economic Growth Environmental Compliance Management Climate Change Response	Legal and Regulatory Compliance Information Disclosure and Reporting Pollutant Monitoring Greenhouse Gas Verification
 <p>Shareholders and Investors</p>	Compliant and Prudent Operations Safeguard Shareholder Interests Ensure Transparent Disclosure	Investor Hotline Shareholders' Meeting On-site Survey Periodic Reports
 <p>Customers</p>	Data Security and Privacy Protection Provision of Quality Products and Services Safeguarding Customer Rights and Interests	Phone and Email Customer Engagement Visits Customer Satisfaction Surveys
 <p>Suppliers and Partners</p>	Supply Chain Management Transparent and Fair Procurement Mutual Success and Shared Value	Supplier Evaluation and Assessment On-site Assessments Industry Exchange Conference
 <p>Employees</p>	Uphold Employee Rights Career Development Programs Employee Well-being & Benefits	Performance Review and Appeal Labor Union and Staff Representative Assembly General Manager's Mailbox
 <p>Communities and the Public</p>	Support Community Initiatives Promote Energy Conservation and Emission Reduction	Charitable Donations Green Production

Management of Material Topics

Evaluation Process and Methods

In accordance with the requirements of the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14 – Sustainability Reporting (Trial), and with reference to the assessment methodologies outlined in both domestic and international disclosure standards—including the Shanghai Stock Exchange Self-Regulatory Guide for Listed Companies No. 4 – Sustainability Reporting Preparation and the GRI Standards: GRI 3: Material Topics—the company has introduced the analytical perspectives of impact materiality and financial materiality to identify and assess its material topics. The specific implementation steps are as follows:

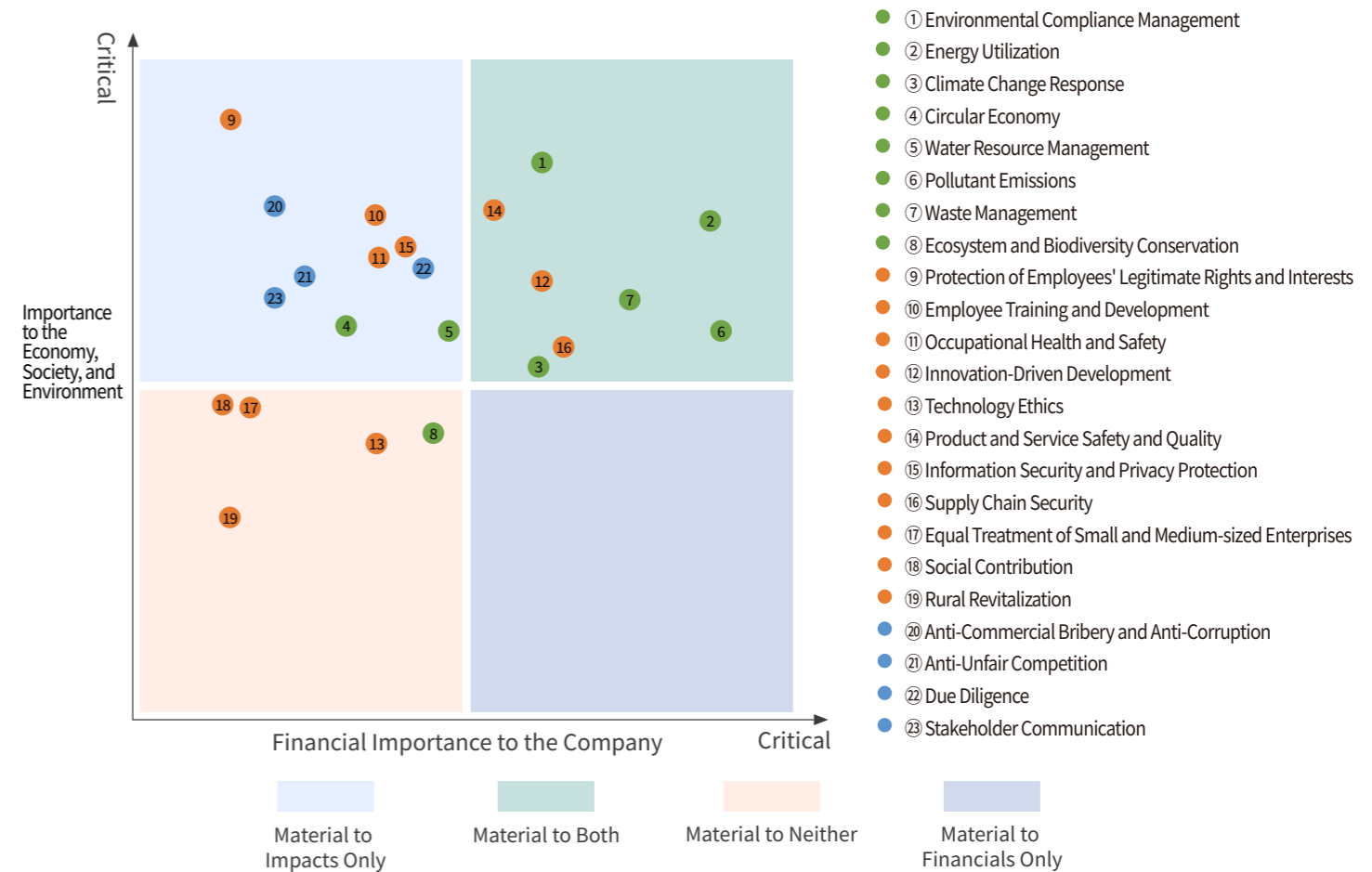
Issue Assessment Process	Analysis Methods
<p>1</p> <p>Review Company Background</p>	<ul style="list-style-type: none"> Based on the analysis of global megatrends and the macro-environmental analysis of China's industrial development trends; Based on industry analysis; Based on the analysis of the company's business model; Identify the company's stakeholders and the impacts, risks, and opportunities the company faces.
<p>2</p> <p>Preliminary Topic Screening</p>	<p>A sustainability issue library was developed by referencing the SSE Guidelines on Sustainability Reporting, relevant regulatory requirements of the Ministry of Finance, and the CASS-ESG 6.0 Guidelines, and by incorporating issues of concern to industry peers.</p>
<p>3</p> <p>Materiality Assessment</p>	<ul style="list-style-type: none"> Impact Materiality Assessment: Review the potential or actual positive or negative impacts of each issue on the external environment, society, and economy. Conduct stakeholder survey analysis through questionnaires. Financial Materiality Assessment: Through analysis of impacts, dependencies, and other factors, combined with professional judgment, and based on internal questionnaire surveys across company departments regarding the likelihood of occurrence and the potential magnitude of financial impact, identify and assess risks and opportunities associated with relevant issues, thereby evaluating financially material topics.
<p>4</p> <p>Topic Confirmation</p>	<p>Formulate a list of issues that are material in terms of both impact and financial significance, and ensure that these topics are disclosed transparently, impartially, and completely in the report.</p>

Materiality Issues Assessment Results

Based on the collected questionnaires, the company analyzed the issues from the two dimensions of "Impact Materiality" and "Financial Materiality" and formed a materiality issues matrix.

Dimensions	Issues
E	① Environmental Compliance Management ② Energy Utilization ③ Climate Change Response ④ Circular Economy ⑤ Water Resource Management ⑥ Pollutant Emissions ⑦ Waste Management ⑧ Ecosystem and Biodiversity Conservation
S	⑨ Protection of Employees' Legitimate Rights and Interests ⑩ Employee Training and Development ⑪ Occupational Health and Safety ⑫ Innovation-driven Development ⑬ Technology Ethics ⑭ Product and Service Safety and Quality ⑮ Information Security and Privacy Protection ⑯ Supply Chain Security ⑰ Equal Treatment of Small and Medium-sized Enterprises ⑱ Social Contribution ⑲ Rural Revitalization
G	⑳ Anti-Commercial Bribery and Anti-Corruption ㉑ Anti-Unfair Competition ㉒ Due Diligence ㉓ Stakeholder Communication

Hengli Hydraulic Materiality Matrix:



Notes: 1. The company's production and operating activities do not have a significant impact on ecosystems and biodiversity. Its core business does not involve scientific research or technology development in fields such as life sciences or artificial intelligence ethics. Additionally, there are no instances of late payments to or unfair treatment of small and medium-sized enterprises. Therefore, the company has not separately disclosed content on ecosystem and biodiversity conservation, technology ethics, and equal treatment of small and medium-sized enterprises is not disclosed.

2. Financially material issues are disclosed in accordance with exchange requirements, following the framework of "Governance", "Strategy", "Impact, Risk and Opportunity Management", and "Metrics and Targets". Among them, environmental compliance management, pollutant emissions, and waste management are disclosed on a consolidated basis using the four-element framework.

“Heng” (Perseverance) as Our Core in Governance, Fortifying an Impregnable Compliance Line

Governance as the foundation ensures steady and enduring progress. Hengli Hydraulic consistently upholds the baseline of compliance in operations, adheres to the guiding principles of Party building, continuously improves governance structures, optimizes decision-making mechanisms, and comprehensively strengthens internal control and risk management. By standardizing information disclosure, safeguarding investment returns, and earnestly protecting investors' rights and interests, the company actively practices business ethics, establishing a high-quality governance system that solidifies the foundation for its long-term development.

SDGs Addressed



- Corporate Governance
- Investor Relations Management
- Compliance and Risk Management
- Standardized Business Conduct
- Party Building Leadership

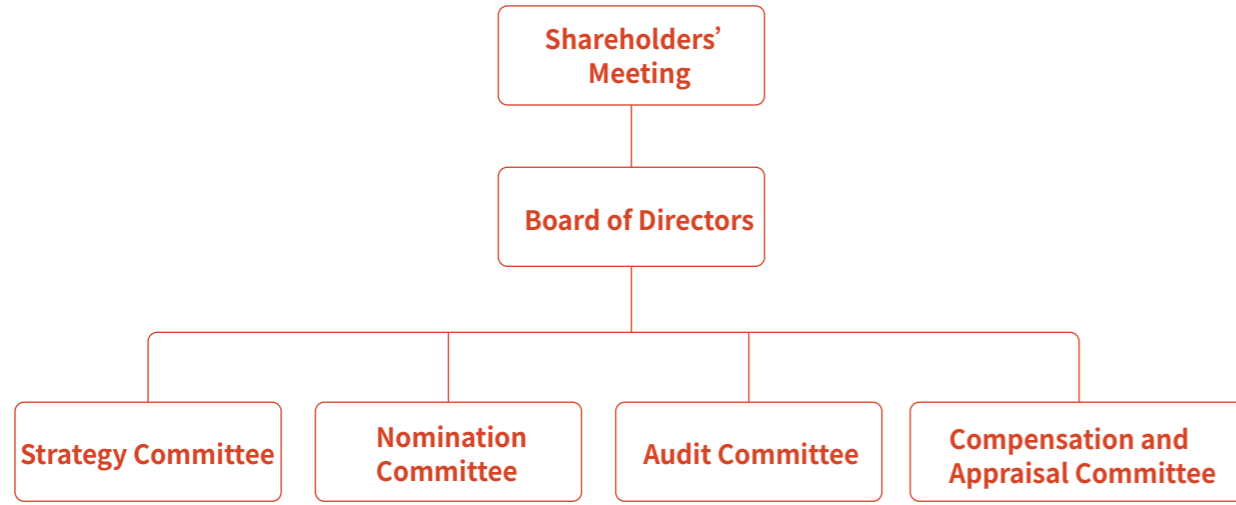
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Corporate Governance >>

Governance Structure

Hengli Hydraulic strictly complies with laws, regulations, and regulatory requirements such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and the Governance Guidelines for Listed Companies. The company has established a series of corporate governance systems, including the Articles of Association, and formed a governance architecture centered on the Shareholders' Meeting and the Board of Directors. This structure creates a governance system with clear delineation of powers and responsibilities, effective checks and balances, and efficient coordination, ensuring the company's standardized and stable operation.



Hengli Hydraulic Governance Structure Diagram

Shareholders' Meeting

The company strictly complies with relevant regulations, including the Articles of Association, and the Rules of Procedure for Shareholders' Meetings, to standardize the convening and conduct of its meetings. Legal counsel is engaged to provide on-site witness and issue legal opinions. Voting is conducted through a combination of on-site and online methods. Related shareholders recuse themselves from voting on matters involving their interests as required by law, and on significant issues affecting the interests of minority investors, a separate vote count for minority investors is implemented. This ensures that all shareholders, especially minority shareholders, enjoy equal rights and can fully exercise their voting rights.

Key Performance

During the reporting period, the company held **2** Shareholders' Meetings, including **1** Annual General Meeting and **1** Extraordinary General Meeting, collectively reviewing and passing **20** proposals.

Board of Directors

The company strictly complies with relevant regulations, such as the Articles of Association and the Rules of Procedure for the Board of Directors, in convening and conducting Board meetings. It standardizes the methods of deliberation and decision-making procedures to ensure the Board fulfills its duties in accordance with the law. The Board of Directors reviews significant matters related to the company's business activities, makes decisions lawfully, or submits matters to the Shareholders' Meeting for deliberation as per procedure, thereby fully leveraging the role of the Board in scientific decision-making and ensuring the stable development of the company.

Key Performance

During the reporting period, the company held **4** meetings of the Board of Directors, which collectively reviewed and approved **49** proposals.

Board Special Committees

The company's Board of Directors has established four specialized committees: the Strategy Committee, the Nomination Committee, the Compensation and Appraisal Committee, and the Audit Committee. Each committee strictly performs its duties in accordance with its respective rules of procedure, providing professional support for the scientific decision-making of the Board. This further enhances the scientific rigor, standardization, and efficiency of the company's decision-making processes.

Key Performance

During the reporting period, the company convened **2** meetings of the Strategy Committee, reviewing and approving a total of **6** proposals; **2** meetings of the Nomination Committee, reviewing and approving a total of **7** proposals; **1** meetings of the Compensation and Appraisal Committee, reviewing and approving a total of **5** proposals; and **3** meetings of the Audit Committee, reviewing and approving a total of **21** proposals.

Board Diversity

The company places high importance on the diversity of its Board of Directors. When selecting and appointing directors, it gives full consideration to their educational backgrounds, age structures, professional skills, and industry experience, continuously optimizing the composition of the Board. Currently, the company has 7 directors who possess professional backgrounds and practical experience in diverse fields such as law, finance, and mechanical engineering, providing a solid foundation for the scientific decision-making of the Board.

Name	Position	Gender	Age	Educational Background	Professional Background
Wang Liping	Chairman of the Board	Male	60	Junior College	Senior Economist
Qiu Yongning	Director	Male	56	Bachelor's Degree	Engineer
Xu Jin	Director	Male	46	Master's Degree	Engineer
Wang Bin	Employee Representative Director	Male	43	Master's Degree	Engineer, MBA
Fang Youtong	Independent Director	Male	63	Doctoral Degree	Qiu Shi Distinguished Professor, Zhejiang University; Zhejiang Provincial Distinguished Expert; Deputy Director, National Engineering and Technology Research Center for Intelligent Railway Rolling Stock
Wang Xuehao	Independent Director	Male	41	Bachelor's Degree	Certified Public Accountant (China), Certified Tax Agent (China), Legal Professional Qualification
Quan Long	Independent Director	Male	67	Doctoral Degree	Professor, College of Mechanical Engineering, Taiyuan University of Technology; High-Level Leading Talent, Shanxi Province "Sanjin Talent" Program

Independence of the Board of Directors

The company has formulated the Independent Director Work System and, in strict accordance with regulations, appointed 3 qualified professionals as independent directors, who constitute approximately 42.86% of the Board membership. The independent directors diligently fulfill their duties, actively participating in decision-making, providing oversight and checks and balances, and offering professional advice within the Board's operations. They provide professional support for the company's strategic planning and scientific decision-making, and strive to safeguard the overall interests of the company and the legitimate rights and interests of minority shareholders.

■ Compensation Management for Directors and Senior Management

The company has formulated the Senior Management Compensation Management System. Adhering to the principles of distribution according to work, fairness, and transparency, the system is based on the value of the position and guided by performance. It establishes a sound incentive and restraint mechanism for the compensation of directors and senior management, ensuring the compliance and fairness of compensation management.

● Director Compensation Plan

The specific distribution plan for director remuneration is researched and formulated by the Board of Directors' Compensation Committee. After review and approval by the Board of Directors, it is submitted to the Shareholders' Meeting for final deliberation and decision.

● Senior Management Compensation Plan

Senior management compensation consists of an annual salary, performance bonuses, welfare subsidies, and mid-to long-term incentives.

The annual salary comprises two parts: a base salary and a performance-linked salary. In principle, the proportion of performance-based pay shall not be less than 50% of the total of base salary and performance-based pay. The base salary is linked to the value of the position, individual competence, and the industry compensation level. The performance-linked salary is linked to the company's operational performance, and the efficiency and quality of achieving individual performance targets.

Key Performance

During the reporting period, the company paid a total of RMB **767.04** ten thousand in remuneration to directors and senior management.

Investor Relations Management >>

■ Information Disclosure

The company strictly adheres to relevant laws and regulations, such as the Measures for the Administration of Information Disclosure by Listed Companies and the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 2-Information Disclosure Affairs Management. It has established systems including the Information Disclosure Management System and the Information Disclosure Error Accountability Management Measures to standardize the information disclosure process, strengthen disclosure affairs management, and continuously improve the quality and transparency of information disclosure, ensuring its authenticity, accuracy, completeness, and timeliness. During the reporting period, the company received an "A" rating in the Shanghai Stock Exchange's information disclosure assessment.

To enhance the confidentiality management of inside information and uphold the principles of fairness and impartiality in information disclosure, the company formulated the Registry System for Persons with Knowledge of Inside Information, standardizing the registration and filing of such persons. This ensures the fair dissemination of company information to all shareholders and fully safeguards the right of all investors to access information equally.

Key Performance

During the reporting period, the company disclosed **35** interim reports and **4** periodic reports, with no penalties incurred for violations of information disclosure regulations.

■ Public Opinion Management

To effectively prevent, control, and properly handle public opinion emergencies, the company has formulated the Public Opinion Management System and established a rapid response and emergency handling mechanism. A leading group for public opinion management has also been established to provide unified leadership in handling various types of public opinion incidents. All functional departments implement tiered responses and categorized management of public opinion, aiming to promptly mitigate the impact of public sentiment on the company's stock price and normal production and operational activities, thereby maintaining a healthy and stable public opinion environment.

In the event of a significant public opinion incident, the company will, as directed by the leading group for public opinion management, immediately convene a working group meeting to swiftly verify the facts, proactively communicate with stakeholders such as the media and investors, clarify misinformation in a timely manner, prevent the escalation of the incident, and fully safeguard the legitimate rights and interests of the company and its investors.

■ Investor Communication

Hengli Hydraulic places high importance on investor relations management. The company has formulated the Investor Relations Management Measures, with the Board Secretary being responsible for managing investor relations. The company maintains regular communication and interaction with investors through various channels, including earnings briefings, investor hotlines, on-site research visits, email correspondence, and online exchanges. This approach facilitates the communication of company value, fostering mutual trust, fully protecting investors' right to information and participation, and continuously enhancing the level of investor relations management.

Key Performance

During the reporting period, the company received **79** on-site investor survey visits with a total of **485** attendees, conducted **475** roadshows both domestically and internationally, and answered **62** investor phone calls.

Shareholder Returns

The company prioritizes providing reasonable returns to investors. While balancing its own stage of development and long-term growth needs, it is committed to sharing development dividends with all shareholders and strives to maximize both corporate value and shareholder interests. The company strictly implements the profit distribution policy stipulated in the Articles of Association and the Shareholder Return Plan for the Next Three Years (2024-2026), maintaining a high proportion of cash dividends, building a sound shareholder value-return mechanism, and enabling the broad base of investors to fully share in the outcomes of the company's high-quality development.

Cash Dividend Distribution in Recent Three Years

Year	Cash Dividend per Share (RMB/share)	Total Cash Dividend (including tax) (RMB ten thousand)	Percentage of Net Profit Attributable to Shareholders of the Company in Consolidated Financial Statements (%)
2023	0.70	93,857.47	37.56
2024	0.70	93,857.47	37.41
2025 (Proposed)	0.86	115,310.61	42.17



Compliance and Risk Management

Compliance in Operations

Hengli Hydraulic adheres to compliant operations, formulating compliance management documents such as the Compliance Evaluation Procedure, the Intellectual Property Compliance Obligation Control Procedure, and the Internal Audit Control Procedure, establishing a compliance management system covering the entire business process. The company comprehensively identifies key compliance management points, develops targeted control measures, and regularly conducts compliance training, continuously enhancing the level of compliance management to ensure that all operational activities are carried out lawfully, compliantly, and in an orderly manner.

To ensure the lawful and compliant conduct of international trade activities, the company has formulated systems such as the Import Business Management System and the Export Business Management System, standardizing the operational procedures for import and export businesses, clarifying the standards and review requirements for documentation preparation and verification by international logistics specialists. This effectively prevents compliance risks in cross-border operations and promotes the efficient and compliant execution of import and export business.



Legal and Security Exchange

Risk Management

Risk Management System

The company has formulated the Risk Assessment and Control Management System, establishing a standardized risk assessment and control framework, clarifying risk management responsibilities and processes, and implementing the Three Lines of Defense for risk prevention and control. This ensures that all operational activities are conducted in a lawful and compliant manner, continuously enhancing the level of business management and risk prevention capabilities.

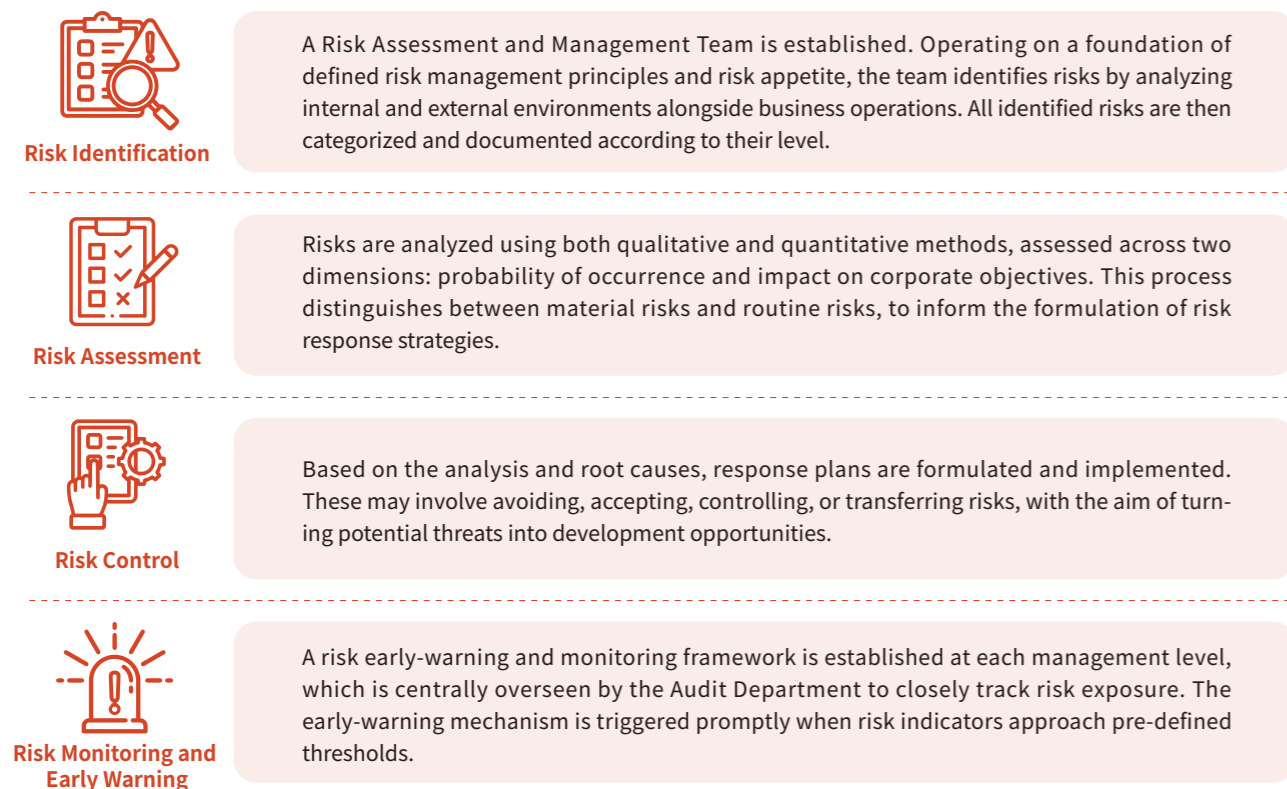
Three Lines of Defense for Risk Prevention and Control

First Line of Defense	All functional departments and business units serve as the first line of defense for risk management, systematically carrying out the analysis, identification, measurement, management, and monitoring of business risks.
Second Line of Defense	The Audit Committee and the Audit Department serve as the second line of defense for risk management, specifically responsible for the establishment and operation of the risk management system, providing professional opinions and recommendations for risk-related decisions.
Third Line of Defense	The Board of Directors and the Shareholders' Meeting serve as the third line of defense for risk management. Operating independently of the business units, they provide oversight of the company's internal controls and other matters, and are ultimately accountable for the effectiveness of risk management.

Risk Identification and Assessment

The company conducts annual risk assessment exercises to comprehensively identify various risks in its operations and management. Based on the assessment results, it formulates risk response plans to achieve precise control throughout the risk management cycle. At the same time, the Audit Department oversees and inspects the risk management work of all functional departments, regularly submitting supervision and evaluation reports as well as the annual comprehensive risk management work report to the Board of Directors, thereby continuously promoting the optimization and enhancement of the risk management system.

Risk Management Process



Internal Control

The company strictly adheres to relevant laws, regulations, and requirements such as the Basic Standards for Enterprise Internal Control, conducting regular annual inspections of the operation of its internal control system. It comprehensively evaluates the effectiveness of the internal control system and issues the Internal Control Evaluation Report. During the reporting period, the company's internal control system operated effectively, with no material weaknesses identified.

Internal Audit

The company has formulated the Internal Audit System and the Management Audit Project Closed-Loop Management Measures, clarifying the duties and authority of internal audit, standardizing audit processes and conduct, and establishing the Audit Department as the executive body for internal audit work. The Audit Department is responsible for organizing and implementing all internal audit activities, fully leveraging the role of internal audit in supervision, checks and balances, risk prevention, and other areas, thereby safeguarding the company's asset security and stable operations.

Based on the company's strategy, annual operational objectives, and previous audit results, and taking into account factors such as organizational risks, management needs, and audit resources, the Audit Department scientifically prepares the annual audit plan. The plan is submitted to the company's Board of Directors and the Corporate Operations Center for approval in accordance with established procedures. The company has established a comprehensive internal audit system covering the entire process from audit initiation, pre-audit preparation, audit implementation, report issuance, to follow-up tracking. Through a standardized and efficient operational mechanism, the company continuously strengthens its internal control and risk management defenses.

Tax Management

The company strictly complies with relevant laws and regulations, such as the Corporate Income Tax Law of the People's Republic of China and the Tax Collection and Administration Law of the People's Republic of China, fulfilling its tax obligations in accordance with the law and carrying out tax filing activities in a standardized manner. The company's Finance Department is fully responsible for tax management, accurately completing tax accounting and filing, ensuring taxes are paid on time and in full, effectively preventing tax compliance risks, and ensuring that the company's tax management activities are lawful and compliant. During the reporting period, the company paid taxes amounting to 850 million Yuan in accordance with the law, and no significant tax violations occurred.

Standardized Business Conduct >>

Anti-Commercial Bribery and Anti-Corruption

To promote the company's lawful operation and encourage employees to uphold integrity in their work, the company has formulated systems such as the Employee Integrity System and the Anti-Corruption and Anti-Bribery Control Procedure, incorporating integrity requirements into the Employee Handbook, clarifying conduct standards for all staff, and strictly implementing anti-corruption and anti-commercial bribery management requirements, thereby effectively safeguarding the company's interests and the legitimate rights and interests of employees.

The company regards employees' integrity performance as a key basis for performance evaluation, appointment, promotion, dismissal, and rewards or penalties. The General Manager's Office and the Audit Department are responsible for supervising and inspecting employee integrity management, while heads of all departments bear responsibility for integrity education and daily management of their departmental staff, ensuring that the entire operational management process is conducted with integrity, compliance, transparency, and openness. During the reporting period, the company did not encounter any litigation or administrative penalties related to commercial bribery or corruption.

Anti-Corruption Supervision

The company actively builds a clean and compliant supervision system, encouraging employees, suppliers, and other business partners to jointly participate in reporting improper or fraudulent activities such as harming the company's interests, misappropriating company assets, and accepting bribes. Upon receiving instructions from higher authorities or relevant reports, the Audit Department evaluates leads related to corruption and fraud, and promptly conducts special anti-corruption and anti-fraud audits for valid reports.

The company explicitly requires all newly hired employees to sign the Integrity and Self-Discipline Commitment Letter, and enters into the Supplier Integrity and Self-Discipline Agreement with Cooperative Suppliers, jointly fostering a fair, impartial, and transparent professional atmosphere and cooperative environment. During the reporting period, the signing rates for the employee Integrity and Self-Discipline Commitment Letter and the supplier Supplier Integrity and Self-Discipline Agreement both reached 100%, achieving full coverage of integrity commitments.

Reporting Mechanism

The company has formulated the Reporting Management Measures to standardize the acceptance, investigation, and handling procedures for reported matters, ensuring the independence and fairness of the investigation process and outcomes. The company maintains open internal and external complaint and reporting channels, establishing official reporting avenues such as an integrity hotline and an integrity email, supporting employees and external stakeholders in exercising supervision and reporting through designated platforms. For reports verified to be true, the company will provide rewards to employees, strictly implement confidentiality mechanisms for whistleblowers, resolutely prevent retaliatory actions, and fully protect the legitimate rights and interests of whistleblowers.

Integrity Education

The company promotes a culture of integrity and self-discipline, resolutely resists commercial bribery and all forms of corruption, and regularly organizes integrity and self-discipline training for all departments. By analyzing typical cases to illustrate the legal responsibilities and severe consequences of illegal acts, the company strengthens warning education, continuously enhances employees' awareness of integrity in professional conduct and anti-corruption compliance, and solidifies the ideological defense line of all staff.

Anti-Unfair Competition

The company strictly complies with laws and regulations such as the Anti-Monopoly Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China, and has formulated the Fair Trade, Advertising, and Competition Management System. The General Manager's Office is responsible for investigating and collecting evidence of unfair competition practices, while the Marketing Center is responsible for promoting and training on fair trade, advertising compliance, and the concept of fair competition, ensuring that the company participates in industry competition on a fair and standardized market platform. During the reporting period, the company did not encounter any litigation cases or significant administrative penalties arising from unfair competition practices.

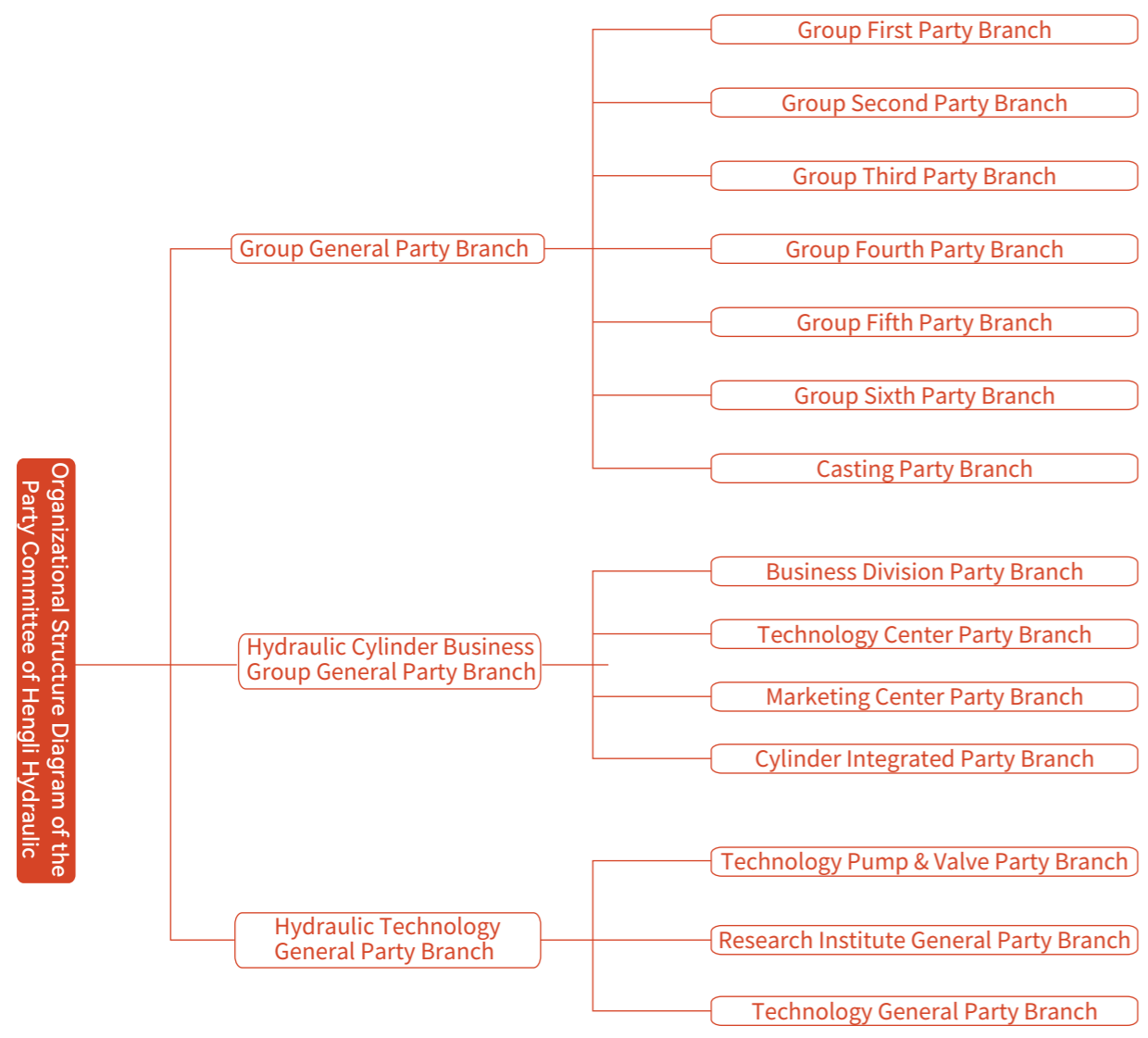
The company consistently adheres to the principle of not engaging in unfair competition, explicitly prohibits the use of improper means in market transactions, harming the interests of competitors, or infringing on trade secrets, and encourages employees to question, report, and request verification of any violations. Relevant leads are assigned for investigation by the General Manager's Office, with investigation results disclosed in accordance with regulations, and legal procedures are pursued when necessary to protect the company's legitimate rights and interests. Employees found to have violated fair competition regulations will be dealt with strictly in accordance with the Employee Handbook.

Party Building Leadership >>

Organizational Building

The Company is guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, prioritizing its study and implementation as our foremost political task. This strengthens the "Four Consciousnesses", reinforces the "Four-sphere Confidence", and ensures the "Two Upholds", driving the Company's high-quality development through high-quality Party building. During the reporting period, the Company's Party Committee convened the 2025 Party Members' Congress. The Congress further optimized the Party's organizational structure by establishing three General Party Branches: for the Group, for Technology, and for the Cylinder Division. It also realigned the scope of Party branches based on business relevance. These steps are designed to deepen the integration of Party building with business operations, using standardization to enable comprehensive high-quality growth.

As of the end of the reporting period, the company has established 1 Party Committee, 3 General Party Branches, and 14 Party Branches, with a total of 299 Party members. Throughout the year, 12 meetings of the Party Committee were held.



Organizational Structure Diagram of the Party Committee of Hengli Hydraulic

Party Building Honors

The Company has pioneered the "Pioneer Hengli" Party building brand and established the Hengli Party-Mass Activity Center. It regularly selects "Outstanding Party Members", develops distinctive Party branch profiles, and documents cases that demonstrate how Party building drives business growth. These efforts set a benchmark for high-quality corporate development under Party leadership. The Company's Party organization was named an "Advanced Grassroots Party Organization" in the Wujin National Hi-Tech Zone for three consecutive years. It has since received multiple honors, including the "Wujin District Advanced Grassroots Party Organization" and the "Changzhou City Advanced Grassroots Party Organization", reflecting the notable effectiveness of its Party building work.

Party Building Practices

The company's Party Committee consistently adheres to the philosophy of "promoting Party building around development and using Party building to advance development". Staying true to its original mission and igniting the red engine, the committee innovatively developed the "Three Heng, Three Li" working method. By regularly organizing theoretical study, standardizing organizational activities, and advancing six "Party building plus" projects, it strives to build a win-win pattern where Party building leads enterprise development and deeply integrates with business operations.



Party Member Training, General Party Branch



Party Member Training, General Party Branch



Film Screening: Seeking the Ford



July 1 Celebration Activities

“Heng” —Protecting Mountains and Rivers, Writing a New Chapter for Green Development

Hengli Hydraulic strictly adheres to the bottom line of environmental compliance, continuously improves its environmental management system, actively promotes the application of low-carbon technologies, and steadfastly advances carbon emission reduction, pollutant treatment, and efficient resource utilization. The company actively fulfills its environmental responsibilities, supports the achievement of the national "Dual Carbon" goals, and drives its own sustainable, high-quality development through green growth.

SDGs Addressed



- Climate Change Response
- Environmental Management
- Resource Management

HENGLI

Addressing Climate Change >>

In the face of increasingly severe global climate change challenges, Hengli Hydraulic strictly complies with the core requirements of the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14–Sustainability Reports (Trial). The company systematically carries out climate management from the four dimensions of governance, strategy, risk management, and metrics and targets, continuously strengthens carbon emission control, and steadily advances its transformation toward sustainable development.

Governance

The company continues to improve its climate change management system, establishing a greenhouse gas management policy of "dual-carbon empowerment, circular economy, sustainable development, and commitment to neutrality". It has formulated the Greenhouse Gas (GHG) Emission Management and Control Procedure to implement standardized, full-process control over greenhouse gas emissions. The company designates the Environmental Protection Section of the Equipment Department to lead and oversee key tasks such as setting emission reduction targets and carbon emission accounting, taking concrete actions to respond to the national "Dual Carbon" goals and fully support the achievement of the United Nations Sustainable Development Goals.

To enhance internal climate management capabilities and professional expertise in carbon accounting, during the reporting period, the company actively organized relevant personnel to participate in specialized training on carbon verification, carbon footprint, and carbon emission management offered by external institutions. It also conducted internal low-carbon knowledge promotion activities, effectively strengthening awareness and voluntary action toward low-carbon practices among all employees.



Carbon Verification Training



CBAM Training

Strategy

In light of industry trends and regulatory policies, and in line with its business profile, the Company identifies and assesses climate-related risks and opportunities, and formulates targeted measures to mitigate potential risks and capitalize on development opportunities.

Risk Category	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures	
Physical Risks	Acute Risks	The occurrence of extreme weather events such as heavy rain, blizzards, and typhoons may affect the normal production and operation of factories and logistics transportation efficiency, leading to disruptions in raw material supply or delays in product delivery, thereby causing property damage.	Low	Medium	Short-term	Upstream Operations Downstream	Medium	Decrease in operating revenue, increase in operating costs	Develop and improve emergency response plans to mitigate the impact of extreme weather on production and operations. Dynamically track supplier material preparation and production progress, and regularly assess the rationality of procurement cycles. Reduce dependence on single suppliers and regions to enhance supply chain stability.
	Chronic Risks	Global warming may increase the company's energy demand for cooling, temperature control, etc., thereby raising operational costs.	Low	Medium	Mid-term Long-term	Operations	Medium	Increase in operating costs	Continuously advance energy-saving and consumption reduction management, adopt measures such as rooftop distributed photovoltaic power generation, centralized control of air conditioning systems, and recycled water reuse to improve resource utilization efficiency and reduce energy consumption.
Transition Risks	Policy and Legal Risks	Governments worldwide are increasingly stringent in their requirements for greenhouse gas source identification, accounting, and emission regulation. The company needs to continuously strengthen carbon emission control and compliance management, which may lead to increased operational costs.	Low	High	Mid-term Long-term	Operations	High	Increase in operating costs	Strengthen internal carbon inventory and emission reduction management to ensure compliance with national accounting, statistical, and verification requirements for greenhouse gas emissions.
	Technology Risks	Driven by national policies, demand is increasing for energy-saving and low-carbon technologies as well as new-energy construction machinery. In response, the Company is ramping up investment in green technology R&D and new-energy product development. This may, however, create upward pressure on operational costs.	Medium	Medium	Mid-term Long-term	Operations	Medium	Increase in operating costs	Continuously improve the technology R&D system, strengthen the construction of scientific research talent teams, and enhance innovation capabilities and technical expertise in energy conservation and carbon reduction.
	Market Risks	The shift in consumer preferences toward green and low-carbon products, coupled with intensified market competition, may exert pressure on the sales of the company's traditional construction machinery products, leading to risks of inventory overstock and slow sales.	Medium	High	Mid-term Long-term	Downstream	High	Decrease in operating revenue	Continuously strengthen market research to understand market demand. Flexibly adjust product structure and market positioning, expand the market share of green products, and optimize industrial layout.
	Reputational Risks	The expectations of the public and various stakeholders regarding the company's implementation of the "Dual Carbon" goals and its commitment to sustainable development are continuously rising. If the company's performance in green and low-carbon transition and climate change response falls short of expectations, it may face risks such as reputational damage and declining investor confidence, which could consequently affect its market competitiveness.	Low	Low	Short-term Mid-term	Downstream	Low	Decrease in operating revenue	Enhance public opinion monitoring, establish a crisis management plan for negative publicity, and protect corporate reputation. Establish transparent and efficient communication mechanisms with stakeholders, actively communicating the company's actions and progress in sustainable development. Improve the quality of ESG information disclosure to enhance external recognition and trust in the company.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Energy Substitution	Increasing the proportion of renewable energy used and adopting clean energy such as green power in production processes can effectively reduce carbon emissions and energy consumption, lowering energy costs.	High	Medium	Mid-term Long-term	Operations	High	Decrease in Operating Costs	Install rooftop solar PV systems to raise the share of clean energy. Introduce a digital carbon accounting platform to monitor carbon emissions and energy usage in real time, improving energy efficiency management.
Products and Services	The company launches low-carbon products compatible with new energy equipment, providing customers with environmentally friendly and efficient solutions, which can enhance market competitiveness.	High	High	Long-term	Downstream	High	Increase in Operating Revenue	Boost R&D investment, strengthen low-carbon technology and product innovation, and drive the green transformation of our product portfolio.

Explanation

Likelihood of Occurrence: Refers to the frequency/interval or possibility of a risk/opportunity occurring. It is primarily assessed based on historical occurrence probability, external scenarios, progress of policy implementation, and expert forecasts. Likelihood is rated from "Low" to "High".

Magnitude of Impact: Refers to the severity of the impact, determined by considering the shock level and the likelihood of the risk/opportunity occurring. It comprehensively accounts for factors such as effects on the business model, value chain, and financial implications. Impact magnitude is rated from "Low" to "High".

Time Horizon of Impact: Different risks and opportunities affect the company over varying timeframes. The company classifies the time horizon as Short-term (0-1 year), Mid-term (1-5 years), and Long-term (over 5 years).

Affected Value Chain Segment: Refers to the stage(s) of the value chain impacted, categorized as Upstream (involving raw material suppliers, procurement, logistics, etc.), Operations (involving production, manufacturing, internal processes, etc.), and Downstream (involving distribution, sales, customer service, etc.).

Priority Ranking: Comprehensively considers factors such as likelihood of occurrence, magnitude of impact, and time horizon, combined with the company's actual situation. Priority is ranked as "Low", "Medium", or "High".

Note: Definitions for likelihood of occurrence, magnitude of impact, time horizon of impact, affected value chain segment, and priority ranking in other chapters of the report are consistent with the above and will not be reiterated.

Impact, Risk, and Opportunity Management

The company continuously improves its climate risk management processes, develops scientifically sound and reasonable risk response measures, and promptly adjusts and updates relevant measures based on changes in external policies and market conditions, ensuring the effectiveness of risk management.

Risk Identification	In accordance with the Exchange's Sustainability Reporting Guidelines and supporting guides, and based on the company's business and operational realities, the company identifies climate-related risks and opportunities from three dimensions: physical risks, transition risks, and opportunities. A list of risks and opportunities is thereby developed.
Risk Assessment	Systematically assess the identified risks and opportunities, focusing on analyzing their financial impacts, timeframes, and severity.
Risk Response	Based on the results of risk identification and assessment, develop targeted management measures and action plans to ensure the company possesses sufficient capabilities and resources to address climate risks and seize development opportunities.

Metrics and Targets

To actively respond to the national "Dual Carbon" strategic goals and implement the industry's green transition pathway, the company, based on its operational characteristics, scientifically sets phased carbon emission reduction targets. By implementing a series of energy-saving technological transformation projects, it continuously improves energy utilization efficiency and climate resilience, steadily advancing the low-carbon development process.

Metrics	Unit	Year 2023	Year 2024	Year 2025
Total Greenhouse Gas Emissions (Scope 1 + Scope 2)	Metric Tonnes of CO ₂ Equivalent	86,657.59	82,688.11	88,106.67
Scope 1 Greenhouse Gas Emissions	Metric Tonnes of CO ₂ Equivalent	22,298.77	22,456.78	21,096.46
Stationary Source Emissions	Metric Tonnes of CO ₂ Equivalent	18,951.43	19,006.09	17,670.32
Mobile Source Emissions	Metric Tonnes of CO ₂ Equivalent	1,575.22	1,506.83	1,574.64
Fugitive Emissions	Metric Tonnes of CO ₂ Equivalent	1,772.12	1,943.86	1,851.50
Scope 2 Greenhouse Gas Emissions	Metric Tonnes of CO ₂ Equivalent	64,358.82	60,231.33	67,010.21
Greenhouse gas emissions per unit of output	Metric Tonnes of CO ₂ Equivalent/million yuan	18.25	18.28	17.35

Note: 1. The statistical scope of greenhouse gas (GHG) emission data covers the Hydraulic Cylinder Plant of Jiangsu Hengli Hydraulic Co., Ltd.

2. Hengli Hydraulic uses an SGS-certified organizational carbon accounting software, applying unified emission factors and accounting standards, to digitally manage and archive carbon emission data. During the reporting period, Hengli Hydraulic conducted greenhouse gas verification in accordance with ISO 14064-1:2018 and has obtained certification from TÜV NORD Germany.

Greenhouse Gas Emission Management

Greenhouse Gas Verification

The company has established an internal greenhouse gas verification mechanism, introduced carbon emission accounting software, and conducts precise accounting and digital management analysis of organizational carbon emissions and product carbon footprints. This enables dynamic monitoring and precise control of carbon emissions, providing strong data support for advancing carbon reduction efforts.



During the reporting period, based on the ISO 14064-1:2018 international standard and using the cylinder plant and cold drawing workshop as the accounting boundary, the company conducted the 2025 greenhouse gas emission verification. The verification was successfully certified by German TÜV NORD, providing credible data support for the company's carbon management decisions and external information disclosure.



TÜV NORD Certification

Energy Conservation and Emission Reduction Actions

The greenhouse gases generated during the company's production and operations are primarily Scope 1 (direct emissions) and Scope 2 (indirect emissions), with specific emission sources as follows:

Category	Classification	Facility	Emission Source
Scope 1	Stationary Combustion Emissions	Boiler	Natural Gas Combustion
		Drying Oven	Natural Gas Combustion
		Cooking Appliances	Natural Gas Combustion
		Welding Equipment	Acetylene Combustion
		Welding Equipment	Propane Combustion
	Mobile Combustion Emissions	Forklifts, Trucks, Shuttle Buses, Diesel Generators	Diesel Combustion
		Forklifts, Commercial Vehicles	Gasoline Combustion
	Fugitive Emissions	Refrigeration System	Refrigerant Leakage
		Fire Extinguishers	Carbon Dioxide
Welding		Carbon Dioxide	
Septic Tank		Methane Fugitive Emissions	
Scope 2	Energy Indirect Emissions	Purchased Electricity	Production and Office Electricity Consumption

To solidly advance energy conservation, emission reduction, and lower carbon emission intensity, the company actively explores low-carbon production models. Through measures such as green energy substitution and energy-saving equipment upgrades, it continuously strengthens the effectiveness of energy conservation and emission reduction, steadily promotes green and low-carbon transformation, and supports the achievement of the "Dual Carbon" goals with concrete actions.

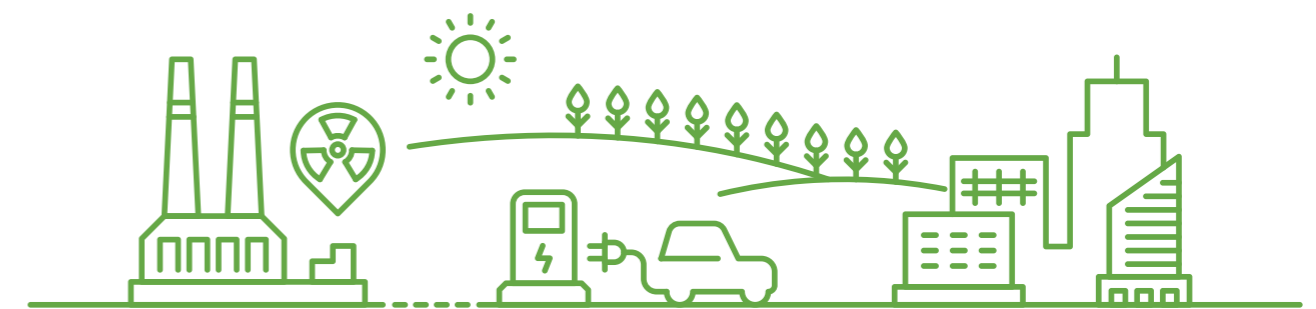
Case Study Photovoltaic Power Generation Project

Over the past two years, Hengli Hydraulic has successively completed the construction of rooftop distributed photovoltaic power stations with capacities of 5.6 MW and 6.1 MW. The projects adopt a "prioritize self-consumption, surplus electricity fed into the grid" model, generating approximately 11 million kWh of green electricity annually and reducing carbon emissions by about 6,273 tons per year. This further increases the proportion of green energy used and advances the company towards its low-carbon and sustainable development goals.



Case Study Steam Condensate Heat Recovery

Hengli Hydraulic successfully achieves the recovery and reuse of heat from steam condensate by installing heat exchange units, reducing carbon dioxide emissions by 648 tons annually. This initiative not only improves energy utilization efficiency and effectively reduces thermal pollution in the production process but also creates a synergistic win-win outcome for both economic and environmental benefits.



Environmental Management >>

The company strictly complies with national laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. It fully implements the environmental regulations and standards applicable to its operational locations, strictly controls pollutant and waste emissions throughout the production process, and firmly adheres to the bottom line of environmental compliance. During the reporting period, the company did not incur any significant administrative penalties from environmental or other relevant authorities due to environmental incidents.

Governance

Adhering to the environmental principle of "prioritizing environmental protection for the benefit of future generations", the company has formulated environmental management systems including the QES Management Manual, the Waste Gas Management Regulations, the Wastewater Management Regulations, the Solid Waste Management Regulations, and the Noise Management Regulations. It has established a standardized environmental management system, overseen by the General Manager, to ensure the effective operation of the management system. During the reporting period, the company obtained ISO 14001 Environmental Management System certification.



Hengli Hydraulic Environmental Management System Certification

Hengli Hydraulic has established an Environmental Protection Section within the Equipment Department, responsible for supervising the disposal of "three wastes" (waste gas, wastewater, and solid waste), conducting statistical analysis of environmental data, identifying and evaluating environmental aspects, and formulating environmental emergency plans. Environmental safety officers conduct regular supervision and inspections according to their duties to ensure the effective implementation of all environmental management tasks.

Furthermore, the company incorporates the achievement of environmental protection objectives into employees' performance evaluations, regularly inspects the environmental production and pollutant treatment status of each department, ensures that environmental responsibilities are assigned to individuals, and motivates all staff to actively implement green production concepts, jointly maintaining a sound ecological environment.

Key Performance

During the reporting period, the company's total investment in environmental protection amounted to RMB **3,324** ten thousand.

Strategy

The company comprehensively identifies and scientifically assesses the environmental risks and opportunities that may arise during production and operations, promptly takes targeted control measures, and effectively prevents and mitigates environmental risks.

Risk Category	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Policy and Legal Risks	As national environmental laws, regulations, and regulatory standards become increasingly stringent, the company must continuously invest funds in technology upgrades and equipment retrofitting to meet rising environmental compliance requirements. In the event of pollutant emission exceedances or similar issues, the company may face risks such as lawsuits, administrative penalties, and reputational damage.	Low	High	Short-term Mid-term	Operations	Medium	Increase in operating costs and decrease in operating revenue	Closely monitor and strictly comply with national and local environmental laws and regulations. Strengthen environmental monitoring efforts, implement standardized disposal of emissions and waste. Actively implement clean production technology upgrades to reduce pollutant emissions at the source.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Technological Opportunities	By continuously advancing technological innovation and adopting more environmentally friendly and efficient treatment technologies in production processes, it is possible to reduce pollutant and waste emissions at the source. This not only meets higher compliance standards but also effectively enhances the level of clean production.	High	High	Mid-term	Operations	High	Decrease in Operating Costs	Strengthen equipment upgrades and green process improvements, fully implement a low-carbon and clean production model, and build a green manufacturing system. Continuously upgrade pollutant treatment technologies to improve pollution control capabilities.

Impact, Risk, and Opportunity Management

Risk Management Process

The company has established the Environmental Aspects Management Procedure, which defines the methods and processes for identifying and assessing environmental risks. This enables the comprehensive and precise identification and evaluation of environmental aspects arising from production and operational activities, thereby driving the continuous optimization and improvement of the environmental management system.

Risk Identification	Use methods such as surveys, on-site observations, and inspections to systematically identify potential environmental aspects and their potential impacts in production and service processes.
Risk Assessment	Employ methods such as expert judgment, yes/no judgment, and comparative analysis, combined with factors like frequency of occurrence, scope of impact, and severity of harm, to conduct a comprehensive evaluation of identified environmental aspects. Results are recorded in the Environmental Aspect Identification and Evaluation Form.
Risk Response	For assessed risks, implement controls through various means such as operational controls, emergency preparedness and response, setting targets and indicators, and formulating management programs, to effectively reduce environmental impacts.

Environmental Monitoring

The company has established the Environmental Safety Monitoring Procedure, which stipulates the annual commissioning of qualified third-party testing agencies to monitor emissions of exhaust gases, wastewater, and noise. This ensures continuous compliance of all discharge indicators with national and local environmental protection regulations. During the reporting period, the pollutant monitoring compliance rate reached 100%, with no cases of exceeding emission standards, thereby causing no adverse effects on employee health or the surrounding community environment.

Environmental Impact Assessment

The company strictly adheres to laws and regulations such as the Environmental Impact Assessment Law of the People's Republic of China and the Regulations on the Environmental Protection Management of Construction Projects, conducting comprehensive environmental impact assessments for all types of projects and obtaining corresponding approvals. Upon project completion, the company organizes environmental protection-specific acceptance inspections and engages third-party institutions to monitor the operational effectiveness of environmental protection facilities. This ensures full lifecycle compliance with environmental standards for all projects, effectively reducing the impact of pollutants on the ecological environment.

Hazard Identification

The company conducts regular inspections of environmental safety hazards in key areas such as production processes and environmental protection facilities. Any identified issues are documented in a registry and strictly rectified, effectively mitigating the risk of environmental incidents. In addition, the company has established the Infrastructure and Working Environment Management Procedure and the Equipment Management Procedure to strengthen performance testing and routine maintenance of environmental treatment equipment, promptly identifying and eliminating potential equipment failures.

Emergency Plans and Drills

Adhering to the principle of "prevention first, combined with control", the company has formulated the Hazardous Waste Leak Emergency Response Plan and the Wastewater Treatment Emergency Response Plan. It has built a comprehensive emergency rescue team system, regularly organizing emergency training and practical drills to continuously enhance the rapid response and handling capabilities for sudden environmental incidents.

Case Study

Emergency Drill for Environmental Safety Incidents

In order to enhance the emergency response capability of water treatment staff in handling wastewater incidents and improve the efficiency of responding to environmental safety accidents, Hengli Hydraulic organized an emergency drill for environmental safety incidents. During the drill, all participants strictly followed instructions and carried out operations in accordance with standard procedures, successfully achieving the expected outcomes.



Indicators and Targets

The company has established the Environmental Protection Target Management System, which defines the overall environmental protection objectives and breaks them down into specific goals for each department. The company insists on assessing the completion status of these departmental targets on a monthly basis, and conducts an annual evaluation and adjustment of the objectives achieved in the previous year at the beginning of each year. This comprehensive approach aims to prevent major environmental pollution incidents and effectively safeguard employee safety as well as the company's interests.

Environmental Protection Targets	Achievement Status for 2025
"Zero" major environmental pollution incidents	Achieved
Effective centralized wastewater treatment rate: 100%	Achieved
Effective exhaust gas treatment rate: 100%	Achieved
Legal collection and treatment rate of hazardous waste: 100%	Achieved

Pollutant Emissions and Waste Management

Exhaust Gas Management

Exhaust gas generated in the company's production processes mainly includes welding fumes, electroplating exhaust, boiler flue gas, coating emissions, and sandblasting dust. To effectively control pollution, the company has equipped corresponding exhaust gas treatment facilities. Based on the characteristics of different pollutants, various technologies are applied, such as filtration, activated carbon adsorption, and bag-type dust removal, ensuring that treated emissions comply with national and local environmental standards. During the reporting period, the company achieved 100% compliance in exhaust gas treatment and discharge.



Exhaust Gas Treatment Facilities

Wastewater Management

Wastewater generated by the company primarily originates from production processes (such as electroplating and coating), employees' daily activities, as well as other processes including testing and exhaust gas scrubbing. The company implements classified collection and segregated treatment of different types of wastewater to mitigate the environmental impact of wastewater discharge.

Wastewater Type	Treatment Measures
Production Wastewater	After being collected in a wastewater transfer area, it is pumped to the water treatment plant for processing. Part is recycled for production use, and part is discharged into the municipal sewage network after meeting standards.
Domestic Wastewater	After pretreatment (such as filtration, oil separation, and sedimentation) to bring it up to standard, it is discharged into the municipal sewage network.
Other Industrial Wastewater	Wastewater containing heavy metals, waste oil, organic compounds, etc., is treated as hazardous waste in accordance with national regulations and safely disposed of by qualified professional units.

The company conducts daily testing of key water quality indicators for discharged water through the water treatment workshop, continuously monitoring and ensuring that all discharged water meets national and local discharge standards. During the reporting period, the company achieved 100% compliant treatment and discharge of wastewater.

Key Performance Indicators

During the reporting period, the company's total wastewater discharge amounted to **379,505.5** tons.

Waste Management

The general industrial solid waste generated during the company's production processes mainly includes scrap materials, iron scraps, shot blasting and sandblasting dust, etc. Hazardous waste primarily consists of waste oil, electroplating wastewater, waste chemical containers, spent filter elements, and waste cutting fluids. Adhering to the principles of "reduction, resource utilization, and harmless treatment", the company strictly implements classified collection, zoned storage, and standardized disposal of waste to ensure that all solid waste is properly handled.

Solid Waste Treatment Measures

- General industrial solid waste that can be sold externally or handed over to sanitation departments for removal is regularly managed by the Administration Department, with accurate records maintained in the Solid Waste Treatment Ledger.
- For waste and hazardous solid waste that cannot be handled in-house, the company engages qualified professional units with appropriate environmental certifications for compliant disposal, and maintains a complete Hazardous Waste Treatment Ledger.

Key Performance Indicators

During the reporting period, hazardous waste generated: **9,729.6** tons, hazardous waste disposed: **9,729.6** tons; compliant disposal rate: **100%**.

Noise Management

The company strictly complies with the noise emission limits for Class 3 acoustic environment functional zones as specified in the Environmental Noise Emission Standards for Industrial Enterprises at Boundary (GB 12348-2008). Through measures such as vibration reduction and noise control for high-noise equipment, comprehensive evaluation of noise parameters during the procurement of new equipment, and shielding of noise sources during equipment installation and maintenance, the company continuously manages boundary noise to ensure compliance with national and local environmental regulations.

Additionally, the company conducts boundary noise monitoring according to the frequency specified in the pollutant discharge permit and issues corresponding test reports. If monitoring data shows abnormalities or approaches the limits, timely corrective and preventive measures are implemented to ensure stable and compliant noise emissions. During the reporting period, the company's boundary noise monitoring results consistently met national standards.

Practicing Green Operations

Green Office

The company actively promotes green and low-carbon work and lifestyle practices, continuously raising employees' awareness of energy conservation and resource efficiency in the office environment, and fostering a green office atmosphere characterized by full participation and proactive action.

Green Office Measures

- Comprehensively adopting LED lighting to reduce energy consumption for office area illumination.
- Setting up waste paper recycling points in office areas, with confidential documents shredded and uniformly recycled.
- Promoting the use of online office systems such as OA, SAP, and remote meeting systems to reduce paper consumption.
- Posting water-saving reminders in restrooms and displaying promotional banners in the staff canteen to enhance water conservation awareness among all employees.

Environmental Protection Training

The company regularly conducts specialized training sessions on energy conservation and environmental regulations, standardized disposal of the "three wastes" (waste gas, wastewater, and solid waste), environmental emergency response, and cleaner production. Monthly environmental protection meetings are also organized for team leaders. Additionally, the company carries out environmental education and awareness campaigns through multiple channels, such as bulletin boards, electronic displays, and dedicated posts on the corporate WeChat official account, continuously enhancing employees' environmental awareness and actively promoting low-carbon, green production and lifestyle practices.



Specialized Environmental Training

Metrics	Unit	Year 2023	Year 2024	Year 2025
Number of environmental training sessions	times	17	16	22
Number of participants in environmental protection training	person-time	1,162	1,138	1,551
Duration of Environmental Protection Training	hours	1,555	1,870	2,120

Green Production

The company actively promotes green manufacturing, aiming to minimize the environmental impact across the entire production process—from product design, green procurement, and efficient production to recycling and disposal. Simultaneously, the company vigorously advances the construction of intelligent production lines, continuously optimizes production processes, and improves the efficiency of resource and energy utilization, thereby decreasing energy consumption, waste generation, and pollutant emissions during production.

The company has obtained national-level "Green Factory" certification and actively carries out clean production audits, successfully passing the clean production audit acceptance in 2024. In the future, the company will continue to deepen the integration of clean production and intelligent manufacturing, driving the enterprise toward a higher-quality, more sustainable, and low-carbon development model.



Green Factory

Green Packaging

The company consistently adheres to the core principles of "reduction, recyclability, and low pollution" to continuously optimize product packaging materials and structural design. To promote the green upgrade of packaging materials, the company is progressively replacing traditional wooden frames with reusable iron frames for certain products. This initiative aims to reduce timber consumption and the generation of single-use packaging waste at the source, embodying the company's commitment to environmental protection and resource conservation.

Green Products and Services

In active response to the national low-carbon development strategy, the company deeply implements the concept of green manufacturing and continuously drives innovation and upgrades of its products toward higher performance and lower energy consumption. Currently, some of the company's products are already applied in fields such as new energy wind power, providing reliable and efficient component support for clean energy equipment like wind turbine units. This effort contributes to enhancing the operational stability and overall economic efficiency of the new energy industry, jointly promoting the optimization of the energy structure and advancing low-carbon, sustainable development.

Pitch Hydraulic Cylinder and Accumulator—Applied in Wind Turbine Units



V40G280 Closed-Circuit Pump—Applied in the Hydrogen Compression Industry



V40E32 Closed-Circuit Pump and M60VE28 Motor—Applied in the Solar Panel Mounting Industry



Resource Management >>

Energy Management

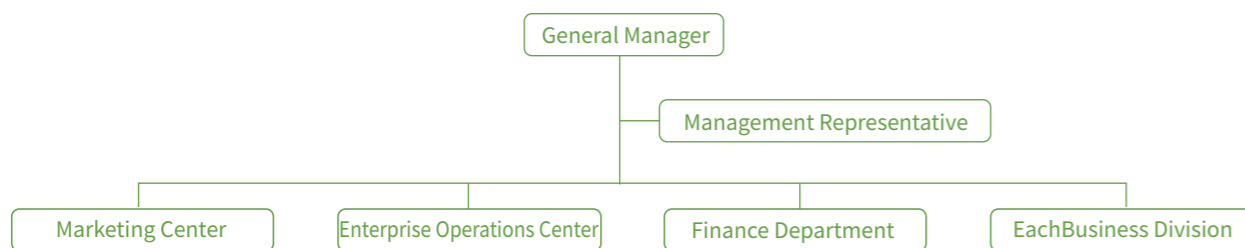
The company strictly complies with relevant laws and regulations such as the Energy Conservation Law of the People's Republic of China, and actively promotes the efficient utilization of energy. In production and operational processes, the company primarily uses conventional energy sources such as electricity, diesel, and gasoline, while gradually increasing the proportion of clean energy applications such as solar power. The company continuously engages in waste heat recovery and energy-saving technological upgrades, advancing low-carbon production through energy conservation and consumption reduction, and driving the green transformation of its energy structure.

Governance

The company adheres to the energy management policy of "complying with laws and regulations, conserving energy, reducing consumption and emissions, and promoting clean production; tapping potential for efficiency, improving energy efficiency, reducing costs, and pursuing continuous improvement". It has formulated the Energy Management Manual and established a scientific and standardized energy management system, committed to continuously reducing energy consumption, enhancing energy utilization efficiency, and achieving sustainable development goals. As of the end of the reporting period, the company has obtained ISO 50001 Energy Management System certification.



The company has established a comprehensive energy management organizational structure, with the General Manager clearly designated as the primary responsible person, providing overall leadership and driving the establishment and implementation of the energy management system. The Equipment Department serves as the main responsible unit for energy management, overseeing the operation and daily management of the energy management system. All business departments actively participate in energy management within their respective areas, collaboratively implementing various energy-saving measures to ensure that energy conservation efforts are carried out effectively at all levels.



Energy Management System Organizational Chart

Strategy

The company systematically identifies and assesses risks and opportunities associated with energy consumption in its production and operations. Based on these findings, it formulates corresponding measures to further optimize the direction and focus of its energy management.

Risk Type	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Market Risk	The prices of traditional energy sources such as diesel and gasoline are prone to market fluctuations, which can directly impact the company's production and operational costs, thus squeezing profit margins.	Medium	Medium	Short-term Mid-term	Operations	Medium	Increased operational costs	Replace traditional energy sources with clean energy such as photovoltaic power generation and natural gas to reduce reliance on fluctuations in the external energy market. Optimize the energy usage structure by adopting measures like replacing energy-saving equipment and improving production processes to continuously enhance energy utilization efficiency.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Operational Opportunity	Through technological upgrades and energy-saving practices such as steam waste heat recovery, the company has significantly reduced energy loss and waste in production processes, effectively lowering energy costs.	High	Medium	Mid-term Long-term	Operations	High	Reduction in operational costs	Continuously advance energy-saving technological renovations, strengthen the construction of waste heat recovery systems, and consistently reduce energy consumption and energy costs per unit of product.

Impact, Risk, and Opportunity Management

The company has formulated the Risk and Opportunity Assessment and Management Procedure to comprehensively identify and assess risks and opportunities related to energy management. By standardizing management processes, the company ensures that potential risks are effectively controlled and development opportunities are promptly seized.

Risk Identification	Led by the General Manager's Office, all departments systematically identify potential risks and opportunities that may affect the achievement of energy management objectives across the entire process of the energy management system.
Risk Assessment	Each department, according to its functional responsibilities, assesses the identified risks and opportunities in various aspects of production and operations, determining the risk levels and prioritizing the opportunities.
Risk Response	Based on the assessment results, corresponding control measures are formulated and implemented. The General Manager's Office summarizes and evaluates the effectiveness of these measures.

Indicators and Objectives

To ensure the effective operation of the energy management system, the company has formulated the Energy Objectives, Indicators, and Management Plan Control Procedure. Each year, specific energy indicators and targets are established in alignment with the business plan. The achievement of these targets is incorporated into the performance evaluation system. Key energy indicators are regularly monitored to drive the effective implementation and continuous improvement of energy management efforts.

Energy Type	Unit	Year 2023	Year 2024	Year 2025
Natural Gas	10,000 m ³	1,060.59	1,217.49	1,133.33
Gasoline	Ton	320.10	158.29	167.97
Diesel	Ton	229.24	392.78	406.65
Total Purchased Electricity	10,000 kWh	29,433.27	32,481.32	36,721.02
Photovoltaic (PV) Power Generation	10,000 kWh	34.38	533.13	991.17
Total Energy Consumption	Ton of Standard Coal Equivalent (tce)	51,126.61	57,572.55	62,261.22
Energy Consumption Intensity	tce per RMB 1 million of operating revenue	5.69	6.13	5.69
Total Non-renewable Energy Consumption	Ton of Standard Coal Equivalent (tce)	51,084.36	56,917.33	61,043.07
Total Renewable Energy Consumption	Ton of Standard Coal Equivalent (tce)	42.25	655.22	1,218.15
Proportion of Renewable Energy Consumption	%	0.08	1.14	1.96
Total Clean Energy Consumption	Ton of Standard Coal Equivalent (tce)	42.25	655.22	1,218.15

Energy Conservation and Consumption Reduction Management

The company actively promotes energy-saving technological upgrades in its plant areas, introduces high-efficiency and energy-saving equipment, promptly phases out high-energy-consuming equipment, and constructs photovoltaic power stations. By implementing a series of energy conservation and consumption reduction measures, the company has effectively reduced comprehensive energy costs, improved energy utilization efficiency, and provided strong support for building a low-consumption, green, and sustainable production model.

Partial Energy Conservation and Emission Reduction Projects of Hengli Hydraulic

Project Name	Energy-Saving Effect
Boiler Blowdown Water Heat Recovery	The recovered thermal energy from boiler blowdown water is used to preheat soft water makeup, which translates to an annual saving of approximately 112,000 cubic meters of natural gas.
Photovoltaic Power Generation Project	Photovoltaic panels were installed on the roofs of Building 5 and Building 4A, with a total installed capacity of 6.10018 MW, achieving an annual power generation of about 6 million kWh. This has significantly reduced the cost of purchased electricity.
Underground Steam Pipeline Renovation in Cylinder Plant Area	The layout and routing of the steam pipeline network were redesigned, with buried pipelines replaced by above-ground overhead pipelines. This eliminates heat loss and energy waste caused by damage to underground steam pipes or insulation sleeves.
Equipment Energy-Saving Renovation	Energy-saving renovations were carried out on equipment such as rectifiers and central air conditioning systems. Additionally, fluorescent lamps in the plant buildings were replaced with LED lights, effectively reducing electricity load and improving energy utilization efficiency.

Cultivation of Energy Conservation Awareness

The company places high importance on building a culture of energy conservation among all employees. Through various initiatives such as energy-saving promotions, experience sharing, knowledge competitions, and skills training, the company continuously enhances employees' awareness and practical capabilities in energy conservation, ensuring the effective implementation of all energy-saving and consumption-reduction measures.

Case Study Energy Conservation Awareness Week Activities

In June 2025, to celebrate the "National Low-Carbon Day," the company organized an Energy Conservation Awareness Week. Through channels such as display boards, multimedia presentations, and dedicated posts on the official WeChat account, the company promoted knowledge on energy conservation and carbon reduction to employees, actively fostering a culture of green and low-carbon development.



Water Resource Management

The company strictly adheres to the requirements of laws and regulations such as the Water Law of the People's Republic of China, comprehensively integrating the concept of water conservation into all aspects of production and operations. It actively implements various water-saving measures and employs an RO membrane reuse system to achieve the recycling of water resources, continuously improving water utilization efficiency. Currently, the company's production and domestic water supply is sourced from the municipal centralized water system, ensuring stable water sources with no risk of water scarcity.

RO Membrane Treatment System



The company regularly conducts water conservation publicity and education activities, disseminating water-saving knowledge through bulletin boards and posting water-saving labels in key water consumption zones. This ongoing effort aims to strengthen employees' awareness of water conservation and regulate daily water usage behavior.

China Water Week Awareness Campaign



Indicator	Unit	Year 2023	Year 2024	Year 2025
Total Freshwater Intake	10,000 tonnes	96.36	113.94	154.47
Of which: Municipal Water Purchased	10,000 tonnes	96.36	113.94	154.47
Freshwater Consumption	10,000 tonnes	96.36	113.94	154.47

Material Management

The company has established systems such as the Material Storage and Protection Management System and the Warehouse Inventory Management System to implement full-process control over material receipt, dispatch, storage, and protection. Through rational planning of storage space and standardized inventory operations, the company ensures that materials meet production quality and environmental management requirements.

Material Control Measures	
Material Receipt and Dispatch Management	The first-in, first-out (FIFO) principle is strictly implemented. Inventory Cards are used to record material receipt and dispatch, clearly documenting details such as the date, supplier, and quantity. During issuance, materials are retrieved in a standardized top-to-bottom order according to the sequence of receipt.
Material Storage Management	Materials are stored in designated zones based on their characteristics. Warehouses are kept well-ventilated and protected from direct light. Perishable items are sealed and stored in airtight conditions. Hazardous chemicals, as well as flammable and explosive materials, are stored in designated restricted areas, with strict adherence to fire prevention, electrical safety, explosion-proof requirements, and regular Hazard Identification.
Inventory Counting	A combination of cycle counting and annual physical inventory is adopted to ensure the accuracy of material stock data. Corrective and preventive measures are promptly implemented for any issues identified during the counting process.



“Heng” —Forged Quality: Leading Development through Innovation

Hengli Hydraulic takes innovation as its core driving force, deepening industry-university-research collaboration and industry exchanges to promote technological innovation and the transformation of achievements. The company has built a full-process quality control system, strictly adheres to the baseline of product and service safety and quality, continuously improves the construction of a sustainable supply chain, and strengthens data security and privacy protection. Through comprehensive responsible practices, it empowers the sustainable development of the industry.

SDGs Addressed



- Innovation-Driven Development
- Product and Service Safety and Quality
- Supply Chain Security
- Data Security and Privacy Protection

HENGLI

Innovation-Driven Development >>

Hengli Hydraulic is committed to innovation-driven development. The company continuously increases R&D investment, refines its technological innovation system, and fully leverages the strengths of its R&D platforms to enhance technological breakthroughs and new product development. Actively building a collaborative ecosystem that integrates industry, academia, research, and application, Hengli Hydraulic participates deeply in setting industry standards. Through extensive technical exchanges and collaborative innovation, it accelerates the localization of high-end hydraulic components and systems, thereby continuously strengthening its core technological capabilities and global market competitiveness.

Governance

The company has established the Science and Technology Project Management System, which defines the classification standards and management processes for technology projects. The Science and Technology Innovation Development Department is set up to oversee project supervision and management. Each applying unit strictly follows the system requirements to carry out project planning, application, and implementation in an orderly manner, forming a clear, well-structured, and efficiently implemented technology project management mechanism. During the reporting period, the company's R&D investment amounted to RMB 705 million, accounting for 6.44% of its operating revenue.

R&D Team Development

The company continuously recruits innovative R&D talents and strives to build a high-quality, professional R&D team. In the meantime, the company regularly organizes various technical training programs for employees in different positions, to comprehensively improve their professional competence and innovation capabilities, and provide talent support for breakthroughs in core technologies and the enhancement of core competitiveness. During the reporting period, the company had a total of 1,104 R&D personnel, accounting for 13.14% of the company's total headcount.

Indicators		Number of Employees (2025)
By Education Level	Doctorate	3
	Master's Degree	168
	Bachelor's Degree	679
	College Diploma	254
By Age Group	Under 30 years old (excluding 30)	446
	30-40 years old (including 30, excluding 40)	485
	40-50 years old (including 40, excluding 50)	139
	50-60 years old (including 50, excluding 60)	30
	60 years old and above	4

Innovation Incentive Mechanism

To effectively stimulate innovation vitality, the company has established incentive systems such as the Intellectual Property Reward and Penalty Regulations, offering special bonuses for invention patents, software copyrights, and published research papers. Indicators such as patent applications are incorporated into the performance evaluation system for technical personnel, with assessment results serving as key references for promotions, position adjustments, and performance bonus allocations, thereby building a results-oriented innovation incentive mechanism.

Simultaneously, the company regularly organizes special commendation activities such as the "Innovation Without Limits" event and annual award ceremonies, where teams and individuals who have demonstrated outstanding performance in the creation and application of intellectual property are collectively recognized and honored. This fully motivates employees to actively and proactively engage in innovation practices.

Strategy

The company proactively identifies potential risks and opportunities in the R&D and innovation processes, and formulates scientific response measures based on the identification results. This ensures effective risk mitigation and the seizing of development opportunities, continuously strengthening core technological competitiveness.

Risk Type	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Technical Risk	The hydraulic component industry is undergoing rapid technological iteration, with downstream sectors such as mobile machinery, wind power, and photovoltaics increasingly demanding higher product precision and energy efficiency. If the company lacks sufficient core technical talent or fails to keep pace with technological updates in a timely manner, it may face risks such as lagging product technological upgrades and weakened market competitiveness.	Low	Medium	Short-term Mid-term	Operations	Medium	Increase in operating costs and decrease in operating revenue	To continuously monitor industry trends and market demands, foster collaboration within the sector, and swiftly adopt emerging technologies. To enhance the recruitment and development of core technological talent, building a robust R&D team through university partnerships and specialized training programs.
Intellectual Property Compliance Risk	If intellectual property review is not conducted prior to the public release of the company's R&D patents, it may infringe upon third-party rights, leading to intellectual property disputes. Additionally, if core R&D achievements are not promptly protected through patent applications, they are vulnerable to imitation by competitors, which could undermine the company's market competitiveness.	Low	Medium	Short-term	Operations	Medium	Increase in operating costs and decrease in operating revenue	To implement an IP Dispute Resolution Procedure that incorporates patent searches and ongoing IP monitoring into the R&D process to avoid infringement risks. To formalize procedures for patent and trademark applications, ensuring timely filings upon completion, with core technical staff required to enter into confidentiality agreements to prevent IP misappropriation.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Market Opportunity	By researching and developing new materials, processes, and design concepts, the company continuously enhances the performance and quality of hydraulic components and systems, thereby strengthening product market competitiveness and increasing operating income.	High	Medium	Mid-term Long-term	Operations Downstream	High	Operating Income Increase	To foster a culture of innovation by implementing an incentive system that rewards and encourages employees for technological innovation. To deepen collaboration with research institutions and universities, leveraging their advanced expertise to continuously enhance product performance and quality.

Impact, Risk, and Opportunity Management

The company has established a comprehensive R&D risk management process, conducting thorough identification, scientific assessment, and graded control of potential risks at each stage of projects. This ensures the efficient allocation of R&D resources and provides stable support for technological innovation.

Risk Identification	Throughout the entire R&D process and considering both customer and market dimensions, the company comprehensively identifies specific risks in the R&D phase by integrating the characteristics of R&D and manufacturing as well as the needs of core customers. The sources and features of these risks are clarified, resulting in a risk identification checklist.
Risk Assessment	For the identified risks, a graded assessment is conducted based on dimensions such as likelihood of occurrence, impact severity, and timeframe, determining the priority for risk control. This provides a basis for formulating subsequent risk control measures.
Risk Response	Differentiated response plans are developed for risks of varying priorities, clearly defining responsible parties, timelines, and resource commitments. A dynamic monitoring mechanism is established to regularly review changes in risks, and strategies are optimized and adjusted in line with R&D progress and market demands.

Indicators and Targets

The company establishes clear scientific and technological innovation indicators and targets, strengthens the research on key core technologies and quantitative management of innovation achievements, and continuously enhances its independent innovation capabilities and core competitiveness.

Targets	Achievement Status of 2025 Targets
Patent Applications Filed: 200	Annual Patent Applications Filed: 248
Patent Commercialization Rate: 90%	Patent Implementation Conversion Rate: 90%

R&D and Innovation Measures

R&D Platform Development

The company has established seven R&D centers globally, continuously strengthening its R&D capabilities and accelerating the efficient transformation and application of R&D achievements. The company operates multiple national and provincial-level R&D platforms, including the National Enterprise Technology Center, the Jiangsu Provincial High-Precision Intelligent Hydraulic Components Engineering Technology Research Center, the Jiangsu Provincial High-Pressure Hydraulic Cylinder Engineering Center, the Jiangsu Provincial High-Precision Transmission and Hydraulic Control Technology Key Laboratory, and the Changzhou High-Pressure Hydraulic Pump and Valve Engineering Research Center. These platforms form a comprehensive, high-quality technological innovation ecosystem, continuously enhancing product advantages and technological competitiveness.



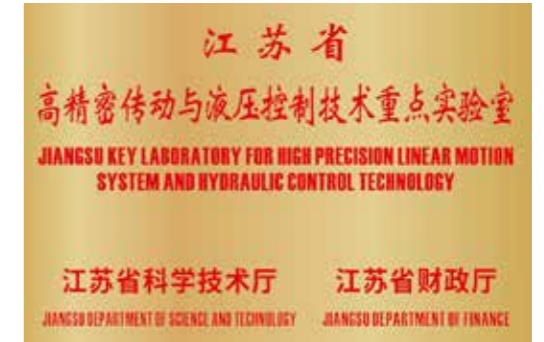
National Enterprise Technology Center



National High-Tech Enterprise



Jiangsu Provincial High-Precision Intelligent Hydraulic Components Engineering Technology Research Center



Jiangsu Provincial High-Precision Transmission and Hydraulic Control Technology Key Laboratory

Key Performance Indicators

As of the end of the reporting period, the company possesses **1** National Enterprise Technology Center, **2** Manufacturing Industry Single Champion certifications, and **2** National High-Tech Enterprise certifications.

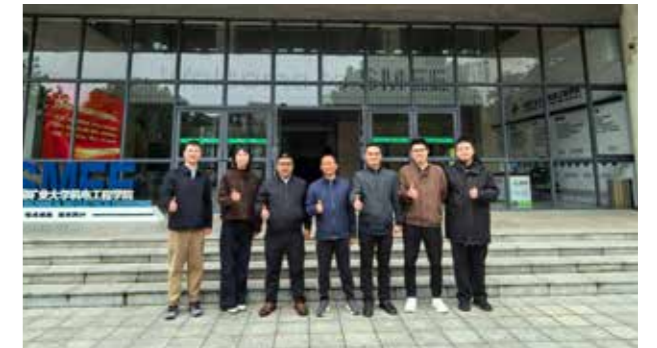
Industry-Academia Collaboration

Leveraging collaborative R&D platforms such as the Jiangsu Postdoctoral Workstation, the Jiangsu Graduate Workstation, and the Jiangsu Foreign Expert Studio, the company actively undertakes major scientific research projects, including national key R&D programs and Jiangsu Provincial scientific and technological achievement transformation initiatives. In partnership with industry experts and enterprises both domestically and internationally, the company jointly advances the localization process of high-end hydraulic components.

Furthermore, the company fully utilizes the scientific research and educational resources of universities, focusing on breakthroughs in core hydraulic technologies and joint talent cultivation. It has established in-depth Industry-Academia Collaborations with institutions such as Tsinghua University, Yanshan University, and Zhejiang University, working together to promote the transformation of scientific research achievements and achieve mutual benefit and win-win outcomes through complementary strengths.



Technical Exchange with Chang'an University



Technical Exchange with China University of Mining and Technology



Technical Exchange with Dalian Maritime University



Inauguration of the Joint Graduate Training Base with Yanshan University

Promoting Industry Development

The company actively participates in various external exchange activities, such as industry associations and academic societies. By establishing communication platforms and deepening multi-party collaborations, it facilitates the sharing of technological resources and discussions on industry frontier trends. Through these efforts, the company works collaboratively to address common technical challenges in the industry, continuously infusing innovation momentum into industrial upgrading.

Hengli Hydraulic's Industry Association Involvement

Association Name	Association Level	Role
China Hydraulics Pneumatics & Seals Association	National Level	Vice Chairman Unit
China Construction Machinery Association	National Level	Standing Council Member
China Agricultural Machinery Industry Association	National Level	Council Member
Jiangsu Enterprise Technological Transformation Association	Provincial Level	Standing Council Member
Jiangsu Trademark Association	Provincial Level	Member
Changzhou Vocational and Technical Education Society	Municipal Level	Council Member

Case Study

The 2nd Hengli Hydraulic Science and Technology Innovation Conference

On April 13, 2025, Hengli Hydraulic convened its Second Science and Technology Innovation Conference, inviting over 30 external industry experts. Under the theme "Embracing the Future with Technological Innovation, Gathering Momentum for New Drivers of Development", the conference fostered in-depth discussions on innovation-driven development. Participants jointly explored implementation pathways for technological innovation within the industry, effectively facilitating technical exchange and experience sharing.



Case Study

ICFP2025 Conference

On April 16, 2025, Hengli Hydraulic attended the ICFP Conference. Through participation in thematic seminars, laboratory visits, industrial exhibitions, and other activities, the company engaged in exchanges and discussions with industry experts, learning about cutting-edge technologies and concepts.



Case Study

The 10th International Conference on Advances in Construction Machinery and Vehicle Engineering

On August 23, 2025, Hengli Hydraulic participated in the 10th International Conference on Advances in Construction Machinery and Vehicle Engineering. The company engaged in technical exchanges on cutting-edge topics such as the development pathways of new energy engines.



Showcase of R&D Achievements

The company consistently regards technological innovation as its core competitiveness, adhering to a combination of independent R&D and collaborative innovation, and continuously overcoming the domestic technological bottlenecks of high-end hydraulic components and systems. Through sustained R&D investment and technological breakthroughs, the company has accumulated numerous core R&D patents and industry honors, making positive contributions to enhancing the international competitiveness of China's hydraulic industry.

During the reporting period, 362 new valid authorized patents were added, including 63 invention patents, 279 utility model patents and 20 design patents. A patent matrix centered on hydraulic transmission, electronic control systems and intelligent equipment was built, enhancing IP layout and competitiveness in high-end hydraulics.

2025 Selected R&D Awards and Patent Certifications: Hydraulic Sector



China Outstanding Patent Award



Ministry of Education Outstanding Scientific Research Achievement Award (First Prize)



Slider Structure for Improved Roller Operation and Linear Guide Rail Incorporating the Same



Active and Passive Heave Compensation System, and Control Method and Apparatus Therefor



Electronically Controlled Swashplate Axial Piston Pump



Swing Cylinder with Integrated Angle Sensor

The company actively participates in the formulation and revision of national, industrial, and association standards, deeply integrating its long-accumulated core technologies and innovative practices into the industry standard system. This continuously drives the overall improvement of industry technology, quality, and management levels.

Some Standards Developed or Revised with Participation by Hengli Hydraulic and Its Subsidiaries

Standard Name	Level	Participating Enterprise
ISO 945-4:2019, International Standard—Method for evaluating the nodularity of ductile iron	International Standard	Hengli Hydraulic
Self-Propelled Tire-Type Flatbed Transporter	Industry Standard	Hengli Hydraulic
Technical Conditions for Hydraulic Transmission Iron Castings	Industry Standard	Hengli Hydraulic
Hydraulic Transmission—Test Method for Deep-Sea Steady-State Performance of Hydraulic Pumps	Association Standard	Hengli Technology
Hydraulic Transmission—Test Method for Deep-Sea Steady-State Performance of Solenoid-Operated Directional Control Valves	Association Standard	Hengli Technology
Hydraulic Transmission—Test Method for Deep-Sea Steady-State Performance of One-Way Flow Control Valves	Association Standard	Hengli Technology
Hydraulic Transmission—Test Method for Deep-Sea Steady-State Performance of Hydraulic Cylinders	Association Standard	Hengli Hydraulic, Hengli Surface

Showcase of Key R&D Products in 2025



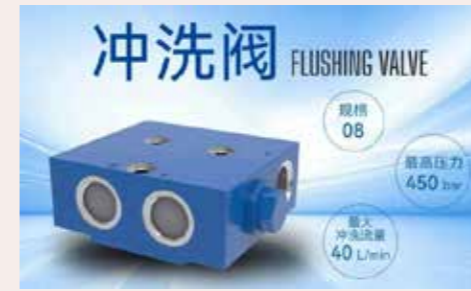
V32G Heavy-Duty Axial Piston Variable Pump

The product inherits the 70-year mature R&D and manufacturing technology of Germany's InLine heavy-duty piston pumps. The entire pump has undergone thousands of hours of durability testing, demonstrating advantages such as high reliability, efficiency, and fast response. With a maximum pressure of up to 450 bar, it can easily meet higher load requirements, providing strong support for the efficient and stable operation of equipment such as concrete pump trucks, cranes, and coal mining machinery.



HCL-W Cycloidal Hydraulic Motor

The product adopts an internal spline design, Hengli's patented three-segment design, and an optimized transmission shaft and port plate design, ensuring the motor's reliability and high-pressure resistance. It achieves high power output within a smaller footprint, effectively saving installation space. With outstanding advantages such as high efficiency, energy savings, easy installation, and high cost-effectiveness, it is now widely used in the drive systems of various mechanical attachments, significantly improving construction efficiency.



Hengli External Flushing Valve

The Hengli series flushing valve diverts high-temperature oil from the main circuit to a bypass circuit. After cooling through a cooler and purification via a filter, the oil is returned to the system. This not only enables rapid heat dissipation but also continuously removes contaminants through circulation, effectively addressing the "overheating" and "contamination" challenges in closed-loop systems. The product features a built-in high-performance holding valve, with a maximum flushing flow of 40 L/min and a maximum working pressure of 450 bar, meeting stringent cooling and cleaning requirements in demanding operating conditions. It is widely used in fields such as road engineering and agricultural operations.



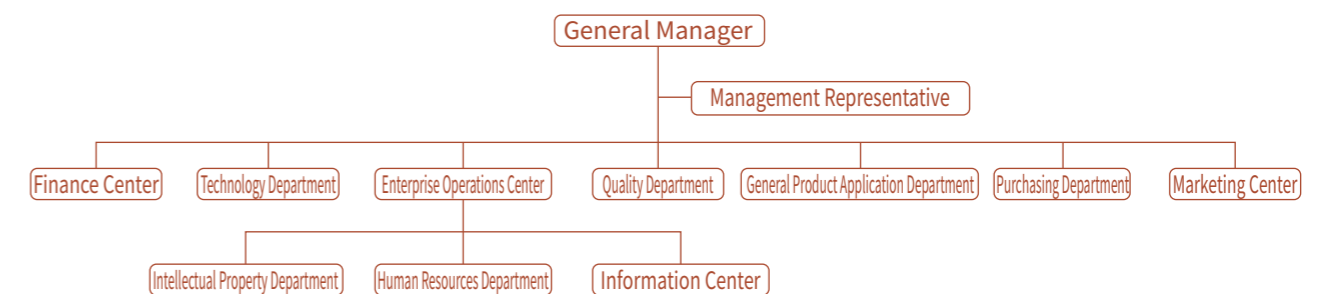
HVSH16D Open-Center Directional Control Valve

The product adopts CAN bus motor control, allowing the electric lifting system to be integrated into the vehicle's overall control strategy. It features advantages such as low pressure loss, precise control, and fault alarms. In tractor applications, it enables one-touch lifting and tilting functions, providing convenient and comfortable operation, significantly reducing operator workload, and improving operational efficiency. This provides strong support for high-precision electronic control and unmanned agricultural machinery operations.

Intellectual Property Protection

Intellectual Property Management System

The company adheres to the intellectual property policy of "standardized management, encouraging innovation, legal protection, and rational development." It has established systems such as the Intellectual Property Management Regulations and the Intellectual Property Management Manual, forming a comprehensive compliance management system for intellectual property that covers acquisition, application, and maintenance. The company has set up an Intellectual Property Department responsible for daily management and system supervision, with part-time intellectual property personnel assigned to each department to strictly implement responsibilities. This creates a clear and well-defined organizational structure for intellectual property management with distinct roles and responsibilities.



Intellectual Property Compliance Management Organizational Chart

As of the end of the reporting period, Hengli Hydraulic, Hengli Technology, and Hengli Precision have been certified to the Intellectual Property Compliance Management System standard.



Hengli Hydraulic Intellectual Property Compliance Management System Certification



Hengli Precision Intellectual Property Compliance Management System Certification

Intellectual Property Management Measures

The company has formulated documents such as the Intellectual Property Acquisition and Maintenance Control Procedure, the Intellectual Property Application Control Procedure, and the Intellectual Property Risk Control Procedure. These documents strictly standardize processes including patent applications and intellectual property utilization, effectively safeguarding the company's proprietary intellectual property and R&D achievements while mitigating infringement risks.

Intellectual Property Management Measures	
Intellectual Property Acquisition and Maintenance	Timely patent applications, trademark registrations, and copyright registrations are carried out for service inventions in areas such as R&D and production development. A pre-application review mechanism for intellectual property is established to ensure compliant acquisition. A classified intellectual property archive is created to properly protect related intellectual property materials.
Intellectual Property Application	When engaging in activities such as intellectual property licensing and transfer or external investments, all departments—either independently or through third parties—conduct due diligence, risk analysis, and valuation. They also sign confidentiality agreements with counterparties to mitigate risks of unauthorized IP use.
Intellectual Property Monitoring	Through means such as market research and technical exchanges, daily monitoring of intellectual property is conducted. In the event of detected infringement incidents, investigations and evidence collection are promptly initiated, and judicial channels are used to protect the company's rights and interests.
Intellectual Property Risk Management	During the new product initiation, paper publication, and other stages, intellectual property searches, analyses, and risk monitoring are carried out to assess intellectual property risks and formulate preventive measures, thereby avoiding infringement risks.

To strengthen employees' awareness of intellectual property protection, the company regularly conducts specialized intellectual property training sessions, continuously enhancing employees' professional capabilities in areas such as patent applications, and actively fostering a culture of full participation and respect for innovation.

Case Study

Special Training on Patent Search Interpretation and System Usage

On December 2, 2025, Hengli Hydraulic organized a special training session for the R&D department on patent search interpretation and system operation. The training systematically covered patent search, analysis, and application processes, and guided employees on the proper use of intellectual property databases such as Zihuiyi and Qizhidao. This further enhanced employees' practical skills in patent-related operations.



Intellectual Property Compliance Training



Overseas Patent Application Training

Key Metrics		Year 2023	Year 2024	Year 2025
Cumulative Number of Authorized Patents (Items)		620	763	1,125
Including	Cumulative Number of Invention Patents (Items)	102	129	192
	Cumulative Number of Utility Model Patents (Items)	501	604	883
	Cumulative Number of Design Patents (Items)	17	30	50
Cumulative Number of Software Copyrights (Items)		4	8	8
Cumulative Number of Trademarks (Items)		86	95	186
Cumulative Number of Published Papers (Articles)		2	6	14



Product and Service Safety and Quality >>

Hengli Hydraulic strictly complies with laws and regulations such as the Product Quality Law of the People's Republic of China, establishing a quality management system that covers the entire product lifecycle. The company has improved its after-sales service and customer complaint response mechanisms to fully protect the legitimate rights and interests of domestic and international customers, continuously enhancing customer satisfaction. With high-quality products and professional services, the company has gained customer trust and market recognition. During the reporting period, the company did not experience any major safety or quality liability incidents related to its products or services.

Governance

The company adheres to the quality policy of "Zero Defects at the Customer Site, Zero Failures for 10,000 Hours in the Customer Market". It has formulated systems such as the QES Management Manual and established a quality management system led by the General Manager, with collaborative efforts from multiple departments including the Quality Department and the Quality Audit Department. This system standardizes the quality control processes throughout the product lifecycle, ensuring long-term stability in product quality and consistently meeting customer requirements.

Quality Management System Organization and Functions	
General Manager	To establish quality policies and objectives that align with the organization's strategic direction, ensuring that quality requirements are integrated into all business processes; to coordinate resource allocation, define the responsibilities and authorities of each department, and to be accountable for the effectiveness and expected results of the Quality Management System.
Quality Department	This position is responsible for controlling incoming materials, production processes, finished products, and non-conforming products; conducting analysis and improvement of quality monitoring data; overseeing the operation of special processes; and participating in process evaluations.
Quality Audit Department	Key responsibilities include managing comprehensive supplier evaluation and audits; conducting quality inspections and tests on raw materials and new products; developing and maintaining day-to-day quality management system documentation; organizing regular internal quality audits; and tracking the implementation of the system across all departments.

During the reporting period, the company was certified to the ISO 9001 standard.



Strategy

The company comprehensively identifies potential risks and development opportunities related to product quality and services across all departments and business processes. Specialized response plans and refined management measures are formulated to ensure the continuous and efficient operation of the quality management system.

Risk Type	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Operational Risk	If the company encounters issues such as supply delays or equipment failures during raw material procurement or production processes, it may lead to delivery delays, affect customer production schedules, and consequently reduce customer satisfaction.	Low	Medium	Short-term Mid-term	Operations Downstream	Medium	Increase in operating costs and decrease in operating revenue	Perform regular equipment inspection and maintenance, and enhance training for inspectors and operators on equipment operation. Perform on-site audits and periodic evaluations of key raw material suppliers, and establish dynamic safety stock to ensure stable supply of critical raw materials and core components.
Market Risk	The hydraulic components and systems produced by the company serve as core transmission devices for large machinery. If quality issues such as performance instability arise, they may affect the normal operation of the main equipment, triggering customer complaints, returns, claims, and other risks, ultimately leading to a decline in market share.	Low	Medium	Short-term Mid-term	Operations Downstream	Medium	Decrease in operating income	Establish a comprehensive quality control system covering raw material inspection, production process monitoring, and finished product testing to ensure that product quality consistently meets requirements. Hold regular quality meetings to analyze issues and optimize production processes and product testing methods.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Reputation Opportunity	By establishing a comprehensive quality management system and providing customers with responsive, high-quality after-sales service, the company can enhance customer loyalty and improve the brand's reputation and visibility within the industry.	High	High	Mid-term Long-term	Operations Downstream	High	Increase in Operating Income	Establish internal audit and monitoring mechanisms to regularly evaluate the effectiveness of the quality management system. Build multiple customer communication channels, conduct regular customer satisfaction surveys, promptly gather feedback and improvement suggestions, and continuously optimize after-sales service processes.

Impact, Risk, and Opportunity Management

The company has established a full-cycle quality risk management process encompassing risk identification, assessment, and response. This enables a comprehensive scrutiny of all potential quality risks, the formulation of effective countermeasures, and a steady enhancement of overall quality control.

Risk Identification	By integrating internal and external information such as industry key success factors and stakeholder needs, the company comprehensively identifies risks and opportunities related to product quality and customer service, forming a list of risks and opportunities.
Risk Assessment	Using tools such as SWOT analysis, the company assesses the identified risks. The results are recorded in the Risk and Opportunity Assessment Analysis Form, preliminarily clarifying strategic directions and resource allocation to support the formulation of response measures.
Risk Response	Based on the risk classification results, targeted measures such as risk acceptance, risk reduction, risk avoidance, and risk transfer are implemented to achieve effective control and mitigation of risks.
Risk Review	An annual review mechanism is established to regularly evaluate risks and opportunities, enabling timely adjustments to response strategies and ensuring continuous effectiveness of risk management.

Indicators and Targets

The company cascades quality and service management objectives to each department, clarifying specific indicators and responsibility requirements. Monthly assessments are conducted to track the achievement of these objectives, continuously strengthening comprehensive quality control throughout the entire process.

Targets	2025 Completion Status
Annual Customer Satisfaction $\geq 90\%$	Completed
Monthly Total Customer Complaint Rate $\leq 0.5\%$	Completed
Monthly Customer Complaint Quality Loss Rate $\leq 0.2\%$	Completed
Monthly Internal Quality Loss Rate $\leq 0.05\%$	Completed

Product Quality Management

Full Lifecycle Quality Management

The company has formulated documents such as the Incoming Inspection Control Procedure, Process Inspection Control Procedure, and Production Process Control Procedure to implement strict monitoring of raw material procurement, process control, and finished product inspection, ensuring product reliability and stability.

Source Quality Management	Regular quality management audits and evaluations are conducted on suppliers to ensure that service providers meet quality requirements. Procurement products are verified through methods such as raw material inspection, measurement, and the provision of qualified certificates to guarantee the quality of raw materials.
Production Process Management	The performance requirements of production equipment are strictly controlled. Operators are only allowed to work after passing skill assessments or professional knowledge examinations. Equipment maintenance is carried out regularly. Production strictly follows process specifications, with each process monitored. Key production steps undergo product inspection to promptly identify non-conforming products.
Finished Product Quality Management	Based on the product inspection status, the area is divided into four zones: Pending Inspection, Pending Handling, Qualified, and Non-conforming, ensuring clear zoning and labeling of products. Strict quality control is applied during the handling, packaging, and storage of finished products to prevent any damage.

Product Recall

The company has established the Non-conforming Product Control Procedure and the Corrective and Preventive Action Control Procedure, creating a product quality traceability and recall mechanism. For products with potential quality risks identified during production or through customer feedback, the Customer Service Department initiates a recall after assessment, followed by rework or disposal of the recalled products. After the recall is completed, the Quality Department organizes confirmation of product defects, root-cause analysis, implementation of corrective actions, and tracks the effectiveness of improvements, continuously optimizing the quality control process.

Key Performance Indicators

During the reporting period, product recalls: **0**, recall rate: **0%**. No product recalls occurred due to health and safety reasons.

Quality Culture Development

The company regularly organizes diverse quality activities such as skill competitions and specialized training, providing a platform for employees to exchange experiences. This continuously enhances employees' operational skills and quality control capabilities, fostering a quality culture of striving for excellence. During the reporting period, 22 quality training sessions held, 3,085 participants, total duration: 4,575 hours.



Product Inspection Competition



Lean Management Lecture Series

Customer Service Management

The company has established the After-Sales Service Management System and the After-Sales Service Control Procedure, designating the Customer Service Department as the unified unit responsible for collecting customer feedback and handling complaints. Departments such as the Quality Department and Business Divisions cooperate in fulfilling requirements such as repairs and rework, forming a clear and well-defined service management system. This continuously optimizes service processes and enhances service quality and customer satisfaction.

Customer Complaint Response

The company has established customer complaint channels such as phone and email to promptly gather customer feedback and suggestions. Upon receiving a complaint, the Customer Service Department responds quickly and communicates proactively, offering three types of solutions based on customer needs: on-site service, return-to-factory repair, or product replacement. Additionally, the company holds regular quality complaint meetings to analyze root causes and implement improvements, continuously enhancing the quality of complaint handling.

Customer Satisfaction

The company has formulated the Customer Satisfaction Control Procedure, conducting regular annual satisfaction surveys. By sending the Customer Satisfaction Survey Form to clients, the company gains a comprehensive understanding of customer satisfaction regarding product quality, after-sales service, delivery timeliness, and product and service professionalism. Survey data is statistically analyzed, and improvement plans are developed based on customer feedback to continuously enhance satisfaction. During the reporting period, 236 valid customer satisfaction questionnaires collected; customer satisfaction rate: 90.6%.

Supply Chain Security >>

Hengli Hydraulic strictly complies with laws and regulations such as the Bidding and Tendering Law of the People's Republic of China, continuously improving its supplier management system. The company deeply integrates ESG (Environmental, Social, and Governance) management into all aspects of the supply chain, rigorously evaluating suppliers' performance in environmental, social, and governance responsibilities. It actively practices green and sustainable procurement principles, striving to build a compliant, sustainable, and responsible modern supply chain ecosystem.

Governance

The company has established systems such as the Supplier Qualification and Removal Process Management Regulations and the Supplier Selection and Evaluation Control Procedure, forming a comprehensive life-cycle supply chain management system. By strictly standardizing the processes and evaluation criteria for supplier selection, auditing, assessment, and removal, compliance control is reinforced at the source, continuously ensuring the quality and stability of the supply chain.

The company categorizes suppliers into seven major types, including production material procurement, outsourcing, and logistics transportation, implementing classified evaluation and control. The Commerce Department is designated as the lead unit for supply chain management, responsible for organizing and coordinating the end-to-end management of suppliers across departments. The Purchasing Department, Quality Audit Department, and other units manage the daily operations of their respective supplier categories based on their responsibilities, establishing a clear, well-defined organizational structure for supply chain management.

Commerce Department	This function is responsible for coordinating all departments in the implementation of supplier full life-cycle management, including consolidating and archiving supplier evaluation documents in the SRM system. It also collaborates with the Procurement Committee to make decisions and exercise control over procurement pricing and strategies.
Purchasing Department, Outsourcing Department	This function is responsible for processing purchase requisitions, contract administration, procurement execution, and settlement. It also manages the full process for production procurement and outsourcing suppliers, covering their qualification, audit, and removal.
Quality Audit Department	This function is responsible for inspecting the quality of samples and goods from production and outsourcing suppliers to qualify them. It also conducts monthly and annual evaluations of supplier quality performance and monitors their corrective actions.
Logistics Department	This function is responsible for managing the entire lifecycle of logistics and transportation suppliers, including their qualification, auditing, and removal. It also tracks and resolves daily supplier-related issues.



Strategy

The company systematically identifies potential risks and development opportunities at each stage of the supply chain, and formulates targeted response strategies based on the identification results, comprehensively ensuring the compliant operation and stable development of the supply chain.

Risk Type	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Raw Material Procurement Risk	The procurement costs of key raw materials such as steel and castings are susceptible to factors like market supply and demand, as well as price fluctuations. If the prices of raw materials rise or the supply quantity is insufficient, the company may face risks of increased costs or supply disruptions.	Low	Medium	Short-term	Upstream Operations	Low	Increase in operating costs	Establish long-term partnerships with multiple suppliers to reduce reliance on a single region or a limited number of suppliers, thereby diversifying supply risks. Optimize procurement price management, procurement processes, and negotiation strategies, and improve inventory turnover efficiency to lower procurement costs.
Operational Risk	If suppliers have compliance issues in areas such as labor rights, production safety, or environmental protection, it may not only lead to production disruptions and affect the stability of supply, but also expose the company to risks of legal litigation and reputational damage.	Low	Medium	Short-term Mid-term	Upstream Operations	Medium	Decrease in operating income, increase in operating costs	Prioritize cooperation with suppliers demonstrating strong ESG performance and organize the signing of the Supplier Assurance Agreement. Strengthen the qualification and evaluation processes for suppliers in areas such as environmental protection and occupational health, and promptly remove non-compliant suppliers.

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Technological Opportunity	The company has implemented digital intelligent procurement, replacing the traditional offline engagement model. This transformation enables online, visual and standardized procurement processes, significantly enhancing the precision of supplier management and overall operational efficiency.	High	High	Mid-term Long-term	Upstream Operations	High	Decrease in Operating Income	Introduce a Supplier Relationship Management (SRM) system to achieve end-to-end digital control, covering processes from supplier qualification to audit and evaluation. Continuously monitor industry digitalization trends and the application of new technologies, actively adopt advanced tools, and enhance the efficiency of digital procurement.

Impact, Risk, and Opportunity Management

The company has established a systematic supply chain risk management process. By accurately identifying risks and development opportunities at each stage of the supply chain, it dynamically adjusts and optimizes response strategies, ensuring the long-term stability of supply chain operations.

Risk Identification	By considering factors such as industry dynamics, domestic and international policies, and regulations, the company conducts supplier investigations and verification to systematically examine risks and opportunities, including upstream suppliers' ESG compliance and raw material supply stability, forming a list of identified risks and opportunities.
Risk Assessment	Identified risks are assessed against criteria including probability, impact severity, timeframe, and affected segments of the value chain. Their financial implications are factored in to prioritize risks, thereby informing subsequent response decisions.
Risk Response	Based on the risk assessment results, differentiated response strategies are formulated for high-, medium-, and low-priority issues. Changes in risks and opportunities are dynamically monitored, the effectiveness of implemented measures is regularly reviewed, and timely optimizations and adjustments are made to continuously improve the risk management process.

Indicators and Targets

The company establishes phased management objectives for the supply chain, conducts regular supervision and follow-up on the implementation of these objectives, continuously improves the supply chain risk prevention and control mechanism, and enhances the sustainable operation and management capabilities of the supply chain.

Targets	2025 Completion Status
Continuously optimize supplier structure to improve the overall quality of the supply chain.	The total number of suppliers is 3,588, including: domestic suppliers 3,402, and overseas suppliers 186.
Enhance supply chain risk management to prevent major risks.	No incidents with significant risks or impacts occurred in the supply chain.
Strengthen the certification and audit of the supplier system.	The number of suppliers with quality management system certification is 221, the number of suppliers with environmental management system certification is 409, and the number of suppliers with occupational health and safety management system certification is 76.

Supplier Management Measures

Supplier Full-Lifecycle Management

The company has formulated documents such as the Supplier Development Certification and Classification Adjustment Rules and established a full-lifecycle management mechanism covering qualification, audit, performance evaluation, and removal. Differentiated standards and requirements are applied to different types of suppliers, continuously optimizing the supply chain structure and overall management level.

Supplier Qualification	Suppliers are identified through various channels. New suppliers undergo preliminary review and on-site visits to assess their qualifications, pricing levels, and registration information. Those that pass the review are designated as potential suppliers.
Supplier Audit	The Quality Audit Department organizes an audit team to conduct on-site audits of potential suppliers, covering aspects such as quality systems, supply capabilities, and trade security. A Supplier Audit Report is issued, and suppliers that pass the audit are included in the Annual Qualified Supplier List.
Supplier Evaluation	In accordance with the Supplier Performance Evaluation Management Measures, suppliers are subject to monthly performance evaluations and annual reviews. Comprehensive scoring is conducted based on dimensions such as quality compliance rate, delivery timeliness, pricing, and service quality.
Supplier Classification	Based on performance scores, suppliers are classified into four levels: A, B, C, and D. A-level suppliers receive increased order volumes as an incentive, while D-level suppliers are disqualified from the qualified supplier list. All suppliers are required to address any non-conformities identified during audits within a specified timeframe.
Supplier Removal	For suppliers rated as D-level, those rated C-level for two consecutive months with unresolved issues, or those encountering major quality problems, the company immediately initiates a freeze process and revokes their supply qualification.
Digital Management	New suppliers are invited to register in the SRM system, where they upload relevant documents such as qualification certificates and basic information survey forms. Processes including qualification, audit, and removal are completed through the system, achieving end-to-end digital control of supplier management.

Supplier Communication

The company fosters open communication and collaboration with its suppliers, utilizing multiple channels such as phone and email to promptly resolve issues within the supply process. For critical technical, quality, or process matters, it regularly organizes experts to support suppliers through specialized meetings and on-site guidance. This approach continuously improves supply chain stability and product quality, helps enhance suppliers' operational capabilities, and creates a mutually beneficial partnership.

Building a Sustainable Supply Chain

Supplier ESG Management

The company attaches high importance to supplier ESG compliance management, organizing all suppliers to sign the Supplier Assurance Agreement. This agreement clarifies suppliers' sustainable responsibilities in areas such as environmental governance, production safety, business ethics, and labor rights. By implementing high-standard controls, the company drives sustainable development across the supply chain.

Hengli Hydraulic Supplier Code of Conduct (Excerpt)

Labor Rights	Suppliers shall uphold the basic principles outlined in the United Nations Global Compact and the United Nations Universal Declaration of Human Rights. They are prohibited from engaging in human rights violations such as discrimination in recruitment, the use of child labor, and forced labor. Suppliers must strictly comply with local laws and regulations, providing employees with reasonable working hours, wages, and benefits.
Safety Production	Suppliers shall establish a production safety responsibility system, adhere to safety measures for hazardous operations, regularly conduct risk inspections, and carry out safety production education and training. They must develop emergency response plans for production safety incidents and promptly eliminate potential production safety hazards.
Environmental Protection	Suppliers shall strictly comply with laws and regulations such as the Environmental Protection Law of the People's Republic of China, providing products that meet national safety and environmental standards. Waste (including wastewater, exhaust gases, solid waste, and hazardous waste) generated during construction processes must be collected, stored, or treated in accordance with requirements.
Integrity Management	Suppliers shall adhere to national and local anti-corruption and anti-bribery guidelines. They shall not provide company employees with products, gifts, or other forms of benefits, nor shall they exert influence over the actions of employee representatives.

Responsible Supply Chain

To strengthen supply chain transparency management and ensure the legality and compliance of raw material sources, the company requires suppliers to sign the Commitment on Not Using Conflict Minerals and the Commitment on Not Using Hazardous and Prohibited Substances. The company resolutely prohibits the use of minerals from conflict areas and implements strict testing and monitoring of supplier raw materials to ensure that products are free from any hazardous or prohibited substances. By fulfilling environmental and safety commitments at the source, the company systematically builds a green and responsible supply chain system, earnestly fulfilling corporate social responsibility.

Green Supply Chain

The company continues to advance the development of a green supply chain, prioritizing the procurement of renewable, low-energy, and low-pollution environmentally friendly materials. Environmental protection and pollution control performance are incorporated into supplier evaluation criteria, guiding suppliers to actively fulfill their environmental protection responsibilities and achieve green collaboration and sustainable development across the supply chain.

At the same time, the company regularly conducts specialized training on green procurement to promote awareness of environmental procurement standards and low-carbon management requirements, comprehensively enhancing employees' understanding of green procurement and integrating the concept of green development deeply into procurement practices.

Case Study

In March 2025, Hengli Hydraulic organized a specialized training session on green procurement for employees in the Procurement Department. The training focused on supply chain compliance and the circular economy, strengthening employees' awareness of low-carbon procurement and their practical capabilities, further advancing the green and sustainable development of the supply chain.



Data Security and Privacy Protection >>

Data Security System

The company strictly complies with laws and regulations such as the Data Security Law of the People's Republic of China and has established systems including the Data Security Management Regulations and the Information System Operation Security Management Regulations. These form a comprehensive data security protection system, with the Information Center designated to organize and coordinate data security management. Internal data access and operational procedures are further standardized, continuously strengthening data security protection capabilities. During the reporting period, the company experienced no data security incidents or customer privacy breaches.

Data Security Risk Management

Risk Identification and Assessment

The company has formulated the Information Security Risk Assessment Management Regulations to standardize risk assessment processes and methods, establishing a comprehensive management system covering data security risk identification, assessment, and control. By regularly conducting security assessments of core information technology components such as firewalls, switches, and databases, the company promptly identifies potential data security risks, ensuring the security of its information assets and the stable operation of its business.

During the reporting period, the company engaged a third-party information testing organization to perform an in-depth assessment of data security risks. Based on the assessment results, a technical report was generated, and identified data security vulnerabilities were repaired and reinforced, significantly enhancing the company's overall data security protection and risk resilience capabilities.

Data Security Emergency Management

The company has established the Cybersecurity Incident Emergency Response Management Regulations, forming an emergency response team composed of information security managers, IT technical personnel, and representatives from business departments. The regulations standardize the emergency response procedures for information security incidents such as hacker attacks, virus infections, and data breaches, striving to prevent data security risks and minimize the losses and impacts caused by various data security incidents.

To enhance employees' capability in handling data security emergencies, the company regularly conducts data security emergency drills. Through practical exercises, the emergency response process is continuously optimized, strengthening the practical emergency skills and collaborative response efficiency of all employees.

Case Study

Special Emergency Drill for Information Security Incidents

On June 1, 2025, the company's Infrastructure Department collaborated with an external security consulting agency to conduct an information security emergency drill, simulating a scenario where servers were subjected to a virus attack. Upon initiation of the drill, relevant personnel responded swiftly and efficiently completed critical operations such as server traceability investigation, vulnerability identification, and remediation. This significantly enhanced the team's practical capabilities in emergency response handling.



■ Data Security Practices

Data Security Protection

The company has established a comprehensive data security protection system. By standardizing information system operation procedures and strictly controlling data access permissions, the company consistently safeguards against risks such as data leakage, tampering, and loss, ensuring the stable and continuous operation of its business.

Data Classification and Grading Management	Based on the importance of the data, it is categorized into four levels: Public, Internal, Confidential, and Top Secret. Non-public data is uniformly labeled according to its classification. Graded security controls covering the entire lifecycle—storage, usage, transmission, and disposal—are implemented for different types of data.
Data Access and Permission Management	Data access follows the principle of least privilege. Employees must be specifically authorized to access the network, and user permissions are reviewed and updated quarterly. All internal application system access is conducted using company accounts, with strict regulations on password and credential management.
Data Backup and Recovery	Operations personnel perform regular data backups in accordance with RPO requirements. Backup data is subject to necessary permission controls. Regular recovery tests and drills are conducted to verify the availability and integrity of the backed-up data.
Network Security Protection	Regular security audits, such as penetration testing and vulnerability scanning, are carried out. System vulnerabilities are promptly assessed and rectified. The installation of pirated or high-risk software is prohibited on office terminals, and non-official software must be reviewed and approved by the Information Center before installation.

Data Security Training

The company regularly conducts specialized data security training sessions. Through case-based learning and hands-on exercises, employees' awareness of data security and their ability to perform compliant operations are strengthened, continuously enhancing the entire organization's capability to identify and prevent data-related risks.

Case Study

Information Security and Anti-Fraud Awareness Training

On December 13, 2025, during the Information Security Month, the company conducted specialized training on information security and anti-fraud for all employees. By interpreting relevant laws and policies and presenting typical cases, the training guided employees to standardize their use of information systems, strengthen data security awareness, and enhance their ability to guard against telecom and online fraud in both work and daily life.



■ Customer Privacy Protection

The company strictly complies with laws and regulations such as the Personal Information Protection Law of the People's Republic of China and has formulated the Trade Secrets Management Regulations. These documents strictly regulate the management requirements for the storage, use, and other processes involving customer personal information. The company strengthens information classification control and access permission management to rigorously prevent the risk of customer information leakage, ensuring the secure and compliant handling of customer information.

To enhance the management of customer privacy incident risks, the company has established the Information Security and Privacy Incident Management Regulations, which clarify the investigation and handling procedures for privacy incidents. By conducting routine monitoring and detection of information systems, the company accurately identifies potential customer privacy incidents, continuously improves network security monitoring and early warning capabilities, and is committed to building a secure and reliable data environment for customers.



“Heng” —Committed to People’ s Well-being, Co-building a Better Homeland Together

Hengli Hydraulic consistently upholds a people-oriented development philosophy, earnestly safeguards the legitimate rights and interests of employees, establishes a systematic training system to support employees' professional growth, and improves occupational health and safety mechanisms to protect employees' physical and mental well-being. At the same time, the company actively fulfills its corporate social responsibilities, demonstrates social commitment through practical actions, and is dedicated to achieving coordinated development and shared benefits among the enterprise, its employees, and society.

SDGs Addressed



- Protection of Employee Rights and Interests
- Employee Growth Motivation
- Employee Health & Safety
- Practice of Social Responsibility

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Protection of Employee Rights and Interests >>

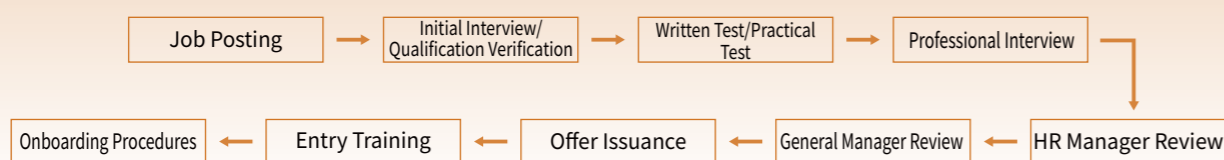
Recruitment Management

Hengli Hydraulic adheres to a people-oriented approach, strictly complies with laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has established human resources management systems including the Employee Relations Management Regulations and the Recruitment Management Regulations to effectively safeguard the legitimate rights and interests of employees. The company adopts a talent selection model that combines internal and external recruitment, establishes a diversified talent introduction mechanism, broadens talent screening channels, and enhances the company's talent competitive advantage. During the reporting period, the number of newly hired employees was 2,796 persons.

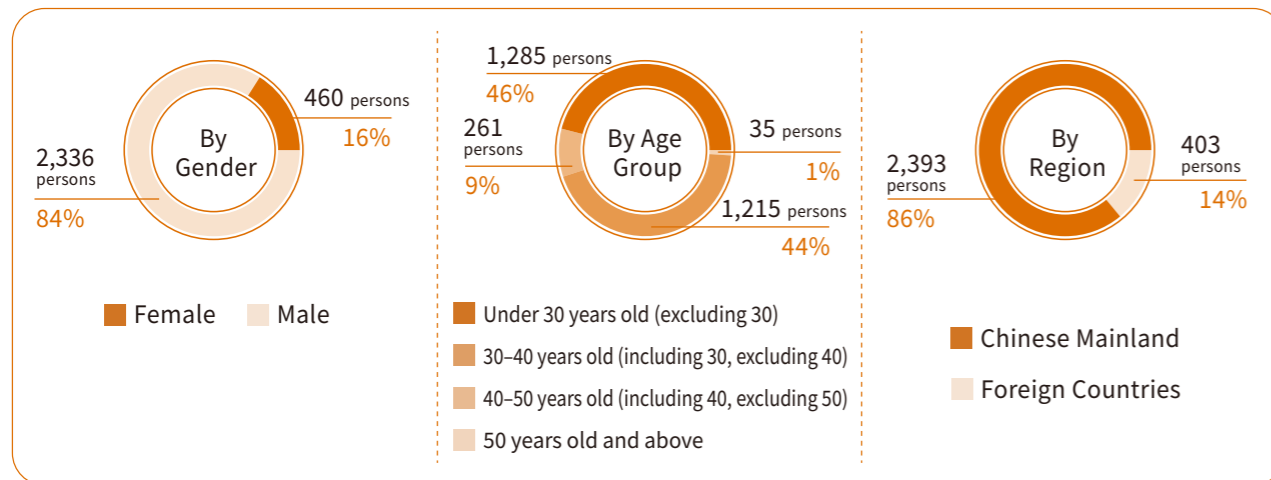


On-site Recruitment

Recruitment Process



2025 New Hire Demographics



Diversity and Equality

Equal Employment and Anti-Discrimination

The company consistently adheres to the core principles of equal employment and equal pay for equal work, ensuring that employees in the same positions with equivalent contributions receive consistent compensation and benefits. Throughout the entire process—from recruitment and hiring, training and promotion, salary assessment, to labor relationship management—the company resolutely prohibits any discriminatory practices based on ethnicity, race, gender, age, religious belief, physical disability, marital status, household registration, or geographical origin. The company is committed to providing all employees with equal employment opportunities and a fair, just development platform.

Anti-Child Labor and Anti-Forced Labor

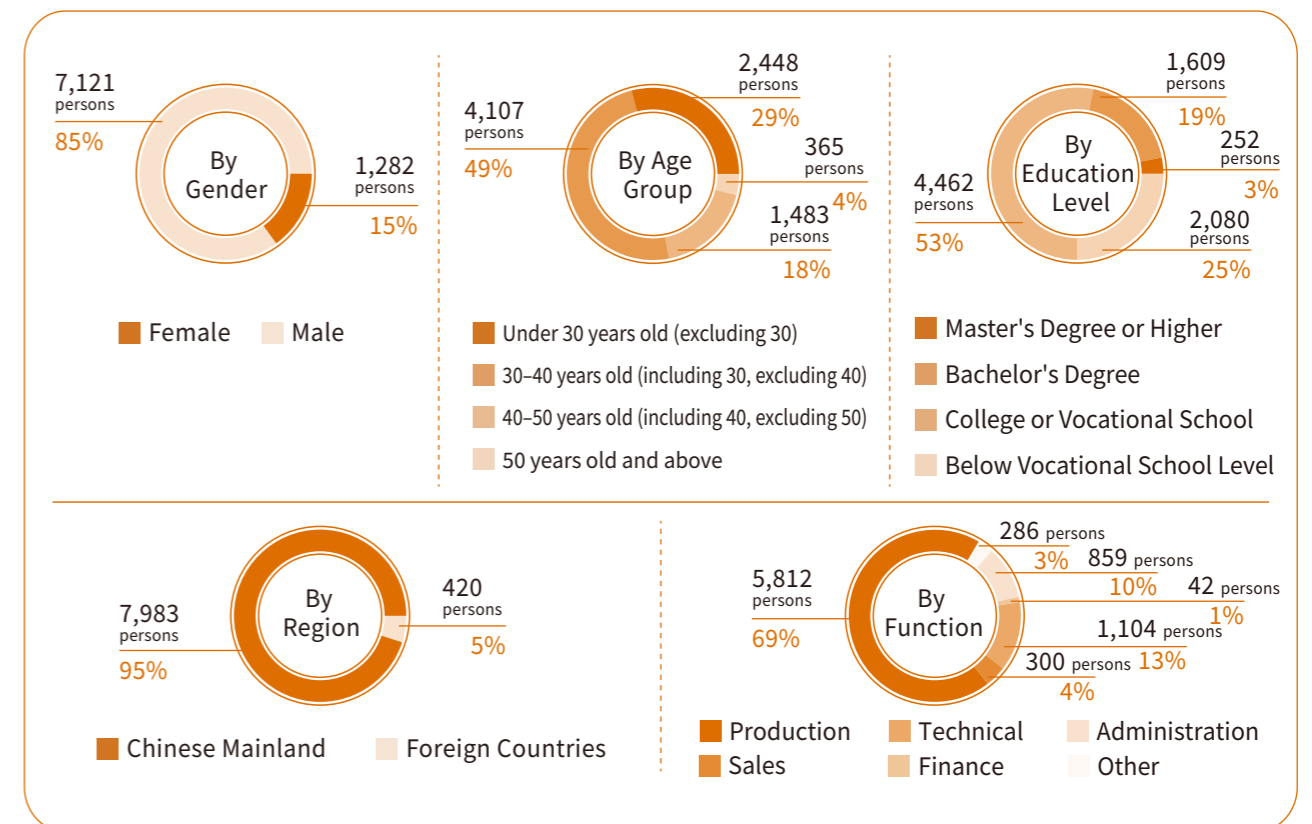
During the recruitment process, the company strictly verifies the identity information of applicants to ensure that all hired individuals meet the legal working age requirements, firmly prohibiting the employment of child labor. At the same time, the company strictly prohibits forcing employees to work through violence, threats, restriction of personal freedom, or other coercive means, safeguarding employees' right to independently choose their positions and voluntarily fulfill their labor obligations. The company resolutely prohibits illegal employment practices such as forced overtime.

Key Performance Indicators

During the reporting period, the company achieved a **100%** labor contract signing rate. No incidents of child labor, forced labor, workplace harassment, or discrimination occurred throughout the year.

Employee Diversity

As of the end of the reporting period, the company had a total of 8,403 employees, including 117 employees from ethnic minorities, accounting for 1.39%, and 1 employee with a disability. The specific distribution is as follows:



Protection of Women's Rights and Interests

The company strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Special Regulations on Labor Protection for Female Employees, earnestly safeguarding the legitimate rights and interests of female employees. The company fully implements all special protection rights for female employees during pregnancy, maternity leave, and breastfeeding periods, and provides dedicated service facilities such as nursing rooms. During the reporting period, the company organized exclusive themed activities for female employees and distributed special benefits for Women's Day, continuously enhancing the sense of belonging and well-being of female employees.



International Women's Day Activities

Key Performance Indicators

During the reporting period, the number of female employees in management positions was **73** persons, accounting for **12.5 %** of the total.

Compensation and Benefits

To effectively attract and retain core key talent and continuously enhance talent competitiveness, the company has formulated the Compensation Management Regulations, Performance Management Regulations, and Employee Incentive Management Regulations. It has established a diversified benefits system and a scientific compensation management framework, improving the incentive mechanisms for all employees to fully stimulate their vitality and work potential, creating a positive and proactive corporate atmosphere.

Compensation and Assessment

Adhering to the principles of "fairness, competitiveness, motivation, development, and cost-effectiveness", the company provides employees with market-competitive compensation and benefits. The compensation structure includes position-based salary, performance bonuses, seniority allowances, overtime pay, and various company-defined benefits, effectively motivating employees' work enthusiasm and creativity.

The company has established a comprehensive performance appraisal mechanism, closely linking the distribution of performance bonuses to the overall business performance of the enterprise, departmental achievements, and individual employee performance. For different types of positions, differentiated assessment methods such as point-based systems and KPI evaluations are employed. The appraisal results serve as an important basis for personnel decisions such as salary adjustments and role changes, effectively leveraging the role of performance dynamic management and incentive constraints.

Performance Feedback and Appeals

The company actively builds performance communication channels. During the performance evaluation process, evaluators provide timely feedback on assessment results to employees. Through performance review meetings, open communication is conducted with employees to thoroughly discuss work-related issues and improvement measures, clarifying future development directions.

If an employee disagrees with the performance evaluation result, they may first communicate with their direct supervisor. If consensus cannot be reached, the employee may submit a written appeal to the Human Resources Department. The Human Resources Department will respond within fifteen working days. Matters beyond its authority will be promptly escalated to the relevant Vice President or General Manager, and the final decision will be communicated to the employee. This ensures standardized and structured handling of performance feedback and appeals.

Benefits System

The company has established a comprehensive, multi-level benefits and security system that fully covers employees' core needs in areas such as living, health, and career development. In accordance with the law, the company provides employees with the statutory "Five Social Insurances and One Housing Fund". Additionally, it offers supplementary commercial insurance and various other benefits, such as holiday and birthday allowances, thereby enhancing employees' sense of belonging and well-being through a robust benefits framework. During the reporting period, the company achieved 100% social insurance coverage for its employees.

Benefit Category	Benefit Content
Statutory Benefits	Five Social Insurances and One Housing Fund, Paid Annual Leave
Health Benefits	Supplementary medical insurance, annual health check-ups, an on-site clinic, occasional health lectures and consultations, and the provision of mental health training courses; an employee activity center featuring exercise areas and fitness equipment.
Meal Benefits	An employee cafeteria that provides complimentary work meals.
Transportation Benefits	Commuter shuttle service
Employee Subsidies	High-temperature allowance, comprehensive allowance, transportation allowance, housing allowance, communication allowance, special position allowance, mid-night shift allowance, marriage congratulatory gift.
Family Support	Free childcare services for employees' preschool-age children (including during winter and summer vacations); a university entrance scholarship for employees' children; education advisory services for employees' children; mother-and-child rooms; and organized family day events.
Festival Benefits	Festival benefits for Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival; work anniversary gifts; Women's Day gifts; birthday gifts; high-temperature season care gifts.
Other Benefits	Provision of labor protection supplies, shower facilities, laundry service, reimbursement of travel tickets for family visits during Chinese New Year.

Working Hours and Leave

The company strictly complies with laws and regulations such as the Labor Law of the People's Republic of China and the Regulations on Paid Annual Leave for Employees, adheres to standard working hours, and legally guarantees employees' entitlement to various types of paid leave, including annual leave, sick leave, marriage leave, and maternity leave. It reasonably plans and schedules employees' working hours, prioritizes their physical and mental well-being, and continuously enhances their sense of belonging and happiness.

Employee Care

Employee Engagement

The company continuously enhances its employee care infrastructure and regularly organizes diverse cultural, sports, and team-building activities. These initiatives enrich employees' lives beyond work and are dedicated to fostering an efficient, collaborative, and supportive work environment. This ongoing effort significantly strengthens team cohesion, unity, and operational effectiveness.

The company also attaches great importance to employees' mental health. Within feasible limits, it deploys dedicated staff and organizes psychological counseling sessions and mental health training on an as-needed basis. These initiatives effectively help alleviate psychological distress arising from workplace stress and family conflicts, thereby safeguarding employees' mental well-being.



Employee Fitness Center



Employee Cafeteria



Sports Day



Skills Competition



Family Day



Internal Trainer Recognition



Summer Care Package



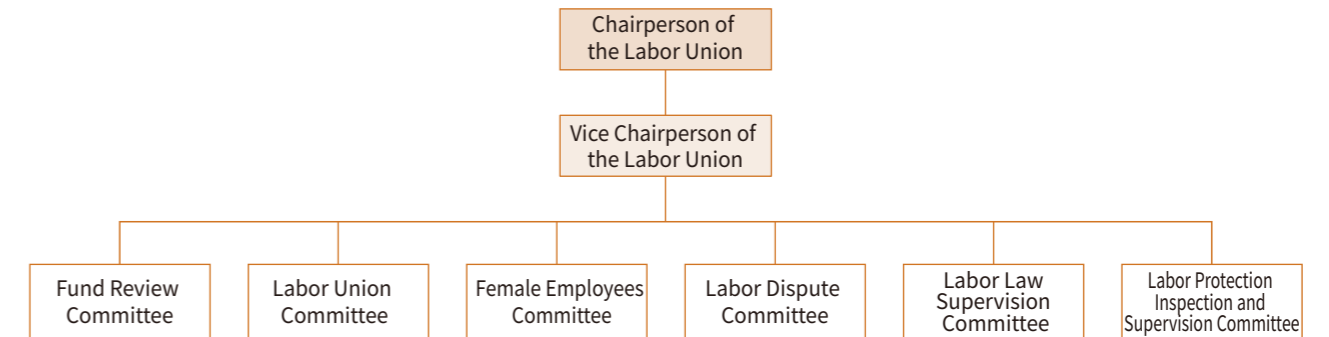
New Employee Welcome Session

Employee Assistance

The company has established a robust support mechanism for employees facing difficulties. For employees and their families affected by serious illnesses or major accidents, the company not only provides timely care and concern but also offers various forms of material assistance based on actual circumstances, effectively helping employees overcome difficulties and enhancing their sense of belonging and cohesion. During the reporting period, the company assisted 4 employees in need, with a total support amount of RMB 50,945.3.

Democratic Management

The company continuously improves its democratic management mechanisms, legally establishes a labor union, and regularly convenes union meetings and employee representative assemblies. It actively listens to employees' demands, coordinates labor relations, promotes transparency in management processes, and fosters a harmonious and stable employment environment. At the same time, the company provides diverse communication channels such as a General Manager's mailbox and open-dialogue forums, extensively gathering employees' opinions and suggestions, creating an open, inclusive, smooth, and efficient internal communication atmosphere. This forms a positive pattern of joint construction, sharing, and common development between the enterprise and its employees.



Hengli Hydraulic Labor Union Organizational Chart

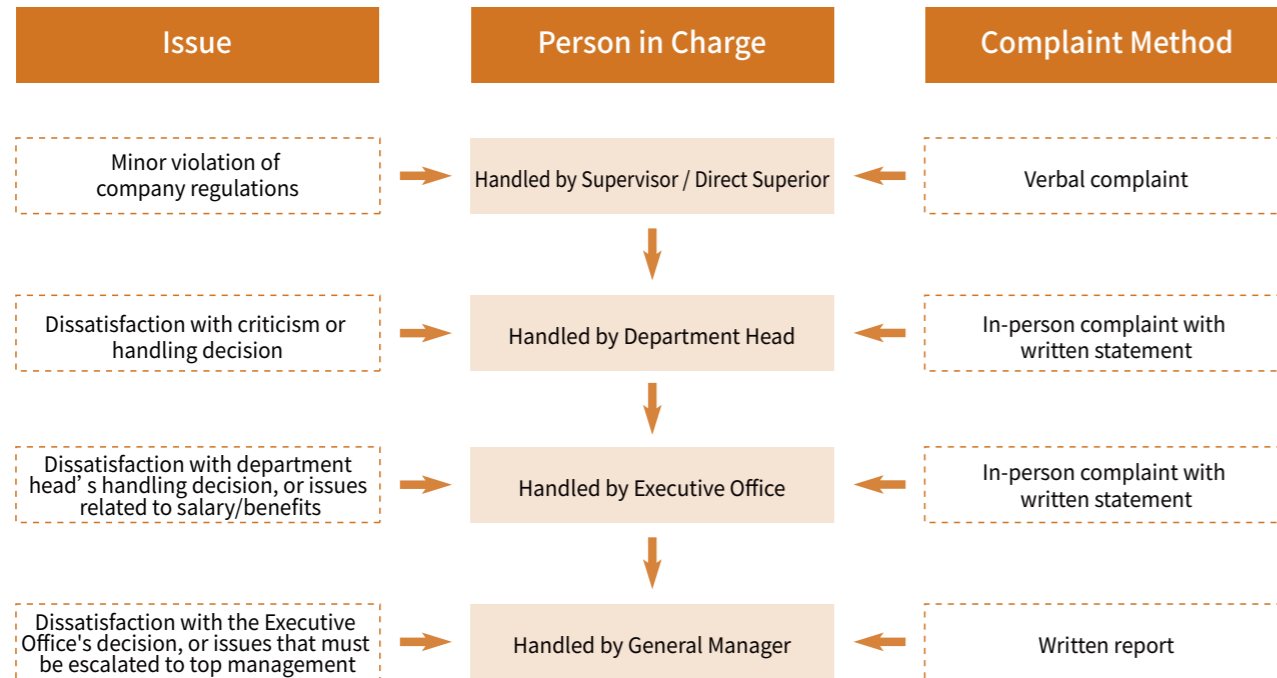


2025 Employee Representative Congress

Employee Appeals

The company has established a comprehensive employee appeals management mechanism. If employees disagree with assessment results, supervisors' decisions, or other matters, they may submit an appeal through formal channels. This allows for the timely resolution of any adverse impacts that may arise from unfair or inappropriate handling in the workplace, safeguarding employees' legitimate rights and interests and ensuring fairness in internal management.

Employee Complaint Process



Labor Relations Management

Labor Dispute Management

The company explicitly requires that labor disputes arising between employees and the company regarding labor rights and obligations must be resolved through legal channels. Employees may seek internal resolution through the pathway of "direct supervisor communication – coordination by Human Resources Department/Labor Union – interview with the Administrative Vice President". If consultation or mediation fails, employees may lawfully apply for arbitration with the Labor Dispute Arbitration Commission or report the matter to the labor inspection authorities, ensuring the protection of the legitimate rights and interests of both parties and maintaining stable employment order. During the reporting period, the company experienced no labor dispute cases and received no employee complaints.

Separation Management

The company has formulated the Implementation Rules for Employee Separation and Suspension Management, strictly regulating processes such as resignation application, exit interviews, work handover, and procedure completion. This safeguards the legitimate rights and interests of both the company and employees and maintains normal operational order. Employees are required to submit a written resignation application in accordance with regulations. The company simultaneously conducts exit interviews to gain in-depth understanding of resignation reasons and gather feedback and suggestions, providing reference for management improvement. During the handover process, requirements for the transfer of work tasks, assets, materials, documents, system access, etc., are clearly defined. The Work Handover Form for Separation must be completed in accordance with standards to ensure a complete and seamless handover, and the labor relationship is terminated lawfully and in compliance with regulations.

Encouraging Employee Growth and Development >>

Employee Training

To enhance employees' professional skills and overall competence, the company has established the Training Management Regulations and developed a comprehensive employee training system. By combining internal and external training methods, a systematic training platform is built to accelerate talent growth and team development.

Internal Training	New Employee Onboarding Training	Employee Handbook, Company Introduction, Human Resources and Administrative Regulations, Organizational Structure, 5S Management, Safety, etc.
	Company-Level Annual Training	Annual training plan formulated based on the company's overall development goals
	Department-Level Monthly Training	Monthly training arranged by each business department according to its own needs
External Training	External Trainer In-house Training	Inviting external experts or trainers to conduct professional training at the company
	Employee Off-site Training	Selecting internal employees to attend training at external institutions or locations

Tiered and Classified Training

The company has built a tiered and classified training system covering areas such as new employee orientation, vocational skills, professional competence, and leadership. Tailored training content is designed for different positions, including management, technical, and operational roles, effectively enhancing the relevance and effectiveness of training.

Leadership Training



Deepseek-Empowered Presentation Skills Training



Human Resource Management Training

New Employee Training



New Employee Onboarding Safety Education Training



Hengli Eaglet Program

Professional Skills Training



Cylinder Fundamentals and Processing Technology Training



Hydraulic Fundamentals Training

Teaching Faculty Development

The company focuses on building an internal trainer team, continuously strengthening the development of teaching resources, and integrating high-quality internal and external training resources. It has established a blended instructor team consisting of internal technical experts, management elites, and external industry specialists. Each internal trainer designs specialized training content based on their expertise and role characteristics, providing employees with multi-dimensional training covering information security, engineering technology, production safety, and more. This fully meets the diverse training needs of employees and provides solid support for high-quality training implementation.

Training Platform Development

The company has established the "Hengli University" specialized talent cultivation platform, which includes a School of Management and a School of Engineering Technology. Through systematic theoretical learning and professional skill development over several years, the platform continuously cultivates reserve managers, reserve supervisors, and other potential talents, injecting a steady stream of talent momentum into the company's development. In 2025, the third session of "Hengli University" was successfully launched, and the fourth session began enrollment. To date, it has trained over 90 reserve candidates at the managerial level, continuously supplying outstanding talent for core positions.



Hengli University Student Recognition

Leveraging the "Liangjian·Cloud Classroom" online training system, the company has built a digital training platform that provides employees with high-quality online learning resources covering industry-leading technologies, job-specific practical skills, and professional competency enhancement. The platform supports multi-dimensional management analysis, such as learning progress tracking and course completion rate statistics, enabling training management departments to monitor employees' learning dynamics in a timely manner, optimize training content and plans, and comprehensively enhance employees' overall competence and job performance capabilities.



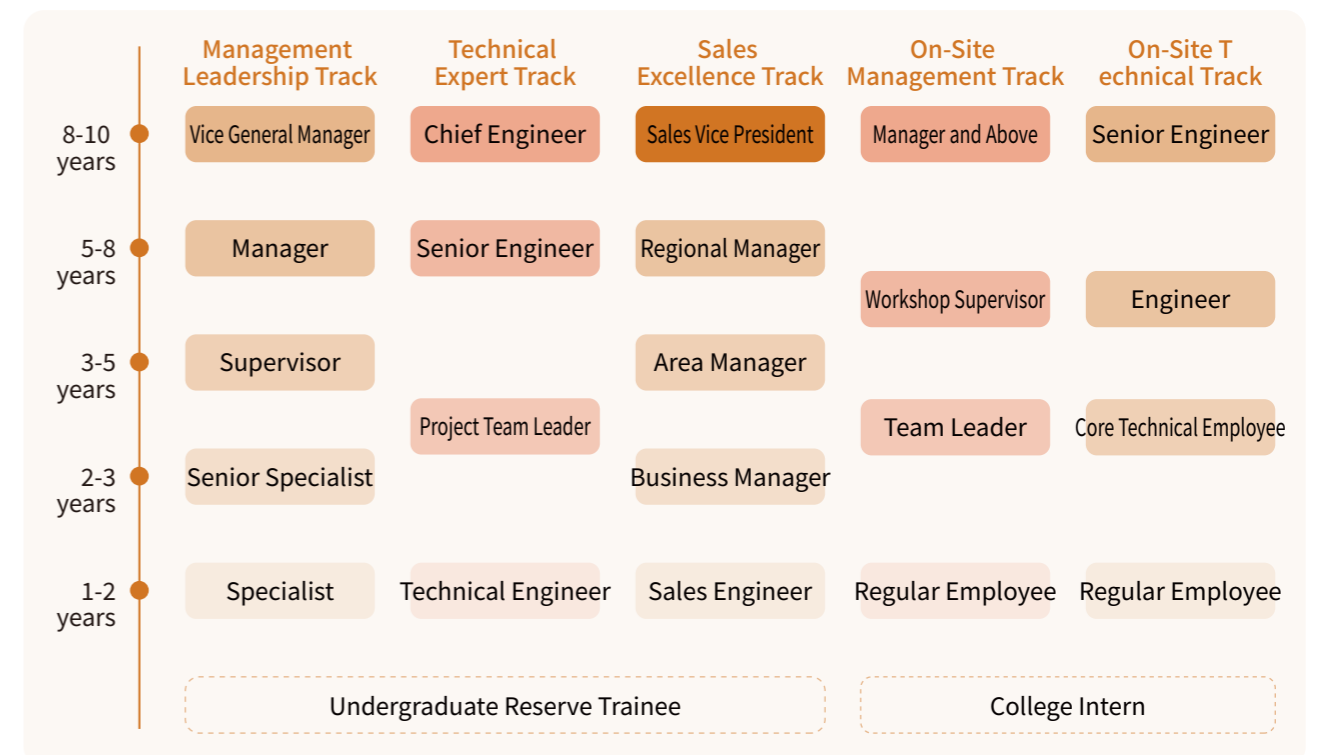
Liangjian·Cloud Classroom Training Platform

Metrics	Year 2025
Employee Training Investment (RMB ten thousand)	206.64
Number of Employee Training Sessions (sessions)	2,132
Total Trainee Attendances (person-times)	29,092
Total Number of Employees Trained (persons)	6,163
Employee Training Coverage Rate (%)	73
Total Employee Training Duration (hours)	74,691.95
Average Training Duration per Employee per Year (hours/person)	8.89

Employee Career Development

The company closely aligns with employees' career development and growth needs, with the near-term goal of establishing a systematic training system, the medium-term goal of achieving tangible and effective talent cultivation results, and the long-term goal of building a scientific and standardized talent development academy. The company continuously opens up career development pathways for employees, improves growth trajectories, and strives to build a "triple-high" composite talent team characterized by high political awareness, advanced technical skills, and strong management capabilities, providing solid talent support for the high-quality development of the enterprise.

Manager Development Program



Employee Health and Safety >>

Occupational Health and Safety Management System

The company prioritizes employee safety and health, adhering to the occupational safety principle of "Safety First, Prevention-Focused, and Integrated Management". It strictly complies with laws and regulations, including the Work Safety Law of the People's Republic of China and the Law on Prevention and Control of Occupational Diseases. The company has implemented a suite of occupational health and safety management systems, such as the Work Safety Responsibility System, Work Safety Objectives Management Regulations, and Occupational Disease Prevention and Control Management Regulations. The Work Safety Management Section under the General Manager's Office is responsible for coordinating occupational safety management, disease prevention, and performance evaluation. This ensures the effective implementation of all safety measures, fostering a safe, orderly, and stable production environment.

As of the end of the reporting period, the company is certified to the ISO 45001 Occupational Health and Safety Management System standard.



Hengli Hydraulic Occupational Health and Safety Management System Certification

Supervision and Assessment Mechanism

The company has established an occupational safety assessment mechanism. Using monthly assessment data from the Work Safety Management Section of the General Manager's Office, the Human Resources Performance Unit conducts specialized occupational safety performance evaluations for relevant departments. Any serious occupational safety violations identified during the assessment that constitute criminal offenses will be referred to judicial authorities in accordance with the law. This rigorous process of assessment and accountability strengthens safety supervision and ensures the full implementation of all occupational safety requirements.

The company strictly implements the main responsibility for work safety, establishes an all-employee work safety responsibility system, integrates safety responsibilities throughout the entire production and operation process, clarifies safety duties and performance requirements at all levels and positions, and ensures that all safety responsibilities are effectively carried out at every level.

Safety Management Objectives

To further standardize the company's occupational safety management and prevent the occurrence of serious or fatal production accidents, the company has established clear safety management objectives. Core assessment indicators include hazard rectification, near-miss reporting, and work-related injury control. Monthly assessments are conducted on the completion of safety objectives for each department, and the results are communicated during safety meetings along with improvement requirements, effectively ensuring the safety of employees' lives and the company's property.

Overall Occupational Safety Objectives

Prevent fatalities and serious injuries, reduce the occurrence of minor injuries, and aim for "zero" accidents.

Key Performance Indicators

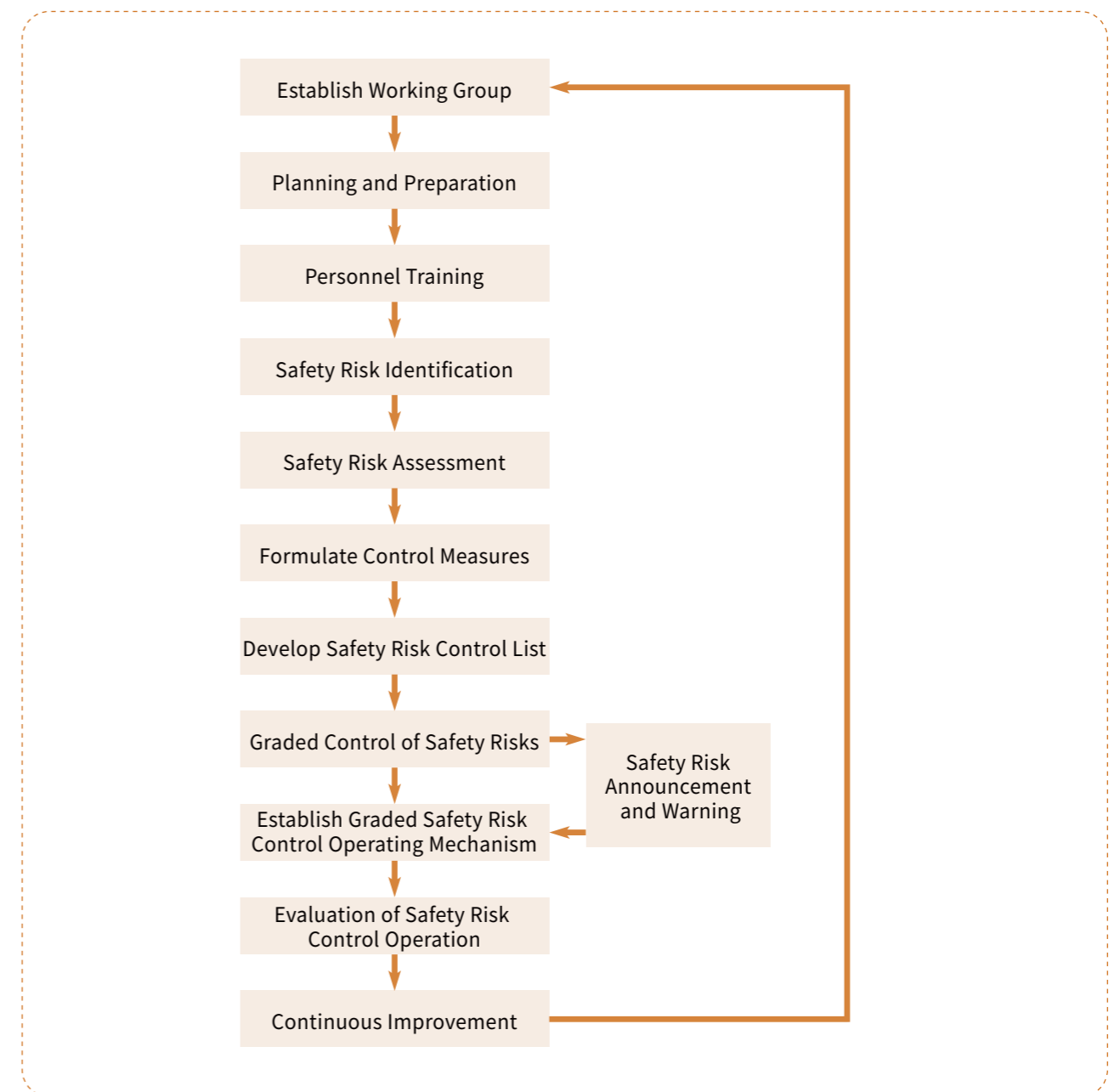
During the reporting period, there were 0 occupational safety incidents and 0 work-related fatalities.

Occupational Safety Risk Management

Risk Management Mechanism

To standardize the safety risk control process, the company has formulated the Safety Risk Identification and Control Management Regulations, specifying requirements for risk identification, assessment, and control, in order to prevent, reduce, and eliminate safety risks at the source. The company adopts the Job Hazard Analysis (LEC) method to conduct comprehensive risk identification and assessment of production facilities and work sites. Based on the assessment results, graded control and targeted preventive measures are implemented, and the Safety Risk Classification and Graded Control List is completed in accordance with regulations. Regular reviews of the effectiveness of risk controls are conducted to ensure the ongoing effectiveness of all control measures.

Safety Risk Management Process



Hazard Identification

The company conducts regular Hazard Identification annually, carrying out comprehensive checks on various potential risks, including fire safety. For any issues identified, a Hazard Identification ledger is established concurrently, with continuous tracking of rectification progress and strict verification of the effectiveness of corrective actions, effectively preventing the escalation of hazards into safety incidents. During the reporting period, the company identified 162 safety hazards, achieving a 100% rectification completion rate.



Emergency Plans and Drills

In accordance with laws and regulations such as the Basic Standards for Production Safety Emergency Drills and the Regulations on Production Safety Emergency Response, the company has formulated the Production Safety Emergency Response Plan. This plan covers various types of sudden safety incidents, including fire and explosion accidents, special equipment accidents, and hazardous chemical leakage incidents. It clarifies emergency response procedures, division of responsibilities, and response mechanisms. An emergency rescue command center has also been established to provide unified leadership and organization of emergency rescue efforts, minimizing accident losses and ensuring personnel safety to the greatest extent.

The company conducts annual emergency response drills, evaluates their outcomes, and continuously improves its overall emergency preparedness and incident management capabilities. During the reporting period, a total of 20 safety and emergency drills were conducted.

Case Study Fire Emergency Response Drill

On February 15, 2025, Company conducted a specialized fire emergency drill, using simulated flame props to recreate a fire scenario. During the drill, employees promptly donned gas masks and correctly operated fire extinguishers and fire hoses to suppress the simulated fire, further strengthening employees' fire safety awareness and emergency response capabilities.



Case Study Electric Shock Emergency Drill

On March 31, 2025, Company carried out a specialized electric shock emergency drill. The on-site participants strictly followed the emergency plan requirements, properly executed procedures such as cutting off temporary circuit power and providing first aid to the injured, effectively enhancing employees' ability to handle electric shock emergencies and their skills in self-rescue and mutual assistance.



Occupational Safety Management Measures

Stakeholder Safety Management

The company has established the Related Party Safety Management Regulations to strengthen oversight of suppliers, contractors, and other third parties, ensuring the effective operation of its safety management system. For external construction personnel, the company executes a Supplier Safety Agreement that clearly outlines safety precautions and mutual responsibilities. Contractors are subject to a dual verification of their safety compliance records and workforce qualifications. On-site safety supervision is intensified to effectively mitigate safety risks arising from third-party operations.

To strengthen the safety awareness of related parties, the company organizes safety training for stakeholders before project construction or hazardous operations, clarifying on-site safety operating standards and personal protection requirements. Safety management requirements are fully integrated into the end-to-end management of related parties.



Stakeholder Safety Training

Digital Management

The company has implemented the "Hengli Micro-Form" digital platform. The system features modules for safety inspections during holidays, hazard identification and remediation, and on-site inspection workflows. It enables end-to-end online management of safety checks and issue resolution, significantly enhancing the speed and efficiency of risk response. This provides robust digital assurance for the company's safe production and stable operations.



Hazard Identification Collection Form

Hazardous Chemical Safety Management

The company has developed the Hazardous Chemical Safety Management Regulations in compliance with relevant laws and regulations, including the Regulations on the Safety Management of Hazardous Chemicals. These regulations specify comprehensive management requirements covering the entire lifecycle of hazardous chemicals—from procurement, transportation, and warehousing to storage, use, and disposal. They detail operational standards and accountability for each stage, strengthen procedural implementation, and enforce full life-cycle control. This effectively mitigates risks of personal injury and property loss, thereby elevating the company's overall level of occupational safety management.

Safety Education and Training

The company consistently prioritizes fostering strong safety awareness among its employees. Through diverse safety education and training initiatives, it guides employees to develop a robust safety mindset, continuously enhance their safety competencies, and safeguard their health and well-being.



First Aid Training



Employee Safety Training



Team Leader Safety Training



AED (Automated External Defibrillator) Training

Metrics	Year 2025
Number of Safety Training Sessions (sessions)	329
Total Trainee Attendances for Safety Training (person-times)	8,122
Total Number of Employees Participating in Safety Training (persons)	2,450
Total Duration of Safety Training (hours)	532

Occupational Health Protection

Occupational Hazard Factor Monitoring

The company attaches high importance to the prevention and control of occupational disease hazards. It regularly engages legally qualified professional testing agencies to monitor chemical and physical harmful factors in the workplace. This enables timely tracking of indicators such as hazard concentration and intensity levels, accurate identification of occupational disease risk points, and continuous optimization of occupational health protection measures based on the monitoring results, effectively safeguarding employees' occupational health and safety. During the reporting period, the company commissioned a third-party professional agency to complete the monitoring of occupational hazard factors and obtained the Inspection Report.

Occupational Health Examinations

The company routinely conducts occupational health examinations for employees, providing in-service staff with occupational health check-up services and truthfully informing them of the results. For employees identified with occupational contraindications during the examinations, the company promptly transfers them away from relevant job positions. For employees suspected of having occupational diseases, the company strictly follows the recommendations of the medical institution to arrange medical observation or occupational disease diagnosis, continuously monitoring the physical and mental health of employees. During the reporting period, the company achieved 100% coverage of employee health examinations.

Occupational Health Protection

To effectively prevent, control, and eliminate occupational hazards, the company has implemented a series of preventive measures. This comprehensive approach fully safeguards employees' health, safety, and associated rights.

Notification of Occupational Disease Hazards	<ul style="list-style-type: none"> ▶ When signing labor contracts with new employees, truthfully inform them of the potential occupational disease hazards and their consequences associated with their positions. ▶ Post notice boards in prominent locations within production areas to prominently display the monitoring and evaluation results of occupational hazards in the workplace.
Workplace Hazard Warnings	<ul style="list-style-type: none"> ▶ Place standardized warning signs and instructions in Chinese at prominent locations in work positions where occupational hazards exist.
Provision of Personal Protective Equipment Against Occupational Hazards	<ul style="list-style-type: none"> ▶ Provide employees with qualified personal protective equipment, such as dust masks and earplugs, against occupational hazards, and guide them in their proper use.
Occupational Disease Prevention Awareness	<ul style="list-style-type: none"> ▶ Conduct regular publicity and education on occupational disease hazard prevention through various channels, including notice boards, the Hengli News, meetings, training sessions, posted slogans, and the official WeChat account, to enhance employees' awareness and capabilities in protection.

Key Performance Indicators

During the reporting period, the company achieved a **100%**, certification rate for special-operation personnel, **100%**, coverage of work-related injury insurance, an investment of RMB **428,400** in production safety liability insurance, and **100%** personnel coverage under production safety liability insurance.

Practicing Social Responsibility >>

Social Welfare

Guided by the principle of "contributing to society and operating sustainably", the company actively fulfills its social responsibilities through philanthropy and public welfare initiatives. It regularly organizes activities such as visits to special-needs schools and community blood drives, translating its commitment into tangible actions that foster social harmony. During the reporting period, total public welfare investment: RMB 967,200; volunteer hours: 67; volunteer participants: 362.



Support for Special-Needs Schools



Voluntary Blood Donation

Rural Revitalization

The company actively responds to the national rural revitalization strategy, proactively fulfills its corporate social responsibilities, leverages its resource advantages, and continuously invests funds in employment support and other initiatives. With a strong sense of social responsibility, it supports rural construction and helps improve the development landscape of rural areas, demonstrating the company's commitment and public welfare spirit in promoting balanced urban-rural development and achieving common prosperity. During the reporting period, rural revitalization investment: RMB 10.3877 million.



Report Appendix >>

Indicator Index

Report Sections	Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14 – Sustainability Reporting (for Trial Implementation)	《China Corporate Sustainability Reporting Guide (CASS-ESG 6.0)》	《GRI Sustainability Reporting Standards》 (GRI Standards)	
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Report Sections		Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14 – Sustainability Reporting (for Trial Implementation)	《China Corporate Sustainability Reporting Guide (CASS-ESG 6.0)》	《GRI Sustainability Reporting Standards》 (GRI Standards)
“Heng”—Forged Quality: Leading Development through Innovation	Driven by Innovation	Article 41 / Article 42	S2.1.1/S2.1.2/S2.1.3/S2.1.4/S2.1.5/S2.1.6/S2.1.7/S2.1.9/S2.1.10/S2.1.11/S2.1.12/S2.1.13	/
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	Supply Chain Security	Article 44 / Article 45	S3.1.1/S3.1.2/S3.1.3/S3.1.4	2-27/308-1/308-2/414-1/414-2
	Data Security and Privacy Protection	Article 44 / Article 48	S3.4.1/S3.4.2/S3.4.3/S3.4.4	2-27/418-1
“Heng”—Committed to People’s Well-being, Co-building a Better Homeland Together	Protection of Employee Rights and Interests	Article 49 / Article 50	S4.1.1/S4.1.3/S4.1.4/S4.1.5/S4.1.6/S4.1.9/S4.1.11/S4.1.12	2-7/2-23/2-27/401-1/401-2/405-1/406-1/407-1/408-1/409-1
	Encouraging Employee Growth and Development	Article 49 / Article 50	S4.3.1/S4.3.2/S4.3.3/S4.3.4/S4.3.5/S4.3.6	404-1/404-2
	Employee Health and Safety	Article 49 / Article 50	S4.2.1/S4.2.2/S4.2.3/S4.2.4/S4.2.5/S4.2.6	2-27/403-1/403-2/403-3/403-4/403-5/403-6/403-7/403-8/403-9/403-10
	Fulfilling Social Responsibility	Article 38 /Article 39 / Article 40	S1.1.2/S1.1.3/S1.2.1/S1.2.2/S1.2.3/S1.2.4	413-1
Report Appendices	Index of Indicators	Article 57	A3	/
	Feedback and Suggestions	Article 9	A6	/

Feedback and Suggestions

Dear Reader,

Thank you for reading our report. We value your feedback, as your insights and suggestions are essential to our ongoing efforts to enhance our sustainability governance, management, and performance. Please take a moment to share your thoughts by completing the brief feedback form via the channels below. We appreciate your support for our sustainability journey.

1.What is your overall assessment of our performance in sustainable development governance?

Excellent Good Average Poor Very Poor

2.What is your overall assessment of this year’s sustainable development report?

Excellent Good Average Poor Very Poor

3.How do you think we are doing in stakeholder communication?

Excellent Good Average Poor Very Poor

4.How do you think we are performing in product quality and customer service?

Excellent Good Average Poor Very Poor

5.How do you think we are performing in environmental, safety, and occupational health aspects?

Excellent Good Average Poor Very Poor

6.How do you think we are performing in employee responsibility?

Excellent Good Average Poor Very Poor

7.Do you think this report adequately reflects the company’s significant impacts on the economy, society, and the environment?

Excellent Good Average Poor Very Poor

8.What comments or suggestions do you have regarding our ESG report, ESG work, or sustainable development management?

You can contact us through the following channels:

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