



中國高速傳動設備集團有限公司*

China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code:658)



2024

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

* For identification purpose only

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About the Report

China High Speed Transmission Equipment Group Co., Ltd. (the "Company" or "China High Speed Transmission") hereby presents the ninth Environmental, Social and Governance ("ESG") Report (the "Report") to demonstrate its philosophy and practice of sustainable development. The Report aims to help all stakeholders gain a better understanding of the Company and further to drive the Company forward together. The Report has been approved and supervised by the Board of Directors of the Company (the "Board").

Reporting Scope

The Report, centers on China High Speed Transmission, covers our major manufacturing operations, including the R&D, design, manufacture and sales of wind power gear transmission equipment, industrial gear transmission equipment and rail transit gear transmission equipment. The rail transit gear transmission equipment business is included in the scope of the Report for the first time. The Report covers the period from January 1, 2024 to December 31, 2024 (the "Reporting Period"). Some of the contents of the Report are appropriately extended to previous and subsequent years to enhance comparability and forward-looking.

Reporting Standards

The Report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "ESG Guide") under Appendix C2 to the *Rules Governing the Listing of Securities* published by the Stock Exchange of Hong Kong Limited ("HKEX"), aligning with the Global Reporting Initiative Standards ("GRI Standards") published by the Global Sustainability Standards Board and the UN Sustainable Development Goals ("UN SDGs").

Designation

For the convenience of description, "China High Speed Transmission" or "the Company" refers to China High Speed Transmission Equipment Group Co., Ltd. and its subsidiaries (collectively referred to as the "Group" or "we").



Reporting Principles and Source of Data

The Report is written using the four reporting principles, namely, Materiality, Quantification, Balance, and Consistency in the *ESG Guide*. The Company identifies material and relevant issues to our businesses through industry and materiality assessment, with material issues disclosed first.

The information and data in the Report referenced are derived from the Group's internal official documents and relevant statistical data, and have been reviewed internally or externally. Unless otherwise noted, the data are calculated in a consistent method. Financial data mentioned in the Report are measured in RMB unless otherwise stated.

China High Speed Transmission promises that the Report does not contain any false or misleading statement or record, and we are accountable to its authenticity, accuracy, and integrity.

Access to the Report

The Report is available in both Chinese and English, which can be found on the HKEX's website at www.hkexnews.hk and the website of the Company at www.chste.com. In case of discrepancies or inconsistencies between the English and Chinese versions of the Report, the Chinese version shall prevail.



About Us

Company Profile

Founded in 1969 and listed in Hong Kong in 2007, the Group is mainly engaged in the research, design, development, manufacture and sale of a wide range of mechanical transmission equipment that are widely used in wind power, industrial and rail transit applications. With strong technical strength, rich production experience and advanced manufacturing technology, the Group has become a leading supplier of gear transmission equipment globally featuring stable growth, reliable quality and perfect service.

As a leading supplier of wind power gear transmission equipment, products of the Group's wind power gear transmission equipment business segment ("wind power business segment") are widely used in both onshore and offshore wind power, including large megawatt-level wind power gear transmission equipment products such as 13.6MW-20MW, which have been supplied in batches to customers.

The Group's industrial gear transmission equipment business segment ("industrial business segment") deeply cultivates transmission technology and expands drive technology. With a product positioning of "fully ranged, clearly layered, and precisely segmented", we meet our customers' diversified and differentiated needs while responding to their core expectations for efficiency improvement and emission reduction. By independently researching and developing products with international competitiveness, and Mechatronic Control Integrated Drive System with high efficiency, high reliability and low energy consumption, the Group empowers green and low-carbon development.

Products of the Group's rail transit gear transmission equipment business segment ("rail transit business segment") are widely used in the rail transit field, such as high-speed rail, subway, suburban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign enterprises in the industry. With the optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Group's rail transit gear transmission equipment products show superior environmental friendliness, and the products are highly praised by customers.

Business Layout

As globalization progresses, the Group has finalized its strategic business layout in Europe, America and Asia Pacific, dedicating to offer quality products and services to its customers all over the world and continuing to elevate its brand influence. The Group keeps up with the market trend with a forward-looking insight and keeps doubling down on R&D in state-of-the-art technologies. By organically linking research and production, the Group maintains the iteration speed and optimizes the product matrix. Meanwhile, by joining domestic and foreign industry associations and engaging in expos, the Group is promptly informed of the core demands of customers and keeps the standards in line with the industry-leading companies. In this way, the Group upgrades the management of the product life cycle and upgrades the core functions of the products to grow more competitiveness in the international arena.

Philosophy of the Group

As an expert in providing the global solutions of gearbox and transmission technology, China High Speed Transmission has been upholding the corporate spirit of "Climbing up the summit step by step, Striving for perfection bit by bit", and bearing in mind the corporate mission of being "Geared for a Better Future". Embracing the corporate vision of "Being the leader in the global transmission equipment industry", we value elaborate craftsmanship, reinforce zero-defect management philosophy, and advance the green development notions. Under the strategic framework of moving gear equipment technologies global, we build our core competitive edges around "innovative mindset, zero-defect quality, professional services, and close to customers". With our stakeholders, we are writing a new chapter for a green future and sustainable development.

Corporate Spirit



Climbing up the summit step by step, Striving for perfection bit by bit

Corporate Mission



Geared for a Better Future



Annual Honors and Awards

Category	Award and Honor Name	Presenting Organization	Award Recipient
Corporate Development	China's Top 500 Private Enterprises in the Manufacturing Industry for 2024	All-China Federation of Industry and Commerce	Nanjing High Speed Gear Manufacturing Co., Ltd.
Corporate Development	Large-scale Key Backbone Enterprise in Machinery Industry	China Machinery Industry Federation	Nanjing High Speed Gear Manufacturing Co., Ltd.
Corporate Development	Top 100 Private Manufacturing Enterprises in Jiangsu Province for 2024	Jiangsu Federation of Industry and Commerce	Nanjing High Speed Gear Manufacturing Co., Ltd.
Corporate Development	Top 100 Private Enterprises in R&D Investment in Jiangsu Province for 2024	Jiangsu Federation of Industry and Commerce	Nanjing High Speed Gear Manufacturing Co., Ltd.
Corporate Development	Top 200 Private Enterprises in Jiangsu Province for 2024	Jiangsu Federation of Industry and Commerce	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	2024 Global Best Transmission Chain Gold Award	Windpower Monthly	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Jiangsu Provincial Enterprise Technology Innovation Award for 2023	Jiangsu Provincial People's Government	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Zhejiang Provincial Science and Technology Progress Award First Prize for 2023	Zhejiang Provincial People's Government	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Excellent Achievement Award in Scientific Research of Higher Education Institutions (Science and Technology) Second Prize	Ministry of Education of the People's Republic of China	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Nanjing Municipal Headquarters Enterprise for 2023	Nanjing Joint Conference Office for Promoting Headquarters Economy Development	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	2023 "Wind Power Leader" Wind Power Gearbox (20MW Fully Integrated Transmission Chain Gearbox)	China Wind Power News Network	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	2023 Huai'an City Invention and Patent Award of Excellence	Intellectual Property Office of Huai'an City, Jiangsu Province	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Jiangsu Mechanical Industry Science and Technology Progress Award Second Prize for 2024	Jiangsu Provincial Machinery Industry Association and Jiangsu Provincial Mechanical Engineering Society	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Jiangsu Mechanical Industry Science and Technology Progress Award Third Prize for 2024	Jiangsu Provincial Machinery Industry Association and Jiangsu Provincial Mechanical Engineering Society	Nanjing NGC New Energy Vehicle Transmission Equipment Co., Ltd.
Innovation and Technology	Directory of Key Technologies and New Products for Promotion and Application (Batch 30) SMG605AFF79-0269 Wind Turbine Gearbox	Jiangsu Provincial New Technology and New Product Promotion and Application Work Coordination Meeting Office	Nanjing High Speed Gear Manufacturing Co., Ltd.
Innovation and Technology	Identification of the First (Set) Major Equipment and Key Components in Jiangsu Province	Jiangsu Provincial Department of Industry and Information Technology	Nanjing High Speed & Accurate Gear (Group) Co., Ltd.
Employer Brand	2024 China Best ESG Employer	Aon Group	NGC Group
Employer Brand	Employer Brand Management Excellence Award for 2024	Yonyou Dayee , HR SPACE	NGC Group

Category	Award and Honor Name	Presenting Organization	Award Recipient
Employer Brand	China Preferred Employer Of The Year 2023	Zhaopin	NGC Group
Employer Brand	Outstanding Human Resource Management Award – 2024 TOP EMPLOYER	51job	Nanjing High Speed Gear Manufacturing Co., Ltd.
Employer Brand	Huai'an City Youth Talent Dream Factory for 2024	Huai'an Municipal Human Resources and Social Security Bureau	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Employer Brand	Member Unit of Huai'an City "Advanced Manufacturing" Employment Alliance	Huai'an City "Advanced Manufacturing" Employment Alliance	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Environment Governance	Organizational Greenhouse Gas Verification Statement and Product Carbon Footprint Verification Statement	TÜV SÜD Certification and Testing (China) Co., Ltd.	NGC Group
Environment Governance	Green Benchmark Enterprise of Huai'an for 2024	Jiangsu Provincial Department of Industry and Information Technology	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Information Technology Construction	Jiangsu Province Manufacturing "Intelligent Transformation and Digital Networking" Enterprise for 2024	Jiangsu Provincial Department of Industry and Information Technology ; Jiangsu Provincial Finance Department	NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd.
Information Technology Construction	Second Batch of Provincial Star-rated Cloud Enterprises "Five-star Cloud Enterprise" for 2023	Jiangsu Provincial Department of Industry and Information Technology	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	"Outstanding Quality and Timely Delivery, Win-win Cooperation and New Journey" Honorary Banner	Goldwind Sci & Tech Co.,Ltd.	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Best Technical Partner for 2024	Windey Energy Technology Group Co., Ltd	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Strategic Partner for 2024	Dongfang Electric Wind Power Co., Ltd.	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Outstanding Partner and Caring Supplier for Rural Revitalization	Dongfang Electric Wind Power Co., Ltd.	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Strategic Alliance Supplier for 2024	Sany Renewable Energy Co., Ltd.	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Outstanding Contribution Supplier for 2024	CRRC Shandong Wind Power Co., Ltd.	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Excellent Contribution Award for 2024	CRRC Zhuzhou Institute Co., Ltd. Wind Power Business Unit	Nanjing High Speed Gear Manufacturing Co., Ltd.
Customer Honor	Outstanding Supply Chain Partner Innovation Award	China Baowu Steel Group Corporation Limited	Nanjing High Speed & Accurate Gear (Group) Co.,Ltd.
Customer Honor	Award for 20+ Years of Partnership	Everrising Holdings Co., Ltd.	Nanjing High Speed & Accurate Gear (Group) Co.,Ltd.
Customer Honor	Strategic Supplier	Tianjin Tianduan Press Co., Ltd.	Nanjing High Speed & Accurate Gear (Group) Co.,Ltd.
Customer Honor	2023 Excellent Supplier	CRRC Nanjing Puzhen Co., Ltd.	Nanjing High Speed & Accurate Rail Transportation Equipment Co., Ltd.



Annual ESG Highlight Performances

Environmental KPIs¹



The usage of renewable energy

50,844.11 MWh

increased by ↑

63.04% compared to 2023

Intensity of water consumption

1.76

m³/tonne of production

decreased by ↓

2.58%

compared to 2023

The total investment in environmental protection of the Group

12,953,300 RMB

increased by ↑

1.15%

compared to 2023

Intensity of air pollutant emissions

0.01

kg/tonne of production

decreased by ↓

32.47%

compared to 2023

Intensity of hazardous wastes

2.78

kg/tonne of production

decreased by ↓

8.84%

compared to 2023

Economics KPIs

Sales revenue¹

17,604,778,000 RMB

Sales revenue of wind power business segment

14,992,739,000 RMB

Sales revenue of industrial business segment

2,273,442,000 RMB

Sales revenue of rail transit business segment

338,597,000 RMB

Social KPIs

R&D total investment amount¹

776,748,300 RMB

R&D input ratio

4.41%

Has been granted

996

patents authorized by the state

increased by ↑

14.22%

compared to 2023

Accumulated number of Continuous Improvement Process (CIP) applications

9,519 items

increased by ↑

54.20%

compared to 2023

Achieved 100%

customer satisfaction target for 7 consecutive years

100%

signing rate of the Transparency Agreement among new suppliers was achieved

Employee satisfaction score

82.30%

Average training hours per employee

23.04 hours

increased by ↑

1.97%

compared to 2023

Invested in production safety¹

36,093,400 RMB

increased by ↑

0.64%

compared to 2023

Expenditure in donations was

5,196,000 RMB

23.99

times compared to 2023

Remark:

1. The data covers the wind power, the industrial, and the rail transit business segment.



Sustainable Development Management

Board Statement

Board Responsibilities

The Group has embedded the concept of sustainable development into corporate management and operations, establishing a top-down three-tier ESG management structure and responsibilities, and has defined a working model that aligns with the Company's actual situation. The Board is the highest decision-making and responsible body for the Group's sustainability management, being responsible for developing ESG policies, strategies, and goals, approving and supervising ESG related matters, and regularly reviewing progress on ESG related goals.

Operation Management

The Group has established the Sustainable Development Leadership Group chaired by the Chairman of the Board. The Sustainable Development Leadership Group sets up ESG Core Working Group and Specialized Working Groups to jointly promote and implement ESG related work². During the Reporting Period, the Sustainable Development Leadership Group had launched discussions of many significant ESG projects, held 4 meetings and submitted 1 motion to the Board.

Remark:
2. For details on the governance of climate-related risks and opportunities of the Group, please refer to the chapter "Green and Low-carbon Development-Climate Change Response, Energy Conservation and Carbon Reduction".

Risk Governance

In order to effectively prevent and control all kinds of potential risks that may hinder the sustainable development, the Group incorporates ESG risks into the overall risk management system, working together with various business departments and functional departments to regularly identify, assess, and develop response measures for ESG risks and opportunities involved in the Group's business and processes.

Materiality Analysis

In conjunction with its development strategy, the Group maintains close communication with all stakeholders, keeps up with international ESG development trends and peer performance, and identifies and assesses significant ESG issues. Based on the identified significant ESG issues, the Group has developed ESG policies, strategies and annual management objectives and regularly reviews the progress of ESG-related work. The results of the Group's assessment of material issues for 2024 are detailed in "Sustainable Development Management - Materiality Assessment."



Key Performance

During the Reporting Period
The Sustainable Development Leadership Group held **4** meetings
1 related proposal was submitted to the Board

ESG Management Structure

Board of Directors	<ul style="list-style-type: none">• Develop ESG policies, strategies, and goals, including climate change response• Approve and supervise ESG related matters• Regularly review progress on ESG related goals
Sustainable Development Leadership Group	<ul style="list-style-type: none">• Deploy and manage the implementation of ESG strategies and goals, including climate change response• Control ESG risk management and important issues, supervise the formulation and implementation of risk response strategies and measures• Coordinate and facilitate communication and cooperation among functional departments on significant issues
ESG Core Working Group and Specialized Working Groups	<ul style="list-style-type: none">• Implement daily ESG management work and promote the achievement of ESG strategies and goals, including climate change response• Organize and coordinate specialized projects such as energy management systems, organizational and product carbon footprint accounting, and green factory projects



ESG Risk Management

The Group is committed to actively managing ESG risks and has incorporated ESG risks into its overall risk management process. During the Reporting Period, the Group reviewed and assessed ESG risks through various methods such as policy reports, benchmarking with peers, departmental interviews, and communication with senior management. The Group further analyzed the risks and opportunities, as well as their potential impacts and responses, for the six major ESG risk categories with increased impact. For details on climate-related risks and opportunities, please refer to "Climate Change Response, Energy Conservation and Carbon Reduction" in Chapter 2.

Risk Category	Potential ESG Risks/Opportunities	Potential Impact Analysis	Major Solutions
Product Innovation	Risks <ul style="list-style-type: none">Increased product iteration speed and higher innovation requirements	<ul style="list-style-type: none">Increased R&D costs and higher capability requirements for R&D teams	<ul style="list-style-type: none">Establish a technology innovation incentive mechanism, optimize R&D team building through "internal training and external recruitment, and make up for shortcomings"
	Opportunities <ul style="list-style-type: none">The mechanical transmission equipment business is a high-threshold professional technical industry that requires new products to fill domestic gaps	<ul style="list-style-type: none">Increased market demand for a rich product matrix	<ul style="list-style-type: none">Continue to maintain high R&D investment based on innovation and green developmentProvide a diversified range of wind power gear transmission products and a comprehensive service network for the global market
Intellectual Property Management	Risks <ul style="list-style-type: none">Legal disputes arising from patents, trademarks, or copyrightsDifferences in local intellectual property laws and regulations in transnational operations	<ul style="list-style-type: none">Increased legal disputes may lead to reputational damage and increased compensation costsCompliance gaps may result in legal consequences such as litigation penalties	<ul style="list-style-type: none">Establish a comprehensive intellectual property management systemStrengthen compliance training and enhance the intellectual property protection awareness of all employeesConduct in-depth research on international legal differences, promote patent sharing, and avoid monopolies
	Opportunities <ul style="list-style-type: none">Enhanced market competitiveness, promotion of innovative cooperation, and improved corporate reputation and value	<ul style="list-style-type: none">Through patent protection of technology and trademark shaping of brands, exclusive market advantages can be obtained to attract customers and investments	<ul style="list-style-type: none">Improve the Company's lean manufacturing capabilities and high-quality management level
Sustainable Product Design	Risks <ul style="list-style-type: none">Failure to fully consider the sustainability of resources in the design process	<ul style="list-style-type: none">Leading to increased resource waste and environmental pressure	<ul style="list-style-type: none">Relying on the NGC StanGEAR and NGC WinGear product platforms and core technology platforms, quickly iterate and optimize product design
	Opportunities <ul style="list-style-type: none">Clean energy power generation is receiving increasing attention and importance, with both onshore and offshore installations showing a continuous expansion trend, gradually becoming the mainstream direction for future energy development	<ul style="list-style-type: none">Sustainable design based on the full life cycle urgently needs to be jointly promoted by the value chain	<ul style="list-style-type: none">Continuously monitor the development of green and sustainable design in domestic and international markets, and implement "lightweighting" and "green material selection" in product design and R&D stages

Risk Category	Potential ESG Risks/Opportunities	Potential Impact Analysis	Major Solutions
Emissions Management	Risks <ul style="list-style-type: none">Increasingly stringent government regulations on pollutant and waste dischargesPossible risks of improper disposal by outsourced units	<ul style="list-style-type: none">Continuous improvement of pollutant and waste treatment efficiency increases operating costsImproper disposal may lead to environmental pollution and severe penalties	<ul style="list-style-type: none">Ensure the effective operation of pollutant and waste treatment and management measures, and entrust third parties to conduct regular monitoringStrictly examine the qualifications of outsourced disposal units
	Opportunities <ul style="list-style-type: none">Help companies achieve green transformation and enhance their environmental competitiveness	<ul style="list-style-type: none">Attract more green investment and funding support, while reducing the Company's financing costs	<ul style="list-style-type: none">Promote waste separation, recycling, and reuse
Customer Satisfaction Management	Risks <ul style="list-style-type: none">Rising customer expectations and increasingly diverse needs	<ul style="list-style-type: none">Decreased customer satisfaction may lead to market share loss, brand image damage, and consequently affect the Company's long-term development	<ul style="list-style-type: none">Establish a customer feedback mechanism to collect and process customer opinions in a timely manner
	Opportunities <ul style="list-style-type: none">Continuous improvement of customer satisfaction, increased customer stickiness, and reduced customer turnover rate	<ul style="list-style-type: none">Good customer relationships can increase customer loyalty and repeat purchase rates	<ul style="list-style-type: none">Conduct regular customer satisfaction surveys, analyze results, and make targeted improvementsProvide personalized products and services to meet the needs of different customers
Responding to Climate Change and Carbon Reduction ³	Risks <ul style="list-style-type: none">Acute physical risks, chronic physical risks, transition risks, etc	<ul style="list-style-type: none">Climate change-induced production interruptions exacerbate fulfillment risks, personnel and property safety risks, and impact on operating income	<ul style="list-style-type: none">Develop contingency plans for climate risksConduct organizational and product carbon footprint verification and gradually formulate feasible carbon reduction strategies
	Opportunities <ul style="list-style-type: none">Increasing market demand for clean technologyCountries introduce energy-saving and carbon reduction policies and incentive mechanisms	<ul style="list-style-type: none">Increased operating income, reduced financing costs	<ul style="list-style-type: none">Introduce advanced technologies and increase the use of renewable energy to seize emission reduction opportunitiesActively respond to the national "dual carbon" strategy, promote green manufacturing and energy upgrading and transformation

Remark:




3. For more detailed analysis of climate-related risks and opportunities, please refer to the chapter "Green and Low-carbon Development - Climate Change Response, Energy Conservation and Carbon Reduction".







Stakeholder Engagement

Combining the scope of our sustainable development impact and the industry characteristics, the Group has identified and determined the core stakeholders of the Company. We value the opinions of stakeholders, have established an efficient communication and feedback mechanism, and follow the principles of integrity, interaction, equality, and transparency to actively respond to the demands of stakeholders. Meanwhile, we strengthen communication with stakeholders through various means, actively invite stakeholders to participate in corporate sustainability-related decisions, and listen to their opinions and suggestions, focusing on improve the Group's ESG performance, and striving to achieve harmonious win-win results between the Group and all stakeholders.

Stakeholders' Requirements and the Group's Responses

Stakeholders	Requirements and expectations	Ways of communication	Responses and results
 Customers	<ul style="list-style-type: none"> Integrity and honesty Improve service quality Handle the advice and complaints Protect customer privacy Sustainable product design 	<ul style="list-style-type: none"> Exchange visits with customers Customers' activity days Official website and official account of social media platforms Customer communication via hotline and meetings Customer satisfaction survey Communication of routine business activities 	<ul style="list-style-type: none"> Sales service compliance Guarantee service quality Complaint handling mechanism Customer information confidentiality mechanism Product R&D and green innovation Energy and carbon emissions management
 Suppliers	<ul style="list-style-type: none"> Integrity and honesty Training and empowerment Open and transparent management Mutual benefit and win-win result 	<ul style="list-style-type: none"> Exchange visits with suppliers Meetings of suppliers Official website and official account of social media platforms Communication of routine business activities 	<ul style="list-style-type: none"> Green procurement procedures Responsible sourcing and regular monitoring Sincere communication and cooperation
 Shareholders/ Investors	<ul style="list-style-type: none"> Increase return on investment Reduce operational risks Protect shareholders' rights and interests Information disclosure Operate with integrity 	<ul style="list-style-type: none"> General meeting Regular reports and company announcement Investor communication meetings Official website and official account of social media platforms 	<ul style="list-style-type: none"> Improve operating efficiency Enhance management system Maintain mutual trust with investors Regularly disclose financial reports

Stakeholders	Requirements and expectations	Ways of communication	Responses and results
 Employees and the trade union	<ul style="list-style-type: none"> Enhance compensation and benefits package Employees' development and promotion Occupational health and safety Equal opportunities 	<ul style="list-style-type: none"> Meetings of employee representatives Internal meetings Email and mailbox for the general manager Internal publications Official account of social media platforms 	<ul style="list-style-type: none"> Reasonable remuneration Diversified training channels Protection of labour rights and interests Open recruitment Develop whistleblower protection methods
 Government and regulatory authorities	<ul style="list-style-type: none"> Compliance management Information disclosure Promote local economic development Fulfil corporate social responsibilities 	<ul style="list-style-type: none"> Policies and guidelines Meetings of government Notices of regulation Site investigation Government visit 	<ul style="list-style-type: none"> Comply with local laws and regulations Regularly submit regulatory reports Pay taxes and respond to national policies
 The general public and the neighbourhood	<ul style="list-style-type: none"> Focus on charity Participate in community construction Promote community development 	<ul style="list-style-type: none"> Live interviews Charitable activities Official website and official account of social media platforms 	<ul style="list-style-type: none"> Organize activities for the neighbourhoods Improve the imbalanced educational resources Support rural revitalization Promote employees to volunteer activities Open up complaint channels
 Industry associations/ chamber organizations/ academic institutions/the media	<ul style="list-style-type: none"> Committed to driving quality development in the industry Establish partnerships with non-governmental organizations 	<ul style="list-style-type: none"> Symposiums and presentations Industry exhibitions Official website and official account of social media platforms 	<ul style="list-style-type: none"> Actively participate in seminars and join professional associations Actively participate in standards development Industry-academia-research cooperation



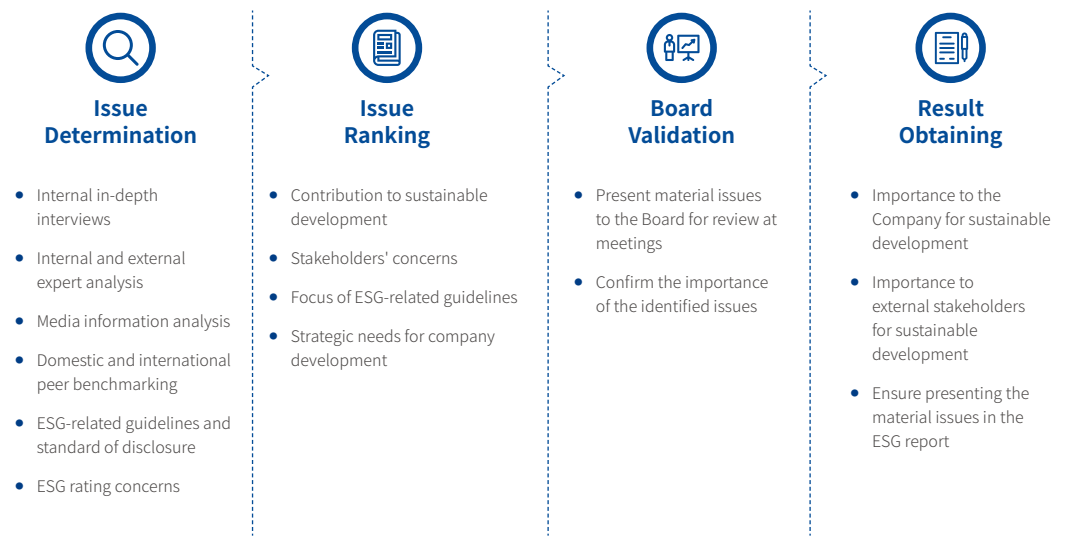
Materiality Assessment

Definition of Material Issues

The Group conducts a materiality assessment annually. During the Reporting Period, on the basis of the materiality assessment from 2023, the Group has understood the latest national strategic directions and stakeholder requirements and has updated the determination of material environmental, social, and governance issues for 2024 by benchmarking with peers, analyzing mainstream reporting standards, examining ESG rating focal points, and conducting interviews with internal and external stakeholders. We have also sorted, categorized and ranked the issues to ensure that the information disclosed in the Report fully covers the key concerns of the Group and its stakeholders.

Identification and Adjustment of Material Issues

In 2024, the Group reviewed and assessed the latest materiality evaluation results. Through the following assessment process, the Group identified 22 ESG issues of higher materiality to the Group and its stakeholders.



Materiality Matrix

China High Speed Transmission's ESG Materiality Matrix





Explanation of Adjustments to Material Issues

In 2024, the Group conducted in-depth research on the materiality of ESG issues. Through communication with stakeholders and benchmarking with peers, the Group adjusted the materiality matrix for the following reasons:

Material Issues	Dimension		Reason for Increase in Importance
	Importance to Stakeholders	Importance to Group Development	
Product Innovation	Increased ↑	Remain unchanged =	In view of the changing market demands and technological advancements, through innovation-driven approach, grasp the latest technological trends and processes, thereby maintaining a leading position in technology
Intellectual Property Management	Increased ↑	Remain unchanged =	Strengthen the protection of the Group's innovative achievements and brand identity, further enhance the Group's lean manufacturing capabilities. Through global patent layout and brand building, the products are launched in more countries and regions around the world
Sustainable Product Design	Increased ↑	Increased ↑	Actively respond to environmental policies, reduce resource consumption, enhance product competitiveness, and meet market demands
Emissions Management	Increased ↑	Increased ↑	Meet policy requirements, win market trust, reduce pollution emissions, and lower environmental risks
Customer Satisfaction Management	Remain unchanged =	Increased ↑	Accurately grasp customer needs, improve product quality and service level, enhance customer trust and loyalty, thereby expanding market share and laying a solid foundation for the Company's long-term stable development



1

Stable and Compliant Operations

Material issues in this chapter

- Corporate Governance
- Risk Management
- Business Ethics and Anti-Corruption

Highlight Performances

- Conducted **8** specialized audit projects
- **100%** employees holding key positions in the Group sign the Employee Compliance Commitment
- **100%** completion rate for employee business ethics and anti-corruption training

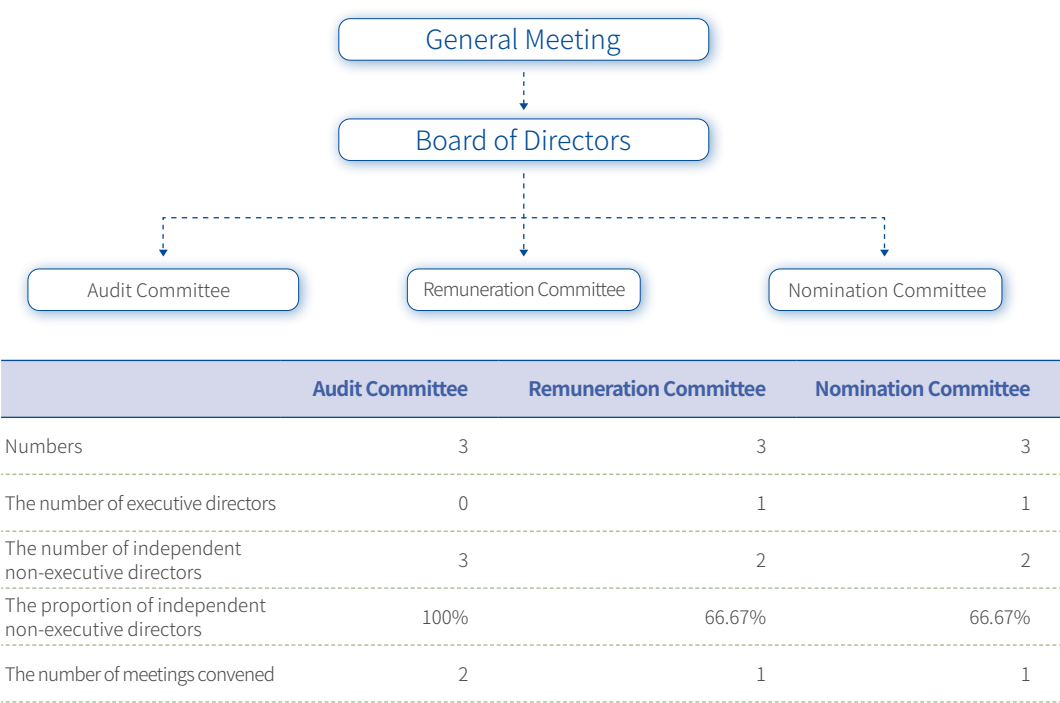




Standardize Corporate Governance

Sound corporate governance serves as the cornerstone of a company's steady and sustainable development. In compliance with laws, regulations, and regulatory rules, including the *Company Law of the People's Republic of China*, the *Securities and Futures Ordinance of Hong Kong*, and the *Listing Rules*, the Group continues to optimize the corporate governance system and drive corporate governance towards quality operation and development.

The Board is responsible for guiding and monitoring the business and strategic plans for the Group and corporate management. Under the Board are the Audit Committee, the Remuneration Committee, and the Nomination Committee as shown below. Each performs its own functions to assist the Board to fulfill its missions as above, propelling the Group to form a management system that features coordination, effective checks and balances, efficient operation, and scientific decision-making.



The Group believes that board diversity contributes to high-quality and sustainable development. In line with this conviction, we have established the *Board Diversity Policy* which explicitly emphasizes our commitment to a merit-first approach to candidate selection. The selection will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service, with a commitment to selecting the best person for the role. Meanwhile, we focus on gender diversity on the Board. During the Reporting Period, the Board continued to maintain two female directors, with the proportion of female directors remaining at 18.18%.

Compliance Risk Management

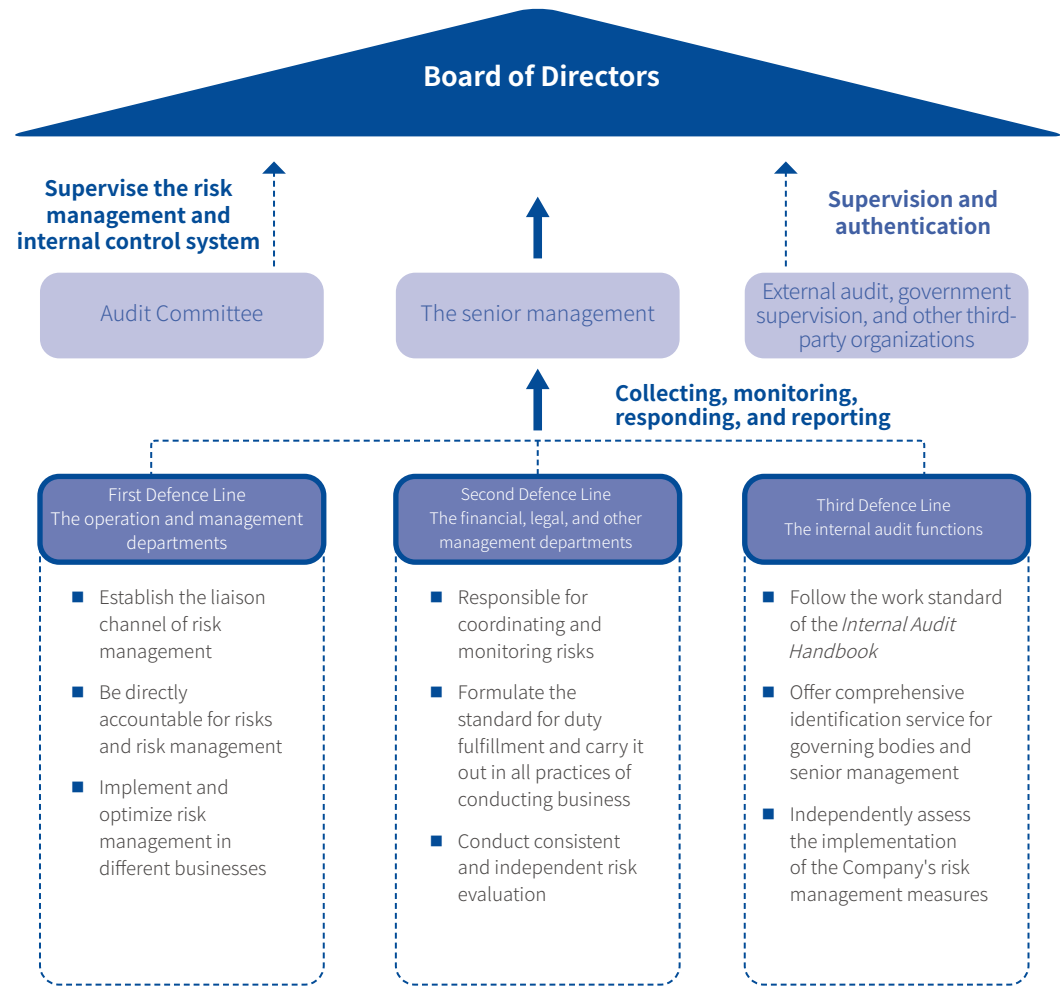
As part of the Group's commitment to legal and compliant operations, risk prevention and the development of risk management capabilities are of paramount importance. To effectively address these priorities, the Group has developed the *Comprehensive Risk Management System* to regulate risk management practices. This framework is established in accordance with the compliance management guidance issued by the relevant national ministries and commissions, the national or regional laws and regulations applicable to the Group's operation, the *Corporate Governance Code* as set out in Appendix C1 to the *Listing Rules*, the COSO Enterprise Risk Management Framework and the ISO 31000:2018 Risk Management Standards. We have also established "Three Lines of Defense" against risks, consisting of the Board, the Audit Committee, and the senior management. As stakeholders of these lines of defense, the Board and the senior management are tasked with setting corporate strategies, strategic objectives, governance structures, and management procedures. The Audit Committee is responsible for reviewing and proposing measures or systems to the Board to enhance the Group's risk management and internal controls. This supports the effective implementation of the three lines of defense framework, enabling the comprehensive management and mitigation of potential risks during our operations.

We remain committed to building a robust internal control system and compliance framework to ensure efficient and compliant business operations. By continuously optimizing our internal processes, including streamlining roles and responsibilities of employees, as well as reviewing and monitoring business processes, we enhance the effectiveness of internal controls. Furthermore, we maintain vigilant about changes in regulatory requirements to ensure the timely and accurate implementation of policies, thereby maintaining our operational resilience.



Additionally, the Audit Committee, the Risk Control Department, and the Legal Department continuously strengthen processes and mechanisms for responding to emergencies and potential risks. We work closely with specialized legal institutions to ensure agile responses to uncertainties while taking swift and targeted actions to uphold our legal rights and interests and those of our shareholders.

The Risk Management Framework and the "Three Lines of Defense"



The Group improves risk management processes on an ongoing basis. We set risk management goals every year and carry out risk identification, evaluation, prioritization and response management through risk sorting and departmental interviews. In 2024, we carried out risk identification and updated the comprehensive risk list for the wind power and industrial business segments, identifying over 600 risk points. In response to the risks identified, we implemented targeted risk prevention measures to enhance our risk defense capabilities, thereby ensuring stable growth.

To enhance the risk awareness of employees and improve the risk management of the Group, we carry out regular risk management training for all employees at different levels every year. In employee orientation and specialized training for employees at different levels and functions, we place a strong emphasis on boosting employees' risk awareness as well as the ability to anticipate risks. We also launched serial training on risk control on the NGC Academy e-learning platform for employees. During the Reporting Period, we conducted comprehensive risk management knowledge training and examinations for employees holding key positions⁴. Meanwhile, internal control training was carried out for middle-level and above employees across the entire group. The training covered all departments, and the completion rate of the training reached 100%.

Remark:
4. Key positions cover the core departments of the main business of the Group, with full coverage of the Purchasing Department and Marketing Department, and all supervisors and above of other departments.

Risk Awareness Building

- Promotion and implementation of policies**
Regularly revise the company-level policies according to the changes in national laws and the external environment and publicize them to all employees.
- Increase risk awareness of senior executives**
Provide risk management awareness training for senior executives.
- Training and examination for employees holding key positions**
Conduct training and examination on comprehensive risk management, internal control, and internal audit for employees holding key positions.
- New employee training**
New employees must undergo risk management training and can be formally employed only after completing the training.
- Promote risk awareness through auditing**
Standardize the audit process and standards, and promote risk management awareness in auditing.



Business Ethics and Anti-corruption

The Group is committed to fostering a clean and honest working environment. The Board serves as the primary body responsible for business ethics and is tasked with establishing and implementing an anti-corruption system. We have established multiple internal management policies to regulate business ethics management within the Group. Among these, the *Anti-corruption Policy* is an important component of the Group's corporate governance framework. It works in conjunction with the *Whistleblowing Policy*, the *Commitment Letter of the Management of the Group* and the *Business Conduct and Ethics Guidelines*, the *Procedure for Anti-Fraud Reporting Management Procedure*, and the *Employee's Commitment of Compliance* of its subsidiaries, to create a standardized mechanism for investigating and reporting corruption, bribery and any unethical business behavior. Besides, we ask all partners and contractors to abide by our rules of business ethics and prevent unfair competition and corruption from happening by organizing anti-corruption training for our suppliers and requiring them to sign the *Transparency Agreement*.

Additionally, we have established rules such as the *Internal Auditing Handbook* and the *Outgoing Audit*, among others, to build an independent internal audit system that aligns with the development of the Company, covers business ethics audits, and strictly standardizes related matters. We conduct business ethics audits of the Group's businesses on an ongoing basis. Every year, we carry out checking, audit, internal control, and special inspection on 24 business cycles, covering business ethics and anti-corruption. We also adjust the inspection plan based on the risk level and industry dynamics, summarize the problems based on the inspection results, and make continuous improvements. The Group's internal audit covers 100% of the business scope of the wind power and industrial business segments. During the Reporting Period, we completed 8 auditing projects, including special audit, and specialized audit projects.

Anti-Corruption

The Group strictly complies with such laws and regulations as the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Interim Provisions on Banning Commercial Bribery*. In Hong Kong, we also refer to the *Prevention of Bribery Ordinance*. In order to continuously improve the anti-corruption rules and regulations, we have formulated the *Anti-Corruption Policy* at the Group level. We hold zero-tolerance towards bribery and corruption in any form and require all persons who provide services to or act on behalf of the Group (including suppliers, service providers, contractors, and customers) to strictly comply with the policy. We strictly prohibit soliciting or accepting bribes or improper benefits from others in relation to the Group's business activities in any region. Upon discovery, we will take strong action against corruption and fraud, and any employees in violation of these rules will be subject to stringent punishments by the Company.

At the subsidiary level, we have established the *Business Conduct and Ethics Guidelines*, laying out a clear definition of stakeholders and clarifying the hiring, position, payment, and business interaction of stakeholders. We require employees to regularly report their stakeholders to reduce their susceptibility to corruption and thus create an honest and transparent working environment.

Measures against Corruption

- The CEO signs and issues the *Commitment Letter of the Management* annually to set an example of integrity and self-discipline for the management team.
- All employees holding key positions in the Group sign the *Employee Compliance Commitment*.
- We conduct anti-corruption and anti-fraud training and examinations for all employees, and incorporate anti-corruption requirements into the onboarding training materials for new employees to fully convey the Group's anti-corruption management requirements.
- We popularize risk control knowledge and publicize anti-fraud policies to all employees through the Group's WeChat official account and internal quarterly publications.
- All suppliers are required to sign the *Transparency Agreement*, which has been included as one of the mandatory documents for all new suppliers.
- We interview and evaluate suppliers regarding anti-corruption practices to assess their compliance with standards related to their business dealings with the Group.



Over the past three years, the Group had

- **No** corruption-related litigation cases occurred
- **No** employee who was dismissed or disciplined due to corruption
- **No** termination of contracts with business partners due to corruption-related violations

We promote the anti-corruption messages to our employees through various promotion, education, and training events, striving to promote a culture of integrity and self-discipline. We incorporate training on business ethics and anti-corruption into our training system for all employees, requiring them to complete these training sessions. To ensure that our employees understand and act in accordance with the *Business Conduct and Ethics Guidelines*, we organize online training and tests annually for employees holding key positions, strengthening employees' awareness of business ethics constantly.



Key Performances

The completion rate of employee training on business ethics and anti-corruption in 2024 was **100%**

Against Unfair Competition

The Group strictly abides by national and international laws and regulations including the *Civil Code of the People's Republic of China*, and the *Anti-Unfair Competition Law of the People's Republic of China*. To establish an honest and fair competition mechanism and prevent unfair competition from happening, we set out special investigations based on reported evidence. Over the past three years, we didn't receive any lawsuits for unfair competition.

Complaints and Whistleblowing

The Group encourages all stakeholders to report any incidents that might violate the regulations on business ethics. To ensure a prompt and effective response to the requests of stakeholders, we have issued the *Whistleblowing Policy* and the *Anti-Fraud Reporting Management Procedure*, which regulates the reporting practices and serves as a clear mechanism for complaining and reporting. Real-name or anonymous reporting may be conducted in the following ways:



Telephones

- +86 25-8509-9264
- +86 25-8509-9477



Emails

- whistleblowing@chste.com
- REPORT12345@NGCtransmission.com



Mails or in-person visits

- Audit Committee, Room 1302, 13th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
- Risk Control Department, No. 9 at Caiwen Road, Science Park, Jiangning District, Nanjing City, China



Complaints

- Immediate manager
- Corresponding human resources personnel
- The corporate management
- Company union

To safeguard the independence and impartiality of report handling and investigation, we have appointed the Risk Control Department as the specialized body for anti-fraud investigations, which presents its findings directly to the Chairman of the Board. We are committed to maintaining strict confidentiality regarding the personal information of whistleblowers and the content of their reports. In line with this commitment, we expressly forbid any revenge against complainants. Anyone who takes revenge will face disciplinary actions, including the termination of the employment contract. To encourage stakeholders to actively report behaviors that violate business ethics, we have established an immunity provision. Specifically, if partners voluntarily report misconduct or provide relevant information that is later verified through investigation, we will continue our cooperation with them. Additionally, depending on the circumstances, we may refrain from holding them accountable for their violations or exempt them from penalties.



Data Security and Privacy Protection

We place a high priority on data security and privacy protection to prevent the leakage of information, data and trade secrets. In 2024, we further refined our regulatory framework by introducing the *Management Policy of Information Equipment and Information Security*. The aim was to elevate the utilization efficiency and management standards of information equipment, ensure the security, reliability, integrity, and validity of information and data, and mitigate risks associated with information leakage and misuse, ultimately enhancing the information security management within the Group. We have also established customer information confidentiality-related policies such as the *Customer and Supplier Property Control Procedures*. For customers' intellectual property, including patents, product specifications, and business secrets, we have established comprehensive procedures and requirements, as well as standards and confidentiality measures for the handling of customer information.

During the Reporting Period, we implemented a series of information security and privacy protection measures focused on cybersecurity, system security, and data security. These efforts have continually enhanced our proactive defense capabilities in information security, ensuring smooth business operations. Additionally, we organized information security training and assessments for all employees, along with internal phishing email tests, to increase awareness and vigilance regarding information security among staff.

Data and Information Security Measures of the Group



Cybersecurity

- Establish a server O&M network and restrict computer access to reduce operational exposure risks and enhance intranet security;
- Refine the process system, and standardize activation and server application procedures to enhance efficiency.



System security

- Establish a hyper-converged disaster recovery backup system to achieve rapid recovery and backup and minimize the risks of security vulnerabilities and data loss;
- Upgrade security devices, antivirus software systems, and general desktop software to enhance protection capabilities;
- Regularly audit terminal software and remove unauthorized software.



Data security

- Implement patch fixes for server vulnerabilities and monitor and rectify weak passwords to enhance security capabilities;
- Establish an anomaly alert platform for tracking external file sharing, outgoing emails, USB downloads, and drawing retrieval records to strengthen data leakage prevention capabilities.

Upon detecting an information leakage, we will promptly take remedial measures and notify the relevant departments and responsible persons. A series of follow-up actions, including investigation and assessment, isolation and remediation, as well as notification and communication, will be taken to prevent further escalation of the incident. We will also conduct in-depth summaries and analyses of the incident, regularly review and update emergency plans, and enhance overall data security within the Group.

The Group is dedicated to compliant marketing. In compliance with the *Advertising Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, among other laws and regulations, the Group stringently manages information outlets, including print media, televisions, the internet, and streaming media to ensure the legitimacy, authenticity, and accuracy of our publicity.



Key Performances

During the Reporting Period, the Group had

No information security incidents

No lawsuits related to customer privacy

2

Green and Low-carbon Development

Material issues in this chapter

- Climate Change Response and Carbon Reduction
- Energy Management
- Water Resource Management
- Resource Recycling
- Emissions Management
- Business Continuity

Highlight Performances

- During the Reporting Period, all **5** subsidiary companies of the Group's **3** major business segments of wind power, industrial and rail transit obtained ISO 14001:2015 Environmental Management System Certification and ISO 50001:2018 Energy Management System Certification, with **100%** coverage of the nine core production plants
- The usage of renewable energy **50,844.11**MWh, increased by **63.04%** compared to 2023
- The recycling rate of packaging materials (steel frame and wooden frame) for the main gearbox in the domestic wind power business segment has reached **94.04%**
- The total investment in environmental protection of the Group **12,953,300**RMB, increased by **1.15%** compared to 2023



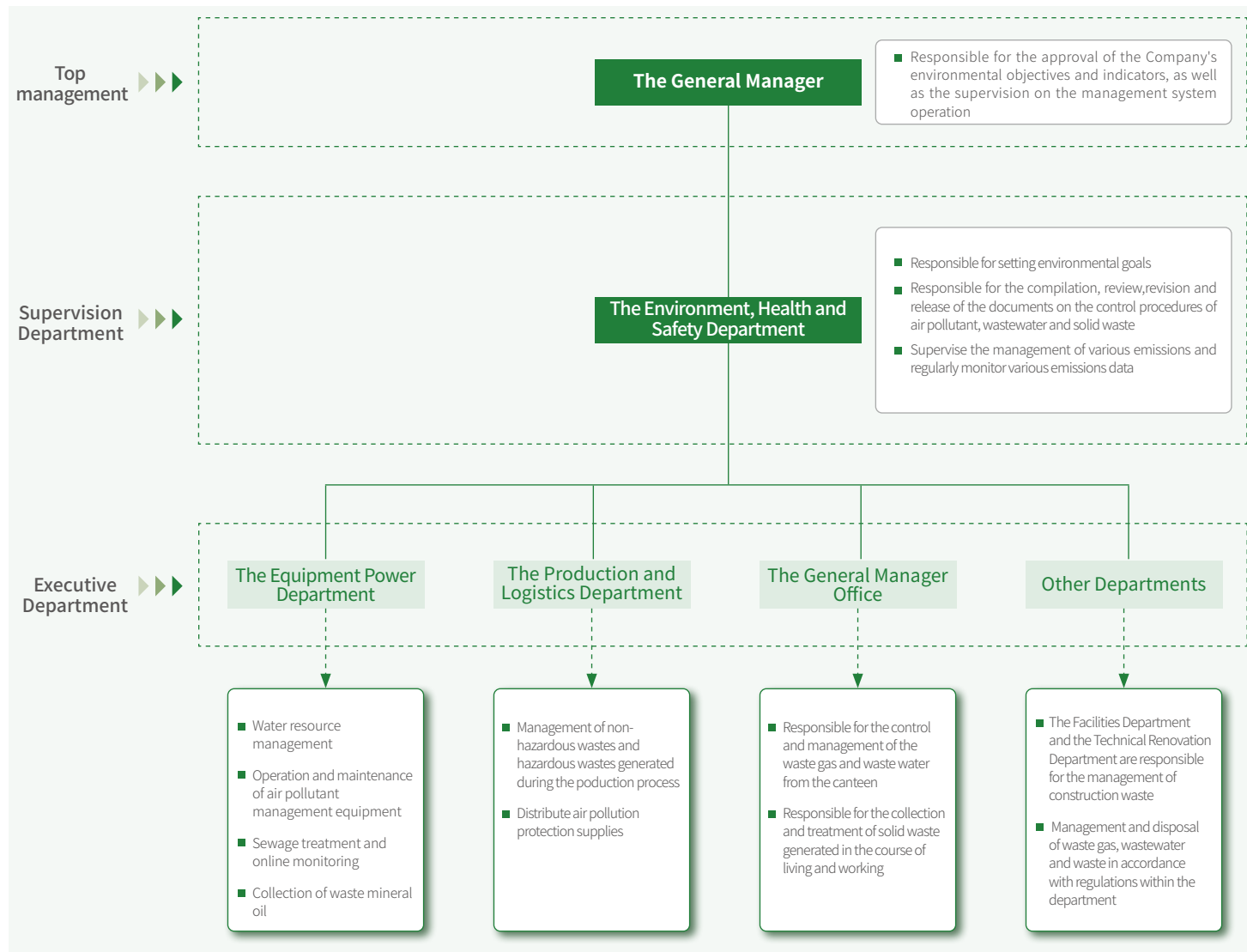
Environmental Management System

Adhering to the concept of green development, the Group has always ensured compliance with environmental management regulations. We continue to improve our environmental management system. Through environmental protection performance appraisal, environmental risk evaluation, and internal and external system reviews, we are able to ensure the efficient operation of the environmental management system. Meanwhile, implementing guideline of green and environmental protection, the Group strives to build green factories and promote green transition and upgrading.

● Environmental Management System

The Group has strictly complied with environmental protection laws and regulations in China such as the *Environmental Protection Law of the People's Republic of China* and the *Cleaner Production Promotion Law of the People's Republic of China*. Additionally, the Group has developed and updated internal management policies, such as the Environmental and Occupational Health and Safety Management Manual in accordance with the standards and requirements such as *ISO 14001:2015 Environmental Management System*. Furthermore, the Group has continuously strengthened the effective control of air pollutants, wastewater, waste and other discharges in production and operation activities. In addition, we have consolidated the environmental management structure and responsibilities to ensure the effective operation of the environmental management system.

■ Environmental Management Structure





The Group always attaches great importance to environmental management and regularly conducts environmental risk identification and assessment in order to identify potential environmental hazards and clarify the main responsibility for environmental safety. The Group conducts regular internal and external audits every year to continuously strengthen the effectiveness of environmental management efforts and risk respond capabilities. The subsidiaries of all major business segments have completed annual internal and external audits on environmental management systems and integrated the recommended rectification measures into daily production and management for continuous improvement. The internal and external audits cover all aspects of environmental impact assessment, such as air pollutants, wastewater, hazardous waste, non-hazardous waste (solid waste), noise, hazardous chemicals, emergency management, ensuring 100% compliant disposal. During the Reporting Period, all five subsidiary companies of the Group's three major business segments of wind power, industrial and rail transit obtained ISO 14001:2015 Environmental Management System Certification, with 100% coverage of the nine core production plants.

Environmental Management System Certification of Main Companies



Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification



NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification



Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification



Nanjing High Speed & Accurate Rail Transportation Equipment Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification



To urge all departments to implement green production and enhance environmental protection enthusiasm, the Group has formulated the *EHS Performance Assessment Regulation*, which will analyze the fulfillment of EHS responsibilities of each department on a quarterly basis and impose corresponding incentives or penalties based on the results. The Environment, Health and Safety Department will also conduct annual EHS performance assessment on the management at all levels annually, and the results will be credited to the promotion and salary increment of the management.

The Group has comprehensively assessed environmental risks and prepared the *Corporate Risk Assessment Report on Environmental Emergencies*, clarifying institutional, material and financial guarantees for environmental emergency management, to scientifically and effectively prevent environmental risks. For the identified potential risks, the responsible departments formulate corrective measures and continuously monitor the progress until the rectification is completed. Additionally, we have formulated the *Emergency Plan for Environmental Emergencies* and conducted emergency drills for possible environmental emergencies. These measures are designed to improve employees' ability to respond to environmental risks and accidents and effectively reduce the adverse impacts caused by environmental accidents.



An emergency drill for wastewater exceedance

In April 2024, the Group organized an emergency drill for wastewater exceedance to better verify the effectiveness and feasibility of the *Response Plan for Wastewater Exceedance Emergencies*. The Group also assessed the reasonableness of the on-site disposal process and disposal measures, so as to improve employees' capability to properly resolve environmental accident. In the simulation, the concentration of COD in the wastewater discharged from the sewage station exceeded the warning threshold. The relevant personnel immediately activated the emergency response plan, investigated the causes and took effective emergency measures to control the spread of pollution in a timely manner. This drill has enhanced employees' emergency response and disposal capabilities, and accumulated valuable experience for the Company in dealing with similar environmental emergencies.



● Implementing the Green Concept

During the Reporting Period, the Group provided training sessions on environmental topics, covering the latest laws and regulations, air pollutant management, water resource and wastewater management, hazardous and non-hazardous waste management, identification and evaluation of environmental factors, and development of green factories, among others. The Group also set up exams to assess training effectiveness, so as to comprehensively enhance employees' awareness of green and environmental protection in relevant positions and strengthen environmental management capability.

In addition, we attach equal importance to fostering the environmental awareness of external stakeholders such as resident personnel, on-site workers, and temporary on-site non-workers. Thus, we have formulated the *Environment, Health and Safety Management Policy for Stakeholders*, specifying the requirements for the management of the stakeholders' entry into the plant and their work within the plant by the responsible departments. Moreover, we also provide stakeholders with targeted training on environmental protection, including wastewater treatment, hazardous waste treatment, and unorganized waste gas emission. These training sessions are designed to ensure that the stakeholders are aware of the Group's environmental management requirements.

The Group's environmental management efforts have also been recognized. As at the end of the Reporting Period, the Group's subsidiaries, Nanjing High Speed Gear Manufacturing Co., Ltd., NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd., NGC (Baotou) Transmission Equipment Co., Ltd. and Nanjing High Speed & Accurate Gear (Group) Co., Ltd., have all been awarded the title of "Green Factory". In addition, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was awarded the title of "Green Benchmark Enterprise of Huai'an".

Environmental Pollution Prevention and Control

The Group insists on green production. In specific, we have formulated a series of sound and strict pollutant discharge management policies, so as to ensure that all emissions are treated and disposed of in a standardized manner. Meanwhile, we introduce efficient environmental protection technologies and equipment, continuously improve production processes, and carry out pollution control projects. Through these measures, we are able to monitor the full lifecycle of pollutants, and minimize the generation and emissions of pollutants, so as to effectively reduce environmental pollution.

● Emissions Management

The Group strictly complies with all national and local laws, regulations, and standards regarding the discharge of air pollutants, wastewater, and waste. Based on the actual production and operation situation of the enterprise, we have formulated and continuously revised the pollutant discharge management system, and clearly assigned responsibilities to subsidiary companies and departments to progressively improve and optimize emissions management.

To effectively implement emissions management, we have formulated the *Environmental Facilities Operation Management Regulation* to strengthen the operation, supervision and management of environmental facilities and to ensure their normal operation. We have established detailed operating procedures for all pollution prevention and control facilities, and designated specialized personnel for daily inspection and maintenance. This ensures that all the facilities in the plant are in good condition before the operation begins.

To enhance environment monitoring, we adopt both manual and automatic methods to monitor the pollutant indicators of waste gas and wastewater. We carry out automatic monitoring especially on non-methane hydrocarbon in waste gas, as well as wastewater volume, pH and COD, and conduct manual monitoring on other factors. We have installed continuous emission monitoring systems for flue gas at various emission outlets to conduct real-time monitoring of pollutant emission indicators, specifically targeting non-methane hydrocarbons among atmospheric pollutants. We network the system with the provincial and municipal ecology and environment bureaus, and commission a professional third-party institution to carry out operation and maintenance on a 24-hour basis. In terms of manual monitoring, we engage a qualified inspection and testing institution to carry out quarterly monitoring. We promptly upload the monitoring data to the automatic monitoring platform of Jiangsu Province and the National Pollutant Discharge Permit Management Platform as required. Meanwhile, we conduct inspections of environmental discharge from time to time and accept government supervision and monitoring. In the event of any discharge violation, exceedance of emission limits, or absence of environmental facilities, we will hold the person in charge accountable and address the issue in accordance with the *EHS Performance Assessment Regulation*.

During the Reporting Period, all outlets and concentrations of pollutant emission indicators of the Group met the pollutant discharge permits, and no incidents of punishment due to excessive pollutant emissions have occurred.



Air Pollutants

Strictly following the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the Group has formulated internal systems such as the *Air Pollution Prevention and Control Procedure*. We have taken a series of measures, such as optimization of raw and auxiliary materials, improvement of production processes, introduction and modification of waste gas treatment facilities, and restrictions on transport vehicles to reduce air pollutant emissions. The Ministry of Ecology and Environment has issued pollutant discharge permits for each type of waste gas pollutant generated by the Group. The Company's emission of all types of air pollutants are in compliance with the standards, and the actual emissions are far below the requirements of the standards.

Measures to Control Air Pollutants of the Group

Measures	Description	Achievements
Optimize raw and auxiliary materials	■ Replace the raw and auxiliary materials with primer-topcoat coatings with lower VOCs	■ The adoption of environmentally friendly materials reduced paint usage and VOCs emissions
	■ Use environmentally friendly quenching medium, free of non-environmentally friendly aldehydes	■ Reduced formaldehyde emissions to benefit environmental protection and human health
Improve production processes	■ Apply continuous carburizing quenching process and convert from open-topped equipment to fully sealed equipment	■ Prevented unorganized waste gas emissions by reducing quenching oil consumption and completely collecting waste gas
Introduce waste gas treatment facilities	■ Introduce new natural gas desulfurization and purification equipment in the wind power business segment, which is expected to reduce the total sulfur in natural gas to 3mg/m ³ through adsorption, and significantly reduce unorganized emissions of sulfur dioxide	■ Enhanced the effectiveness of waste gas treatment and reduced unorganized waste gas emissions
	■ Add new waste gas treatment equipment for paint lines and hazardous waste depots in the wind power business segment	
Renovate workshop	■ Removed 2 paint coating lines and 5 drying rooms from No. 30 Houjiiao Road Factory in 2024. Re-plan the dismantled site for the construction of the "Optical Shaft Production Line Construction and Process Upgrading Project"	■ The renovation project reduced the current year's pollutant emissions, particularly non-methane hydrocarbon emissions by approximately 20%
Conduct restrictions on transport vehicles	■ 100% of vehicles comply with the "China V" vehicle emission standards or above in the transportation process	■ Reduced exhaust emissions during transportation

Waste Gas Treatment Processes and Effect per Processing Section

Processing section	Waste gas treatment process		Treatment effect	Online monitor
 Heat treatment section	Nitriding section	Exhaust gas neutralizer (efficient combustion)	→ Realize efficient ammonia removal and ultra-low emission, with emission rate 96% below the standard limit	Real-time monitoring: Discharge data are directly connected to supervisory departments, online monitor of emission concentration and rate of exhaust pollutants to detect unusual data in time, reducing the risk of exceeding the emission standard Emergency mechanism: If any data are unusual, the alarm device will be activated immediately to alert the personnel onsite. This mechanism has improved the response efficiency
	Shot blasting section	Cyclone dust removal + cartridge dust removal	→ Use multi-stage dust removal processes with dust removal efficiency up to 95%	
	Carburizing section	Wet dust removal + primary spraying + primary dust removal + secondary spraying + high-efficiency dust removal	→ Ensure no visible black smoke at the outlet with treatment efficiency increased to 90%	
 Hobbing and milling section	Primary oil removal + high-efficiency oil removal + molecular cracking integration + tail cracking		→ 100% compliance with emission standards Achieved extremely low concentration emissions regarding some indicators	
 Coating section	Pretreatment + zeolite rotor + RTO catalytic combustion		→ Treatment efficiency increased to 98%	
 Cleaning section	Scrubber tower + dry filtration + desorption + condensation recovery		→ Treatment efficiency increased to 90%	
 Polishing section	Venturi wet dust removal + mist removal		→ Treatment efficiency increased to 90%	

The Target of Air Pollutants of the Main Factories in the Wind Power Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
VOC emissions	≤ 18.89 tonnes	1.54 tonnes	☑

The Target of Air Pollutants of the Main Factories in the Industrial Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
VOC emissions	≤ 5.74 tonnes	2.49 tonnes	☑

Data on Air Pollutants

Indicators	Unit	2024 ⁵	2023 ⁶
Emission of nitrogen oxides	kg	1,665.83	2,224.81
Emission of sulphur oxides	kg	65.61	142.39
Emission of particulate matter	kg	3,778.73	4,564.99 ⁷

Remark:

- In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on air pollutants.
- In 2023, the data on air pollutants covers the wind power business segment and the industrial business segment.
- To improve data quality, we have revised the data for 2023.



A new hydro cleaning room designed to significantly reduce VOCs emissions

The rail transit business segment continuously increases investment in environmental protection to promote green production. During the Reporting Period, we invested RMB 1.38 million in a new hydro cleaning room, and replaced all solvent-based cleaning agents with high-pressure water containing 4% water-soluble cleaning agents. Wastewater generated during the cleaning process is collected separately and subsequently sent to a wastewater treatment station for professional treatment. This initiative is able to reduce VOCs emissions by 90%, effectively lowering air pollutant emissions.



A New Hydro Cleaning Room





Wastewater

Following laws and regulations such as the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *GB 8978-1996 Integrated Wastewater Discharge Standard*, the Group has formulated internal rules including the *Wastewater Control Procedure* and the *Wastewater Discharge Management Regulation*. Also, various wastewater prevention and control measures have been taken to strengthen the supervision of wastewater and make every effort to ensure that wastewater meets discharge standards.

Wastewater Prevention and Control Measures Adopted by the Group

Measures	Description	Achievements
Upgrade wastewater treatment standards	<ul style="list-style-type: none">A low-temperature evaporation system is used to evaporate and concentrate wastewaterAdd MBR system in the biochemical treatment section, increase the residence time and sludge concentration in the aerobic section to ensure the stability of ammonia nitrogen, total phosphorus and other indicators	<ul style="list-style-type: none">Reduced energy consumption while reducing pollutant concentration, improved the removal efficiency of COD, ammonia nitrogen and total phosphorus, and effectively prevented eutrophication in water bodiesAchieved substantial savings in chemical use compared to traditional disposal methods
Surface the ground with anti-seepage materials	<ul style="list-style-type: none">Surface the ground with hardened flooring and feature anti-seepage installations in wastewater stations, hazardous waste storage sites, and hazardous chemical storage sitesDuring production, any spilled chemicals shall be promptly contained and specially treated, with strict prohibition of direct rinsing into drainage systems	<ul style="list-style-type: none">Prevented wastewater and chemical leakage from key areas from seeping into the soil or flowing into the sewer system
Renovate underground wastewater pipes	<ul style="list-style-type: none">Switch underground pipes to above-ground open ones and realized remote pumping through electric control	<ul style="list-style-type: none">Solved the problem of transporting wastewater at the terminal equipment such as heat treatment equipment and avoided soil contamination caused by leaking underground pipes
Iron filings deoiling and dewatering rectification	<ul style="list-style-type: none">The wind power business segment has installed mesh plates at the bottom of all the iron filings carts and iron filings pools for static placement and oil separation. A new iron filings pool has been added for static placement of casting iron filings and is equipped with a tipping machine, with remarkable effect of separation of filings and oil fluids	<ul style="list-style-type: none">Reduced oily pollutants in wastewater at the source, contributing to wastewater prevention and control
Rainwater shut-off valves retrofit	<ul style="list-style-type: none">Install additional cut-off valves for existing rainwater outlets, to cut off and dispose of wastewater, oil and other pollutants in a timely manner when they enter the rainwater pipes	<ul style="list-style-type: none">Prevented pollution caused by wastewater, oil, and other pollutants running out of the plant
Turn off air conditioning to reduce wastewater discharge	<ul style="list-style-type: none">Control comfort air conditioning switch-on periods. Turn off comfort air conditioning in a timely manner to reduce condensation and lower the operational load of the wastewater station	<ul style="list-style-type: none">Compared to when the air conditioning is in operation, the daily average wastewater discharge volume decreases by 300 cubic meters

Data on Wastewater⁸

Indicators	Unit	2024 ⁹	2023
Total wastewater discharge	m ³	333,892.22	236,105.00

Remark:
8. The data on wastewater covers the wind power business segment and the industrial business segment.
9. In 2024, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on wastewater of the Group has increased.

Installation of on-line pollutant monitoring equipment

During the Reporting Period, the Group's wind power business segment installed on-line monitoring equipment for ammonia nitrogen and total phosphorus, which greatly enhanced the operational efficiency of the biochemical section. With the equipment, ammonia nitrogen decreased from 14.08 mg/L to 6.45 mg/L on average and total phosphorus decreased from 1.42 mg/L to 0.39 mg/L on average.



● Waste

The Group strictly complies with relevant laws and regulations such as the Law of the *People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*. And follows the *GB 18597-2023 Standard for Pollution Control on Hazardous Waste Storage*, we have developed internal systems such as the *Solid Waste Control Procedure* and *Waste Management Regulation* to regulate waste management and ensure the discharge and disposal of waste meet regulatory requirements.

The Group monitors the solid waste in a full lifecycle to ensure a traceable line from its production, collection, storage, and transfer. Upholding the principle that "whoever produces, registers, and transfers the waste should be held accountable", we combine the full-cycle record with the responsible person system, achieving effective management of waste. Meanwhile, we monitor the amount of waste generated by various facilities and entrust qualified third-party institutions to properly dispose of the waste generated in production and operation. During the Reporting Period, the collection, storage, transfer and disposal of waste by the Group met the requirements of relevant environmental protection departments.

The Group continues to carry out measures to prevent and reduce hazardous and non-hazardous waste, aiming to effectively reduce the generation of various types of waste and minimize environmental pollution.

■ The Group's Hazardous Waste Prevention and Reduction Initiatives

Measures	Description	Achievements
Reduce waste at the source, process and end	■ The industrial business segment continues to monitor equipment for oil and water leaks and promote the use of primer-top-coat coatings. The business segment also adopts recyclable activated carbon under the premise of compliant emission, which is recycled and disposed of by manufacturers for reuse	■ Total annual waste produced decreased by 8.20% and waste produced per unit of product weight decreased by 12% compared with 2023
Optimize solvent-based cleaner for components	■ Introduce new solvent-based cleaner. The improved cleaner can reduce the amount of usage while meeting the COD and phosphorus concentration targets for wastewater discharge as well as the requirements for component cleaning prior to assembly	■ The usage of solvent-based cleaner was reduced by 50%, leading to a significant reduction in the generation of waste cleaner
Adopt high-efficiency gear hobbing machines	■ The industrial business segment replaces gear hobbing machines with high-efficiency ones. It reduces noises in the production area and realizes air-sealed cooling to reduce leakage and hazardous waste generation	■ Reduced generation of waste oil and oily wastes from production
Conduct dry processing of sludge	■ Introduce sludge drying processing equipment to dry sludge and dross	■ Reduced sludge production by lowering the water content. The weight of dried dross was reduced by about 27%
Optimize spraying equipment and processes to reduce paint usage	■ Improve nozzle equipment, spraying and painting processes, and spraying procedures	■ Reduced the amount of paint used by 10%
Modify waste gas treatment facilities	■ Modify the waste gas treatment facilities of the paint coating lines in No. 9 Caiwen Road Factory into a waste gas treatment system. The new system with "pretreatment + zeolite rotor + regenerative thermal oxidation (RTO)" processes reduce the generation of waste activated carbon	■ The waste activated carbon was reduced by about 10 tonnes/year



The Group's Non-Hazardous Waste Prevention and Reduction Initiatives

Measures	Description	Achievements
Optimize component processing technique	<ul style="list-style-type: none"> The processing technique for some components is time-consuming and consumes the life of the tool. The technique is optimized to reduce the amount of cutting and shorten processing time so as to save tool life 	<ul style="list-style-type: none"> Reduced the replacement cycle of tools after the processing improvement
Develop a specialized calculation tool	<ul style="list-style-type: none"> The procurement of milling cutter disk requires the provision of data point coordinates for the cutter tooth profile. Manual comparison is prone to errors, and result in tool scrap. Develop specialized computational tools for improvement. After improvement, the labor time is shortened and the possibility of tool scrap is reduced 	<ul style="list-style-type: none"> Reduced the annual cost for lost parts and tool repair due to data point errors

Data on Waste

Indicators	Unit	2024 ¹⁰	2023 ¹¹
Total wastes	Tonne	51,253.29	37,313.13
Total hazardous wastes ¹²	Tonne	1,497.64	1,395.84
Total non-hazardous wastes ¹³	Tonne	49,755.65	35,917.29
Intensity of total wastes	kg/tonne of production	95.04	81.44
Intensity of hazardous wastes	kg/tonne of production	2.78	3.05
Intensity of non -hazardous wastes	kg/tonne of production	92.26	78.39

Remark:

10. In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on waste. Besides, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on waste of the Group has increased.

11. In 2023, the data on waste covers the wind power business segment and the industrial business segment of the Group.

12. The classification of hazardous waste is based on the *Directory of National Hazardous Wastes (Version 2021)*.

13. Non-hazardous waste includes grinding metal chips, wood, iron filings and scrap steel generated during the production operations of the Group.

The Target of Waste Emissions of the Main Factories in the Wind Power Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Total hazardous waste emissions	≤ 796.80 tonnes	546.30 tonnes	☑
Hazardous waste emissions per unit weight	≤ 3.29 kg/tonne of production	2.25 kg/tonne of production	☑

The Target of Waste Emissions of the Main Factories in the Industrial Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Total hazardous waste emissions	≤ 471.50 tonnes	234.16 tonnes	☑
Hazardous waste emissions per unit weight	reduced by 10%	reduced by 12%	☑





Climate Change Response, Energy Conservation and Carbon Reduction

The Group has deeply recognized the far-reaching impact of climate change on economic and social development, and actively responds to the national dual-carbon strategy objective of "Carbon Peak and Carbon Neutrality". The Group promotes energy saving and consumption reduction, effectively manages climate risks and grasps the opportunities for green development through technological innovation and management upgrading.

Climate Change Response

Based on the recommendations in the *Guidance on Climate Disclosures* by HKEX, the Group has constructed and improved internal climate governance mechanism. The mechanism helps the Group to effectively cope with climate change related risks and to seize the potential development opportunities.

Governance

Group recognizes the importance of climate change and clarifies responsibilities and mechanisms for climate change related work based on the ESG management framework. The members of the Board of Directors and the management team of the Sustainable Development Leadership Group conduct deliberation, decision-making and supervision of climate change related work. Meanwhile, an ESG Core Working Group and a specialized working group on energy and carbon emissions have been set up under the Sustainable Development Leadership Group. The two groups are responsible for conducting and continuously promoting the identification, assessment and response to climate change-related risks and opportunities. In this way, we aim to gradually integrate climate change response strategies into the Company's overall strategic planning, risk management and daily operations.

Strategy

According to the Group's business features and geographical locations, we comprehensively identified the risks and opportunities related to climate change. In addition, we evaluated potential financial impacts, likelihood of occurrence and the level of impact from various aspects, such as policy factors, social impacts, business continuity, industry development trends, and corporate development directions. Meanwhile, based on the evaluation results, we have developed main response measures correspondingly. Through these measures, we aim to minimize the negative impact of climate change on our business, and actively explore and capitalize on the potential opportunities, thereby safeguarding the sound development of our business.

Evaluation Dimension for Climate-related Risks and Opportunities

Likelihood of occurrence	■ High: Frequent occurrence of similar incidents in the past or a clear trend indicating an imminent risk
	■ Medium: Occasional occurrence of similar incidents in the past
	■ Low: Rare occurrence of similar incidents in the past
Level of impact	■ High: It may cause significant financial losses, or serious disruption of the Company's normal production and operation, employee health and safety, with severe damage to the brand image
	■ Medium: It may cause certain financial losses, or disruption of part of the business, with certain negative impact on the brand image, which can be recovered through active public relations measures
	■ Low: It may cause minor financial losses, or slight disruption of the Company's daily operation, with limited impact on the brand image



Types of risks/opportunities	Detailed description	Potential financial impact	Likelihood of occurrence	Level of impact	Major solutions
Physical risks -acute physical risks	<ul style="list-style-type: none"> Frequent occurrence of catastrophic climate (e.g. rainstorms, typhoons) and extreme weather conditions (e.g. extreme heat, freezing temperatures) may cause damage to the Group's facilities or production disruptions, or may affect upstream and downstream supply due to transportation interruption that will ultimately affect business continuity. Additionally, they may pose a threat to employee health and safety, forcing the Company to invest more in safety. This may in turn have a negative impact on the efficiency of production and operation 	<ul style="list-style-type: none"> Operating costs increase Existing assets decrease 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Create the <i>Potential Incidents, Emergencies, and Responses List</i> to specify the preparations for and responses to natural disasters Create an emergency plan for typhoons and floods, pay close attention to weather forecasts and other information, provide timely warnings of extreme weather, and take emergency management measures in advance
Physical risks -chronic physical risks	<ul style="list-style-type: none"> Persistent high-temperature weather caused by climate change may lead to higher demands on heat protection measures for frontline employees as well as on the performance and maintenance of cooling equipment 	<ul style="list-style-type: none"> Operating costs increase 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Supply employees working at high temperatures with heatstroke products and equip the workplace with air coolers and air-conditioned lounges for these employees, improve the cooling equipment performance continually Commission third-party bodies to regularly detect hazards related to high temperatures and take effective mitigating measures according to test results
Transition risks -policy and regulatory risks	<ul style="list-style-type: none"> Governments across the world may issue more stringent policies and regulatory measures on carbon emissions reduction, and the Group's production and operating costs of carbon emissions may increase 	<ul style="list-style-type: none"> Operating costs increase 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Closely monitor the trends of policies and regulations of the country towards green manufacturing in the wind power industry, keep boosting energy efficiency and increase the use of renewable energy (e.g. continuously promote green power consumption and traceability; Continuously expand installed capacity of rooftop photovoltaic equipment), gradually reduce reliance on traditional fossil fuels, thereby reducing carbon footprints and carbon emission costs
Transition risks - technological risks	<ul style="list-style-type: none"> Tighter requirements for products carbon footprint of value chain have led the Company to explore low-carbon operation models and increase investment in the R&D of low-carbon transformation technologies 	<ul style="list-style-type: none"> Operating costs increase Existing assets decrease 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Conduct precise management in line with the full lifecycle philosophy, promote lean production, continuously improve production processes, and tap the potential for emission reduction in production Pay close attention to the development trends of green and sustainable design in domestic and foreign markets, plan innovative development directions in advance, and implement "lightweight" and "green material selection" in the product design stage



Types of risks/opportunities	Detailed description	Potential financial impact	Likelihood of occurrence	Level of impact	Major solutions
Transition risks -market risks	<ul style="list-style-type: none">Raw material costs may rise due to climate change, energy transition and tariffsAs customers tighten requirements for total carbon emissions and disclosure of upstream supply chains, the decarbonization level of products and supply chain will likely become an important criterion for customers in selecting suppliers	<ul style="list-style-type: none">Operating costs increaseOperating income decrease	■ Medium	■ High	<ul style="list-style-type: none">Work together with suppliers to reduce product energy consumption and environmental impact throughout the full product lifecycle through supplier conferences, technology exchanges, etc.Conduct GHG accounting, improve the disclosure quality of carbon emissions, and gradually formulate scientific and rational carbon reduction targets and roadmap planningExplore carbon reduction potential, strengthen carbon management in supply chain, and actively respond to the challenge of carbon reduction in the supply chain
Transition risks -reputation risks	<ul style="list-style-type: none">Increasingly stringent requirements from stakeholders (including regulatory authorities, shareholders, investors, customers) for climate risks and the transparency of information on carbon emissions may lead to increased investment in performance management and information disclosure so that the Company will not be subject to reputation damage, stock price declines or financing disruptions	<ul style="list-style-type: none">Operating costs increaseFinancing costs increase	■ Medium	■ Medium	<ul style="list-style-type: none">Communicate regularly with stakeholders to fully understand and respond to their concerns and expectationsSet energy management targets, better our energy digitalized management and energy measurement methods and gradually conduct transparent and reliable methods of carbon data tracing and reporting to disclose more accurate and timely informationContinuously conduct energy conservation and carbon reduction, increase investment in clean technologies, and build a responsible corporate image
Opportunities	<ul style="list-style-type: none">Concerns about global climate-related risks and the energy revolution continue to rise, and the demand for clean energy (e.g. wind power, photovoltaic solar thermal, energy storage, hydrogen, etc.) grows with the development of technology and societyWith market demand for clean technology increasing, accelerating technological innovation in the field of clean energy will help enhance the Company's core competitivenessDifferent countries and regions have launched energy-saving and carbon-reduction policies, measures and incentives, such as subsidies and tax incentivesAccelerate the concentration of diversified funds to the green and low-carbon industry, and continue to inject strong capital momentum for clean-tech industry	<ul style="list-style-type: none">Operating income increaseFinancing costs decrease	■ High	■ High	<ul style="list-style-type: none">Actively deploy and strengthen its position in international market, thereby increasing the Company's overall revenues and market shareStrengthen the technological development and application of wind power and photovoltaic and solar thermal gear transmission equipment and continuously improve the product performance and efficiency to meet the long-term market demand for clean technologyRespond actively to the national dual-carbon strategy, declare green projects, build green factories, promote green manufacturing and energy upgrading and transformationEnhance the disclosure of climate-related information, improve ESG rating, enhance capital market recognition and win customers' trust



Risk Management

The Group has included climate-related risks into its overall risk management system. The Sustainable Development Leadership Group, ESG Core Working Group, and Group Risk Management Department jointly and regularly identify and assess the impact of climate-related risks on our operations, and to update and improve the Group's risk list accordingly. Based on the latest risk list, we will take timely and effective response measures to address the risks and challenges posed by climate change.

Metrics and Targets

The Group sets the annual targets and indicators for energy consumption to monitor the carbon emissions of the Group, please refer to the "Energy Management" and "Energy Saving and Carbon Reduction" sections of the Report for details.

As the Group's core business fluctuates with the industry's cyclical nature, we have been constantly researching and striving to establish a more scientific and sustainable decarbonization pathway and phased objectives for greenhouse gas emissions reduction. Since 2023, the Group has carried out organizational carbon accounting work for our main business segments, with each subsidiary as the main entity, to calculate our organizational carbon emissions status, so as to explore carbon emission reduction potential. Meanwhile, the Group has established a specialized working group on energy and carbon emissions to set energy consumption performance targets for each department, optimize energy use, and provide a baseline for formulating carbon emission reduction strategies and implementing carbon emission reduction projects.

During the Reporting Period, the organizational greenhouse gas emissions verification statements of three subsidiaries of the Group have been verified and affirmed to comply with the requirements of ISO 14064-1:2018, which were issued by TÜV SÜD Certification and Testing (China) Co., Ltd. — a greenhouse gas validation and verification body accredited by the China National Accreditation Service for Conformity Assessment (CNAS) under International Accreditation Forum (IAF) mandates. Additionally, the product carbon footprint verification statement of a particular type of wind power main gearbox manufactured by the subsidiary NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. has been verified and affirmed to comply with the requirements of ISO 14067:2018.

During the Reporting Period, the Group's greenhouse gas emissions data are summarized in the table below:

Data on GHG Emissions

Total GHG emissions (Scope 1 + Scope 2)

Indicators	Unit	2024 ¹⁴	2023 ¹⁵
Total GHG emissions (Scope 1 + Scope 2)	tCO ₂ e	322,874.32	270,683.84
GHG emissions (Scope 1)	tCO ₂ e	25,863.44	17,605.62
Wind Power Business Segment - Nanjing Factory	tCO ₂ e	10,039.78	9,920.54
Wind Power Business Segment - Huai'an Factory	tCO ₂ e	11,851.99	4,365.18
Industrial Business Segment	tCO ₂ e	3,908.60	3,319.90
Rail Transit Business Segment	tCO ₂ e	63.07	/
GHG emissions (Scope 2) ¹⁶	tCO ₂ e	297,010.88	253,078.22
Wind Power Business Segment - Nanjing Factory	tCO ₂ e	140,876.18	138,381.33
Wind Power Business Segment - Huai'an Factory	tCO ₂ e	115,748.49	76,164.27 ¹⁷
Industrial Business Segment	tCO ₂ e	37,077.07	38,532.61
Rail Transit Business Segment	tCO ₂ e	3,309.14	/
Emission intensity of GHG	tCO ₂ e/tonne of production	0.60	0.59

Remark:

14. In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on GHG emissions. Besides, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on GHG emissions of the Group has increased.

15. In 2023, the data on GHG emissions covers the wind power business segment and the industrial business segment of the Group.

16.The Group's location-based Scope 2 GHG emissions = the Group's market-based Scope 2 GHG emissions. Greenhouse Gas Emissions (Scope 2) include the indirect emissions generated from the Group's purchased electricity and purchased steam. For the calculation of purchased electricity emissions in 2023 and 2024, the Group adopted the 2022 National Grid Average Emission Factor and the 2022 National Average CO₂ Emission Factor for Electricity, as published by the Ministry of Ecology and Environment, respectively. The emission factors used were 0.5703 kgCO₂/kWh and 0.5366 kgCO₂/kWh.

17. To improve data quality, we have adjusted the GHG emissions data disclosed in 2023 for the wind power business segment at the Huai'an factory based on the final results of the Organizational Greenhouse Gas Verification conducted in May 2024.



GHG Emissions(Scope 3)

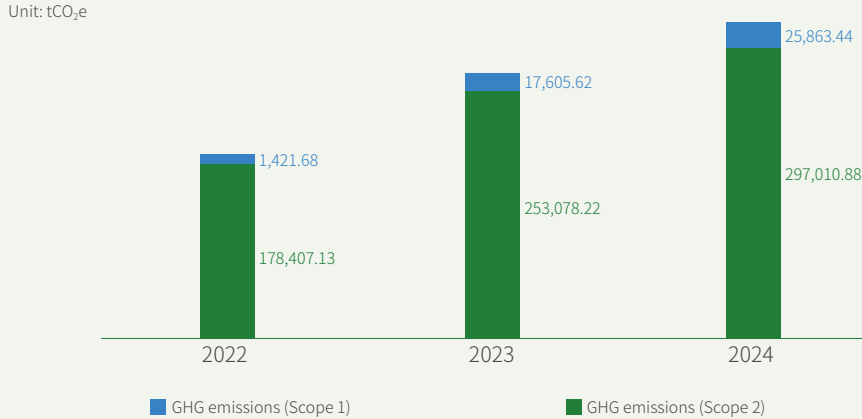
Indicators	Unit	2024
GHG emissions (Scope 3)	tCO ₂ e	3,141,639.98
Wind Power Business Segment - Nanjing Factory	tCO ₂ e	1,844,075.64
Wind Power Business Segment - Huai'an Factory	tCO ₂ e	970,134.57
Industrial Business Segment	tCO ₂ e	294,642.93
Rail Transit Business Segment	tCO ₂ e	32,786.84

Categories and emissions of scope 3

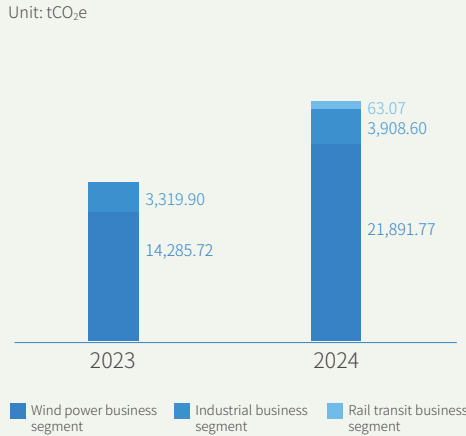
Categories of emissions ¹⁸	Emissions (tCO ₂ e)	Ratio of emissions(%)
GHG emissions (Scope 3)	3,141,639.98	100%
Purchased Goods or Services	2,692,787.77	85.71%
Capital Goods	62,631.38	1.99%
Energy-Related	196,605.71	6.26%
Upstream Transportation and Distribution	107,759.78	3.43%
Waste Generated by the Organization	5,414.83	0.17%
Business Travel	1,727.21	0.05%
Employee Commuting	3,095.38	0.10%
Upstream Leased Assets	25,790.27	0.82%
Downstream Transportation and Distribution	45,827.65	1.46%

Remark:
18. Classified according to the *Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (GHGP)*.

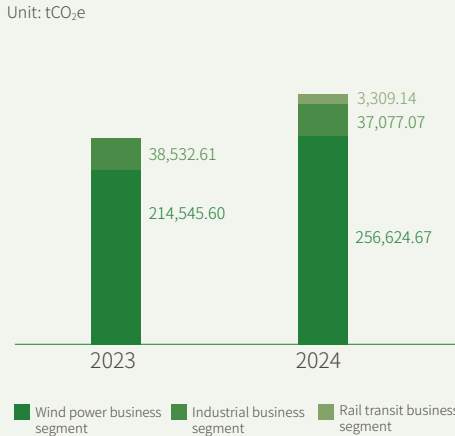
Total GHG emissions of the Group from 2022 to 2024



GHG Emissions (Scope 1) from 2023 to 2024



GHG Emissions (Scope 2) from 2023 to 2024





● Energy Management

The Group adheres to the energy management guideline of "making the best use of resources and delivering green power through green manufacturing". Based on the ISO 50001:2018 energy management system, we have formulated and updated the *Energy Management Manual*, *Energy Management Regulation* and other regulations. This year, we consolidated the management systems of the facilities producing main gearboxes and those producing planetary gearboxes and general gearboxes. We integrated resources and shared technologies in energy management, unified internal audit and other management procedures, thus enhancing the operational efficiency of the system. We have set up energy managers for the key energy-consuming departments, requiring them to regularly report the energy consumption of key energy-consuming equipment to keep track of the trend of total energy consumption and intensity changing of the Group in a timely manner. To ensure the effective implementation of the Group's energy management system, during the Reporting Period, we conducted internal and external audits for the energy management system and had rectified the non-conformities and recommendations identified in the audit.

During the Reporting Period, the Group's five companies in the three main business segments of wind power, industrial, and rail transit have successfully obtained the ISO 50001:2018 Energy Management System certification, with full coverage across the 9 core manufacturing plants.

■ Energy Management System Certification of Main Companies



Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the **ISO 50001:2018** Energy Management System certification





NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. has obtained the **ISO 50001:2018** Energy Management System certification





Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the **ISO 50001:2018** Energy Management System certification





Nanjing High Speed & Accurate Rail Transportation Equipment Co., Ltd. has obtained the **ISO 50001:2018** Energy Management System certification



Setting of Energy Management Goals

The Group has set energy consumption goals to strictly control energy consumption. The assessment of energy consumption goals is implemented under a department leader responsibility system, whereby the leaders of the energy-consuming departments within each business segment are responsible for the energy consumption goals of their respective departments. Each department shall, based on the assessment indicators and taking into account the characteristics of energy-consuming equipment, prioritize the management of key energy-consuming equipment, allocate the energy consumption indicators to departments, enhance energy-saving awareness through promotions, and strictly implement the annual energy-saving plan. The Group has mandated that at least one internal energy audit be conducted per year to assess the achievement of energy-saving goals, and the results are correlated with employee performance appraisal.

Energy Consumption Target of the Main Factories in the Wind Power Bussiness Segment			
Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Total energy consumption	≤ 31,400.00 tonnes of standard coal	31,017.96 tonnes of standard coal	☑
Total energy consumption per unit weight	≤ 1.05 MWh/tonne of production	1.04 MWh/tonne of production	☑

Energy Consumption Target of the Main Factories in the Industrial Business Segment			
Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Total energy consumption	≤ 14,615.00 tonnes of standard coal	10,241.00 tonnes of standard coal	☑
Total energy consumption per unit weight	≤ 2.06 MWh/tonne of production	1.44 MWh/tonne of production	☑



Data on Energy Consumption¹⁹

Indicators	Unit	2024 ²⁰	2023 ²¹
Direct energy consumption	MWh	76,733.35	45,480.20
Gasoline	MWh	661.74	607.98
Diesel	MWh	1,020.35	1,064.05
Natural gas	MWh	23,820.53	11,518.62
Liquefied petroleum gas (LPG)	MWh	386.62	1,105.44
Renewable energy (photovoltaic)	MWh	50,844.11	31,184.10
Indirect energy consumption	MWh	553,756.68	444,930.66
Purchased electricity	MWh	550,705.28	441,111.17
Purchased steam	MWh	3,051.40	3,819.49
Total energy consumption	MWh	630,490.03	490,410.86
Intensity of total energy consumption	MWh/tonne of production	1.17	1.07

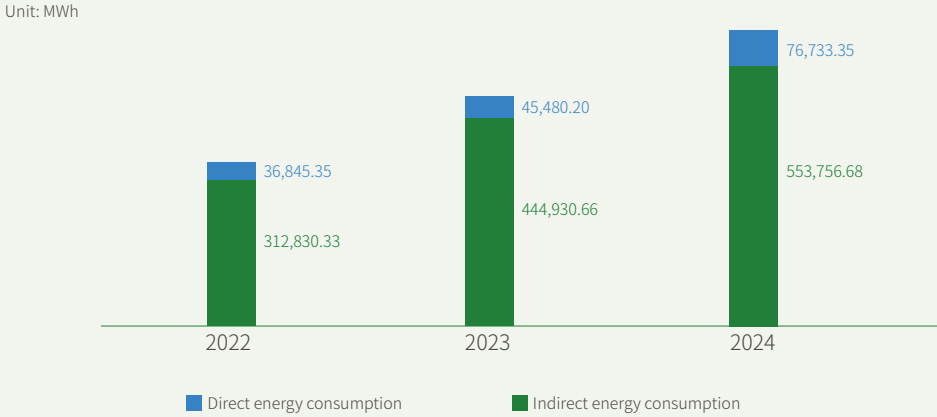
Remark:

19. The calculation of energy consumption refers to the *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Machinery and Equipment Manufacturing Enterprises (Trial)* published by the National Development and Reform Commission.

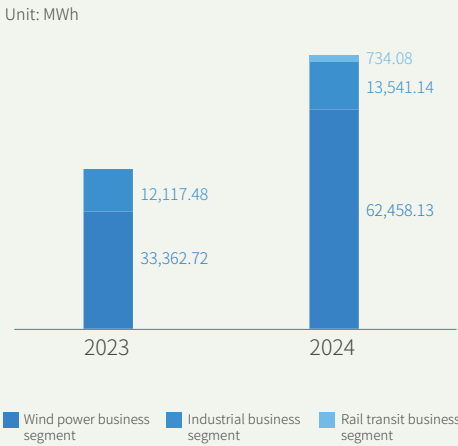
20. In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on energy consumption. Besides, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on energy consumption of the Group has increased.

21. In 2023, the data on energy consumption covers the wind power business segment and the industrial business segment of the Group.

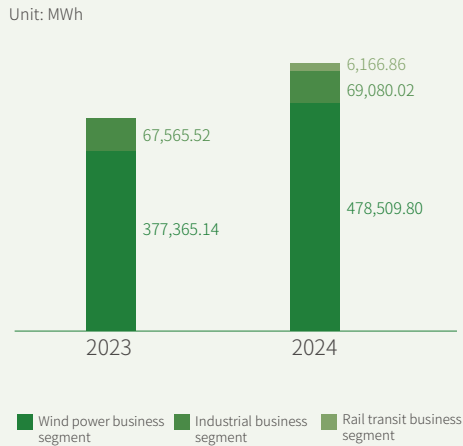
Total energy consumption of the Group from 2022 to 2024



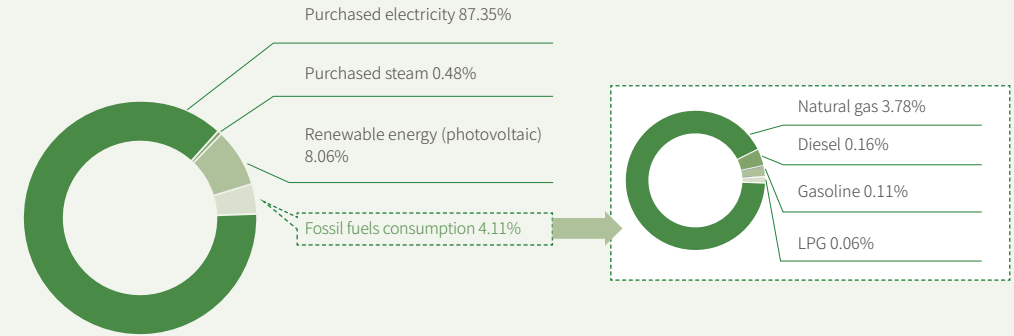
Direct energy consumption from 2023 to 2024



Indirect energy consumption from 2023 to 2024



Energy consumption of the Group in 2024



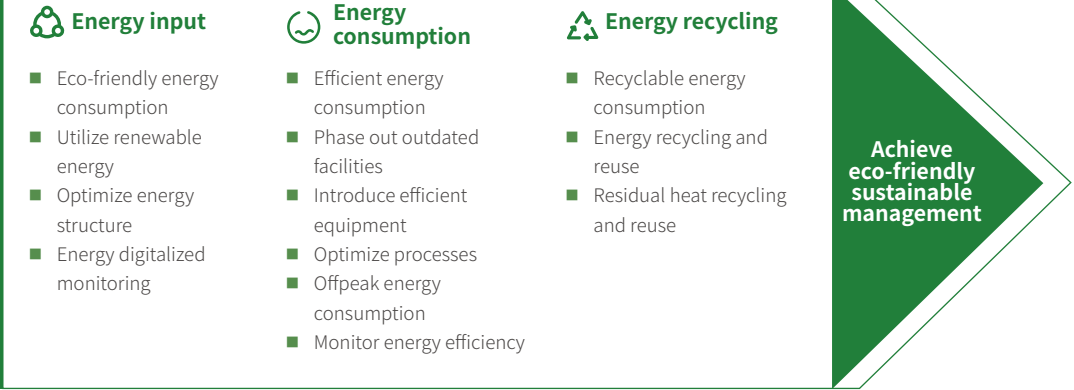
Cultivating an Energy-Saving Culture

The Group continuously enhances employees' energy-saving awareness and energy management capabilities. We conduct comprehensive promotional training based on the energy-saving policies and guidelines issued by the national, provincial, municipal, and district-level governments. We actively participate in energy and process-related training and seminar activities organized by various government departments to improve the professional qualities of the management. For key energy-consuming departments, we provide specialized training and education, ensuring that the awareness of energy conservation and carbon reduction permeates throughout the Group from top to bottom.

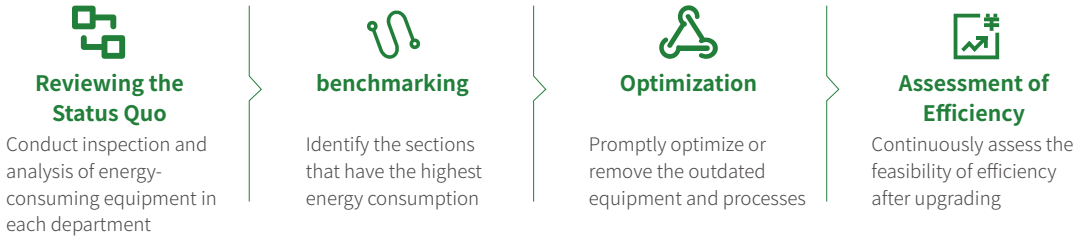
Energy Refined Management

The Group has progressively promoted to energy refined management and formulated respective strategies and measures from energy input, consumption to the recycling stage. We follow the four procedures of "reviewing the status quo, benchmarking, optimization and assessment of efficiency" to continuously explore the processes and equipment with energy-saving potential, timely optimize and evaluate the feasibility of the improved benefits, to improve both quality and efficiency.

The Group's Energy Management Strategy



Energy-Saving Management Procedures



The Group leverages technologies such as the IoT, AI (Artificial Intelligence) algorithms, big data analysis, and cloud computing to promote the development of energy digital platforms. Meanwhile, we have developed and applied systems such as the heat treatment scheduling system, the intelligent energy management system, the intelligent power cloud platform system, and the intelligent system for remote monitoring of air compressors, to facilitate the efficient monitoring of energy management and promote lifecycle management of energy.



Intelligent energy management system

During the Reporting Period, we launched an intelligent energy management system to monitor the energy usage of each branch factory in real time. This system is capable of real-time statistics and analysis of energy and carbon emission data, enabling intelligent management of energy and carbon emission data. It benefits energy management



Intelligent energy management system

personnel by facilitating the prediction of demand changes and the formulation of optimization strategies, thereby enhancing the efficiency and accuracy of energy management.

Energy Saving and Carbon Reduction

The Group has formulated relevant rules such as the *Management Rules for Electricity Saving*, the *Factory Lighting Management System* and the *Management Rules for Air Conditioning*, to further standardize electricity usage in office and production operations, thereby enhancing energy utilization efficiency. In addition, the Group adopts a dual approach to energy conservation, focusing on both management-based energy saving and technology-driven energy saving. The Group also reduces energy use and enhances energy utilization efficiency by strengthening the management of energy consumption processes, improving production processes, upgrading equipment and facilities and recycling residual heat. We also actively explore the use of clean energy. By using electric forklifts and continuously installing rooftop solar power systems, we are constantly optimizing our energy mix and reducing carbon emissions.

Energy conservation and carbon reduction measures

Upgrade energy equipment	■ Carry out energy-saving review for equipment procurement, and put forward clear requirements for equipment energy efficiency and numerical control rate
	■ The newly added air conditioning units in the wind power business segment are all magnetic levitation units with grade 1 energy efficiency; purchase air compressors with grade 1 energy efficiency
	■ Complete the installation of vortex flow meters and smart meters on 8 air compressors, and conduct real-time monitoring and reasonable adjustments of the air compressors' operating parameters and energy efficiency through the cloud platform to achieve optimal operation in the industrial business segment. Complete the gear hobbing technology improvement project, with various types of consumption and management cost savings of approximately RMB 16 million per year
	■ Launch a factory lighting upgrade project in the rail transit business segment, adopt low-power, high-efficiency LED lighting fixtures and an intelligent controller system
Optimize production processes	■ Instead of using the nitriding process, the small module gear ring adopts the induction quenching process, resulting in a more than 70% increase in production efficiency, a reduction of approximately 60% in heat treatment costs, and a decrease in the use of non-environmentally friendly media, thereby improving the environment
	■ By conducting a cooling test on the paint drying temperature, the energy consumption for paint drying was reduced, resulting in a 20% decrease in electricity costs; Verify the impact on the drying and curing rate of abrasion-resistant paint, shorten the drying cycle for paint and lower energy consumption by 20%.
	■ Use a circulating pump for the cutting oil trough, and optimize its usage and cleaning frequency to reduce the waiting time for quenching, thereby improving equipment utilization. Save approximately 130,000 kWh of electricity annually, equivalent to 16 tonnes of standard coals after calculation
Recycle thermal energy	■ The wind power business segment has initiated a residual heat recovery project. In the process of raising the temperature of the desorption gas for paint exhaust gas treatment, a heat recovery design has been implemented, and MLM plate-type honeycomb ceramic heat storage materials have been filled, which can achieve 95% heat energy recycling
Fossil fuel consumption reduction	■ Diesel/LPG forklifts are phased out and replaced by electric ones ■ The devices to treat the waste gas generated from the heat treatment process is powered by natural gas instead of LPG as it was
Build Green Logistics	■ Launch TMS transportation management system, which recorded all packaging and transportation suppliers into the system, enabling online system order execution, settlement, contract management, supplier management and other functions, greatly improving logistics operation efficiency
Use renewable energy	■ Use clean energy, increase the proportion of green electricity
	■ The total installed capacity of rooftop photovoltaics in the main production plants of the Group reaches 50.12 MW; In 2024, the renewable energy consumption of the Group was 50,844.11 MWh, which is equivalent to a reduction of 27,282.95 tonnes of carbon dioxide equivalent emissions ²²

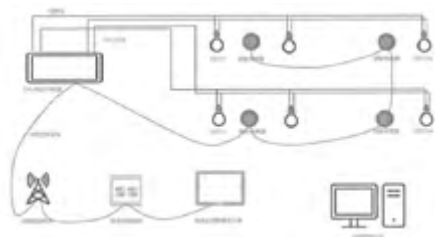


Energy savings in factory lighting

Equipment upgrade:

During the Reporting Period, the Group's rail transit business segment initiated a factory lighting upgrade project, adopting low-power, high-efficiency LED lighting fixtures and implementing clustered management of lighting through an integrated, grid-based, and platform-based intelligent controller system.

Following this renovation, the power consumption of each lighting fixture has been reduced from 150 W to 100 W. Furthermore, with the integration of relays and a DALI gateway, the system is equipped with functions such as single lamp control, relative dimming, absolute dimming, relative color temperature adjustment, absolute color temperature adjustment, status feedback, and fault alarm. Based on the equipment layout and scheduling calculations, the annual electricity savings are estimated to be approximately 636,000 kWh, which is equivalent to an annual reduction of 341.28 tonnes of carbon dioxide equivalent emissions²².



Intelligent Controller System Architecture

Lighting management:

No. 79 Qiande Road Factory has reduced lighting in the finished product warehouse at night by implementing time control. After 7 p.m., only one-third of the lights are turned on. This not only saves electricity but also lowers the risk of fires caused by electrical faults.

The annual electricity saving is approximately 345,600 kWh, reducing costs by RMB 172,800, which is equivalent to an annual reduction of 185.45 tonnes of carbon dioxide equivalent emissions²².

Remark:

22. Description of the selection of the emission factor for purchased electricity: The 2022 National Average CO₂ Emission Factor for Electricity, as provided by the Ministry of Ecology and Environment, is 0.5366 kgCO₂/kWh.

Resource Management

The Group is committed to using resources effectively and raising environmental benefits. To this end, the Group has formulated the *Energy and Resources Control Procedure* to comprehensively manage the consumption of water, raw materials, and office supplies. This aims to realize the economical use and recycling of resources, and promote the harmonious coexistence of humans and nature.

Water Resources Management

Municipal water supply is the main source of water for the production and operation of the Group. To regulate water resource management and enhance the efficiency of water usage, we have established regulations such as the *Water Conservation Management Policy* and the *Water Resource Management Standards*. We require all departments to detect the plumbing system and try to prevent water running, emitting, dripping, and leaking. Meanwhile, we make a water usage ledger which collects monthly data water usage on a monthly basis and analyzes water usage trends to promptly improve any abnormal situations. Additionally, we are proactively implementing various water-saving measures, including conducting water balance tests, upgrading equipment, and introducing new equipment, all in an effort to decrease water consumption.





Water-saving Measures Adopted by the Group

Measures	Description	Achievements
Conduct water balance test	<ul style="list-style-type: none">Carefully review and check water consumption scenarios, install water meters and readers in the places lacking water metering, conduct water balance tests and analyze water balance and water usage rationalityLocate water leakage points by measures such as analyzing the flowing statistics	<ul style="list-style-type: none">Controlled unusual water consumption, made detailed data management of water resources, reduced water consumption per unit and promoted the development of water-saving plansDuring the Reporting Period, the water balance test report of Nanjing High Speed Gear Manufacturing Co., Ltd., a subsidiary of the Group, has been successfully approved by the Jiangning Water Bureau
Strengthen the Management of Water-Using Equipment	<ul style="list-style-type: none">Strengthen the control of water-cooled units and pipeline water valves, and repair the failed water valves in timeComplete the measuring instruments for key water-consuming equipment and newly introduced equipment (washing machines)	<ul style="list-style-type: none">Decreased the consumption of cooling water and tap waterAchieved accurate measurement, promptly detected and analyzed anomalies, identify issues, and make improvements
Ageing underground water pipe renovation	<ul style="list-style-type: none">Phase out underground water pipes and replace them all with exposed pipes in the wind power business segment	<ul style="list-style-type: none">Prevented the waste of tap water, with an expected annual water savings of about 10,000 tonnes
Cooling tower operation and management	<ul style="list-style-type: none">Install a temperature controller for automatic control of the cooling tower fan operation during the transition seasonRegularly inspect the water collector of cooling towerRegularly inspect the pool water level controller	<ul style="list-style-type: none">Under the premise of meeting the water temperature requirements, reduced the operation of fans to lower evaporation and drift waterMitigated the overflow occurrences resulting from the blockage of the water collectorReduced the overflow of water from the pool

The Target of Water Consumption of the Main Factories in the Wind Power Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Water consumption	≤ 470,300.00 tonnes	459,440.00 tonnes	☑
Water consumption per unit weight	≤ 1.94 tonnes/tonne of production	1.89 tonnes/tonne of production	☑

The Target of Water Consumption of the Main Factories in the Industrial Business Segment

Indicators	Goals for 2024	Progress in 2024	Annual target achieved
Water consumption	≤ 130,000.00 tonnes	124,461.00 tonnes	☑
Water consumption per unit weight	≤ 2.25 tonnes/tonne of production	2.16 tonnes/tonne of production	☑

Data on Water Resource Consumption

Indicators	Unit	2024 ²³	2023 ²⁴
The water consumption	m ³	946,685.00	825,623.00
Intensity of water consumption	m ³ / tonne of production	1.76	1.80

Remark:

23. In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on water resource consumption. Besides, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on water resource consumption of the Group has increased.

24. In 2023, the data on water resource consumption covers the wind power business segment and the industrial business segment of the Group.



● Efficient Utilization of Resources

The Group embeds the principles of rational and sustainable resource utilization into various critical stages of its production and operational processes. Through the adoption of a series of innovative strategies, the Group makes full use of resources to enhance utilization efficiency, foster a circular economy and elevate environmental protection outcomes.

■ The Group's Measures for Resource Efficiency Enhancement

Measures	Description	Achievements
Improve production processes	<ul style="list-style-type: none">Value the utilization rate of materials and the qualification rate of products in each step during productionDevelop large-sized external cylindrical closed-die forging molds, optimize traditional forging processes, and improve material utilization rate	<ul style="list-style-type: none">Declined environmental pollution, material loss, and waste lossThe new forging process saved about 10% of materials
Use environmentally friendly raw materials	<ul style="list-style-type: none">All cutting oil (fluids) that we use are environmentally friendly as they are low in sulphur, phosphorus, chlorine, and formaldehydeWork closely with suppliers to enhance the formulas of cutting oil used in the cutting process and make it more environmentally friendlyExtrude and separate, filter and test, and then recycle the cutting oil in the grinding area of the plant	<ul style="list-style-type: none">Reduced pollutants from the source and improved the air quality in the workshopImproved the recycling rate of cutting oil and reduce resource consumption
Introduce environmental protection technologies	<ul style="list-style-type: none">Replace traditional cutting oil lubrication with micro-lubrication in machining operationsInject precisely measured amounts of micro-lubricants into the machining area, reducing the cutting fluid consumption while ensuring effective cooling and lubrication	<ul style="list-style-type: none">Effectively reduced the cutting oil or fluids consumption

Measures	Description	Achievements
Optimize product design	<ul style="list-style-type: none">Develop wind power gearboxes with "integrated chain, multi-planetary gear, and sliding bearing". Through the integrated design, the size of the whole transmission chain is reduced by 2-5 meters compared with the traditional models, which makes the gearboxes smaller and lighter and improves the transmission efficiencyStrengthen green design and continuously improve the torque density of the gearbox	<ul style="list-style-type: none">The product is more compact and lightweight, with the weight reduced by more than 15%, which greatly reduces the amount of materials consumed and saves land resourcesTransmission efficiency has been increased from 97.5% to 98%Improved material utilization efficiency
Recycling packaging	<ul style="list-style-type: none">Newly established the <i>Green Packaging and Transportation Management Regulations</i>Build a packing recycling mechanism with our customers and packaging suppliers. Packaging suppliers manufacture recyclable packaging shelves according to the Group's requirement and recycle regularly after use	<ul style="list-style-type: none">During the Reporting Period, the wind power business segment saved approximately 1,680.80 cubic meters of wood and 9,367.60 tonnes of steel for packaging. The recycling utilization rate of the main materials for main gearbox packaging in domestic wind power business segment reached 94.04%
Advocate green office	<ul style="list-style-type: none">Adopt a collaborative office system, achieve digital and paperless officeInitiate electronic work platforms for human resource management, including the NGC Academy and electronic signing systemEncourage employees to use double-sided paper, recycle single-sided waste paper, and examine the use of office suppliesThe Group's annual report is printed on environmentally friendly paper made from basically chlorine-free bleached and dyed pulp, using chemical-free rinsing plate and soy ink	<ul style="list-style-type: none">Promoted a paperless office and reduce paper use effectivelyReduced environmental pollution in printing



Packing recycling mechanism

The Group collaborates with customers and packaging suppliers to establish a packaging recycling mechanism. During the Reporting Period, the Group formulated the *Green Packaging and Transportation Management Regulations*, which is used to guide the comprehensive reuse of packaging materials. We stipulate that metal (Q235), wood, and plastics (PE and PVC) should be the preferred choices for packaging design, as these materials are easily recyclable. Composite packaging materials that are difficult to recycle and non-recyclable packaging materials should be selected and used with caution. Additionally, it is required that plastic raw materials shall comply with the EU Directive on RoHS.

The packaging suppliers manufacture recyclable packaging shelves based on the Group's recyclable packaging scheme. The packaging shelves are transported with the finished products to the customer's location. After using, the packaging shelves are temporarily stored in a certain quantity, and we recycle and manage uniformly. In 2024, the Group saved approximately 1,680.80 cubic meters of wood and 9,367.60 tonnes of steel for packaging. 94.04% of the main materials (steel frame and wooden frame) of main gearbox packaging in domestic wind power segment were recycled.

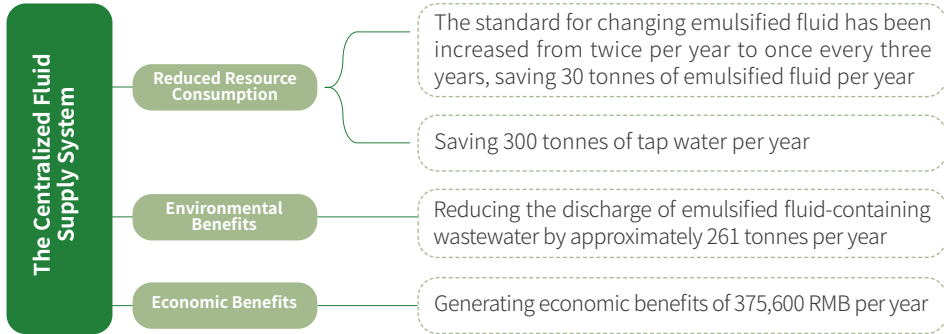


Packing Recycling Mechanism



Special topic on centralized fluid supply system

The Group actively introduces new equipment and technologies for energy conservation and emission reduction, and takes the lead in the wind power gearbox industry by extensively implementing an intelligent centralized fluid supply system. This system integrates management devices for efficient decontamination, degreasing, and oxygenation, enabling automated management and self-cleaning of metalworking media. Coupled with regular inspections, the system maximizes the service life of the media and ensures an excellent working environment.



Data on Packaging Material Consumption

Indicators	Unit	2024 ²⁵	2023 ²⁶
Total packaging material consumption	Tonne	8,613.86	7,084.00
Intensity of packing material consumption	kg/tonne of production	15.97	15.46

Remark:

25. In 2024, the rail transit business segment was newly included in the disclosure scope and added to the data on packaging material consumption. Besides, the Huai'an factory, which belongs to the wind power business segment, was fully put into production, so the data on packaging material consumption of the Group has increased.

26. In 2023, the data on packaging material consumption covers the wind power business segment and the industrial business segment of the Group.

3

New Quality Products and Services

Material issues in this chapter

Product Innovation
Sustainable Product Design
Intellectual Property Management
Product Quality and Safety
Customer Satisfaction Management

Highlight Performances

- Had **3** national technology innovation platforms, **4** provincial technology innovation platforms, and **3** industry technology innovation platforms
- R&D total investment amount RMB **776,748,300**, R&D input ratio **4.41%**
- Has been granted **996** patents authorized by the state, increased by **14.22%** compared to 2023
- Achieved **100%** customer satisfaction target for **7** consecutive years





Clean Technology Innovation

As addressing climate change has become a global consensus, markets are increasingly shifting towards green, low-carbon, and clean energy systems. The Group, leveraging its technological expertise in wind power and industrial transmission equipment, offers critical support for clean energy development as well as industrial energy conservation and carbon reduction. Under the framework of the globalization strategy of our gear equipment technologies, we build our core competitive edges around "innovative mindset, zero-defect quality, professional services, and close to customers". In this way, we continuously drive clean technology product innovation and strive to provide global customers with more environmentally friendly and efficient transmission equipment solutions.

Clean Technology Application Scenarios

The Group is committed to advancing renewable energy, new energy vehicles, and other clean technology sectors. We persistently drive technological innovation and application, while actively expanding the use cases of clean technologies across diverse scenarios.

Clean Technology Related Business Segment	Clean Technology Related Product and Application Scenarios	Highlights of Product Green and Ecological Design
Wind power business segment	The 10MW front-end integrated 3P1H high-speed gearbox: The product applicable to 10MW onshore wind turbine is designed to meet the complex geographic and climatic conditions of large base projects in "desert, Gobi, and wasteland" areas. It satisfies requirements for high efficiency, reliability, sand resistance, and ease of maintenance.	<ul style="list-style-type: none">■ The lightweight design with "integrated drivetrain, 3P1H transmission structure, and sliding bearing" reduces product weight by over 8%.■ The torque density exceeds 230+kNm/t, with large-capacity design and high environmental adaptability, enhancing wind resource utilization, product competitiveness, and economic benefits.■ Reduced risks of vibration, noise, and oil leakage have improved overall product quality.■ Eco-friendly design features, such as new sealing structures, modular disassembly, and segmented maintenance, enhance equipment reliability, extend lifecycle, and reduce carbon emissions during operation and maintenance.
	The 20MW fully integrated offshore drivetrain gearbox: The product applicable to 20MW offshore wind turbine, adapts to complex deep-sea environments. It features high resistance to salt spray corrosion, to meet high reliability and a long lifespan. The gearbox is also engineered for ease of maintenance.	
	Photovoltaic/Solar thermal slewing drive: The products are applied to the solar tracking brackets in centralized photovoltaic power stations and solar thermal power generation systems in complex environments such as deserts, plateaus, and coastal areas. The products need to meet requirements such as long life, low maintenance, strong load-bearing capacity, and high reliability.	
Industrial business segment	MTG series modular products: The products are used in environmental protection equipment such as water treatment, water supply, and wastewater treatment equipment.	<ul style="list-style-type: none">■ The products feature high precision, low vibration, low power consumption, low noise, reduced oil consumption, reliable sealing technology, minimized oil leakage risks, and stable connection technology. Rigorous factory testing ensures resistance to high humidity, seawater corrosion, and extreme temperatures.■ The products extend equipment lifespan, lower maintenance costs, and improve energy conversion efficiency and economic performance.
	MTG series modular products: The products are used in power generation, energy storage, and distributed energy equipment.	
New energy vehicle business segment	Parallel shaft gear transmission system and planetary gear transmission system: The systems are applicable to new energy vehicles, passenger vehicles, buses, trucks, etc.	<ul style="list-style-type: none">■ The transmission equipment is available in both two-stage and single-stage transmission configurations. It incorporates an integrated differential internally and supports optional electronic parking mechanisms and brake drums, achieving compact design, high transmission efficiency, and superior NVH performance.



Key Technological Breakthroughs

During the Reporting Period, systematic technological research has led to significant breakthroughs in multiple critical fields, substantially enhancing product performance metrics and market competitiveness.

Floating Gearbox Design



By designing and developing, performing simulation calculations, and conducting multi-angle and multi-platform loading tests to verify the lubrication, sealing, and structural strength design of the floating gearbox, the Group has successfully developed a floating gearbox that meets the design requirements of customers and the company. Notably, an 18MW floating gearbox model has been delivered to the customer and installed for on-tower validation, marking the Group's technological leadership in offshore wind power.

Sliding Bearing Solutions



The Group's sliding bearing solutions now cover the full product range of the wind power gear transmission equipment from 2MW to 20MW, with cumulative deliveries exceeding 5,000 units. By adopting adual-track technical strategyintegrating 3P1H/3P methodologies, the solution reduces gearbox weight while increasing torque density and operational efficiency, providing robust support for high-performance wind turbine gearboxes.

25MW Offshore Wind Turbine Gearbox Development



The Group is actively developing a 25MW offshore wind turbine gearbox to meet the market's urgent demand for high-capacity offshore wind power equipment, further solidifying our technological advantages in the offshore wind sector.



Product Display

In 2024, the Group was bestowed with multiple prestigious industry awards, a testament to our exceptional technological innovation capabilities. This further cemented our technological leadership in the power transmission sector. These accolades not only strongly endorse our R&D achievements but also highlight the Group's core competitiveness in driving sustained technological progress across the industry.

R&D Innovation Management

R&D innovation capabilities serve as a critical pillar for enterprises to build core competitiveness. Guided by the corporate spirit of "climb up the summit step by step, strive for perfection bit by bit", the Group has prioritized R&D capacity building as a core strategy to drive growth. Through sustained R&D investment, optimized innovation mechanisms, and strengthened talent development, the Group has established a full-chain R&D innovation system that spans fundamental research, application development, and industrial implementation. By deepening integration of industry, education and research in collaborations with leading domestic and overseas research institutes and universities, the Group has achieved multiple breakthroughs in gear transmission technology, injecting robust momentum into high-quality development.



R&D Innovation Ecosystem Development

R&D Investment

To continuously optimize the R&D investment management mechanism, the Group has refined policies such as the *R&D Organization Management Policy*, the *Application Procedures for Continuous Improvement and Innovation Project Initiation*, the *R&D Investment Accounting Management Policy*, the *R&D Expenses Special Account Management Policy* and other policies. These policies standardize R&D organizational structures, streamline project approval processes, clarify cost accounting criteria, and strengthen specialized fund management, providing robust institutional guarantee and resource support for innovation activities. During the Reporting Period, the Group intensified R&D innovation strategies, focusing on advancing frontier transmission technologies. We consistently increase resource allocation for R&D.

R&D Investment of the Group

Indicator	2024	2023	2022
Number of R&D team members	564	562	558
R&D total investment amount (RMB 10,000) ²⁷	77,674.83	88,814.02	74,481.60
R&D investment ratio of wind power business segment ²⁷	4.35%	5.15%	4.53%
R&D investment ratio of industrial business segment ²⁷	4.59%	6.42%	5.67%

Remark:

27. The R&D investment amount data covers the wind power business segment, industrial business segment and rail transit business segment of the Group. The R&D investment ratio of each business segment = (R&D investment in each business segment / sales revenue in each business segment) * 100%.

Key Scientific Research Projects

Leveraging our outstanding R&D capabilities and continuous technological innovation, the Group actively engages in key scientific research projects at national, provincial, and municipal levels. By undertaking critical R&D missions and fostering strong partnerships with initiating institutions, the Group collaboratively drives technological progress and industrial upgrading within the sector.

National, Provincial, and Municipal Projects Participated in by and Conducted by the Group in Collaboration with Client Companies

Project	Initiator
National key R&D program: key technology of high reliability and high torque planetary gear transmission	Ministry of Science and Technology of the People's Republic of China
National key R&D program: key technology and application of sliding bearings for wind turbines	Ministry of Science and Technology of the People's Republic of China
Special projects for industrial base reengineering and high-quality development of the manufacturing industry in 2022: development and application projects of high-power wind power main bearings, gearbox bearings, and wind power hub	Ministry of Industry and Information Technology of the People's Republic of China
Major demonstration project of "dual carbon" scientific and technological innovation in Inner Mongolia Autonomous Region: research on domestic large onshore wind turbines adapting to high altitude and low temperature	Science and Technology Department of the Inner Mongolia Autonomous Region
2024 Jiangsu Province manufacturing powerhouse development special fund project: ultra-large offshore wind turbine gearbox breakthrough	Industry and Information Technology Department of Jiangsu
Nanjing major science and technology project: key technology of sliding bearings for wind power gearbox with 8 MW and above	Nanjing Municipal Science and Technology Bureau
50MW and above high-efficiency gas transmission system	Industry and Information Technology Department of Jiangsu



Innovation Platforms and Technology Centers

The Group relies on the nationally recognized enterprise technology center and other national and provincial technology innovation platforms for continuous technology advancement and commercialization of R&D achievements.



Key Performances

By the end of 2024, We had 3 national technology innovation platforms, 4 provincial technology innovation platforms, and 3 industry technology innovation platforms.

The Group's Technology Innovation Center Construction

R&D centers owned by the Group (Partial)	Certification units
Nationally Recognized Enterprise Technology Center	National Development and Reform Commission, Ministry of Science and Technology of the People's Republic of China, Ministry of Finance of the People's Republic of China, General Administration of Customs of the People's Republic of China, State Taxation Administration
Key Laboratories of the Wind Power Gear Transmission System, Heavy-Duty Transmission Engineering Research Center of the Machinery Industry	National Machinery Industry Association
Heat Treatment Technology Innovation Demonstration Base	Heat Treatment Branch of the China Mechanical Engineering Society
Provincial-level Enterprise Technology Center in Jiangsu Province	Industry and Information Technology Department, Development and Reform Commission, Department of Science and Technology, Department of Finance and Tax Service Bureau of Jiangsu Province
Jiangsu Wind Power Gear Equipment Engineering Technology Research Center	Jiangsu Provincial Department of Science and Technology
Jiangsu Province Industrial High-speed Fine Gear Transmission Device Engineering Research Center	Jiangsu Development and Reform Commission
Jiangsu Industrial Gear Engineering Research Center	Jiangsu Provincial Department of Science and Technology
Nanjing High-Speed Heavy-Duty Mechanical Transmission System Engineering Technology Research Center	Nanjing Municipal Science and Technology Bureau
Huai'an Wind Power Gear Transmission System Engineering Technology Research Center	Huai'an Municipal Science and Technology Bureau

R&D Team Cultivation

Guided by the principle of "internal cultivation and external recruitment to address capability gaps", the Group has established a multi-dimensional talent development framework. Through years of refinement, we have built asystematic and professional training ecosystem. Annual personalized training programsare designed based on employee competency matrices and operational needs, fostering continuous improvement in technical expertise and innovative thinking to meet evolving technological demands.

We also continuously dispatch technical experts to both domestic and international academic forums and regularly invite external specialists for frontier technology training, ensuring a blend of theoretical knowledge and practical application to cultivate high-caliber professionals with both innovation and execution capabilities.



Key Performances

In 2024

professional training for R&D technicians reached 19 hours per capita

Innovation Incentive Mechanism

To stimulate the innovation vitality of the R&D team, the Group has established a systematic innovation incentive framework and introduced policies such as the *Incentive Policy for the Commercialization of Scientific and Technological Achievements*, the *Management Measures for Qualifications of Technical Engineers*, and the *Innovation Incentive Implementation Rules*. These documents clearly define reward criteria for innovation projects, R&D funding management, and various innovation-driven activities. During the Reporting Period, we comprehensively updated policies, including the *Performance Management Policy*, refining performance evaluation metrics and incentive mechanisms to provide institutional support for the efficient advancement of R&D initiatives.

To address challenges posed by rapid technological iterations in the wind power industry, the Group's wind power business segment regularly hosts technical innovation workshops, selects the most implementable innovation proposals, and accelerates commercialization. These efforts effectively unlock team innovation potential while strengthening capabilities to mitigate risks associated with emerging technologies.

Integration of Industry, Education and Research

The Group has deepened integration of industry, education and research by establishing strategic partnerships with domestic and international universities and research institutes to drive long-term cooperation in critical areas of transmission technology, fostering industry-wide technological advancement and industrial upgrading. In 2024, the Group collaborated with leading institutions such as the Gear Research Center of Technical University of Munich (Germany), Nanchang Hangkong University, and Hunan University of Technology on multiple key technical projects, achieving groundbreaking innovations in transmission systems and related fields.



Key Performances

By the end of 2024,
the Group had established **21** Integration of Industry, Education and Research projects

Business segment	Project	Cooperation unit
Wind power business segment	Typical steel grade development for NGC microalloying	Gear Research Center of Technical University of Munich (Germany)
	Research on fatigue performance of adaptive product variants	Gear Research Center of Technical University of Munich (Germany)
	Fatigue performance evaluation of new suppliers	Gear Research Center of Technical University of Munich (Germany)
	Performance study of copper powder for sliding bearings	Nanchang Hangkong University, Hunan University of Technology
Rail transit business segment	R&D on intelligent monitoring systems for rail transportation gearboxes and innovative structured rail transportation gearboxes	East China Jiaotong University



Performance study of copper powder for sliding bearings

Copper powder properties directly impact the production quality and efficiency of laser-clad sliding bearings in wind power applications. To address this, the Company has forged deep integration of industry, education and research by cooperating with Nanchang Hangkong University and Hunan University of Technology. The joint research aims to develop copper powder suppliers and materials that meet operational requirements, enhance cladding quality and efficiency of sliding bearings, and provide assurance for performance optimization of critical components in wind power gear transmission equipment.

Intellectual Property Management

The Group views intellectual property protection and management as the cornerstone of corporate innovation and development. Adhering strictly to laws and regulations such as the Patent Law of the People's Republic of China, the Company continuously refines its IP management system. In 2024, we established the *NGC Patent Management Regulations* to systematically integrate and optimize existing policies, including the Patent Application Process Management Regulations and the Infringement Retrieval Process Management Regulations. This initiative has established a more standardized and scientific IP governance framework. At the implementation level, we prioritize enhancing the full life cycle management of patents. To this end, we have established standardized work processes across all key stages, including patent exploration, maintenance, application, and innovation incentives.



Patent Management Processes of the Group



Patent risk control

- Conduct patent evaluation of new product development process
- Conduct infringement searches and patent risk analysis of important new R&D technologies
- Conduct search and analysis of new patent data in the global industry, track the authorization status of risky patents, and formulate response strategies
- Publish patent layout and technology analysis reports for the gearbox industry



Patent layout

- Carry out patent layout for important future technologies on an ongoing basis
- Carry out patent layout in many key countries and regions. Currently, we have filed a number of international patent applications in Europe, the United States, Brazil, India and other regions.



Patent quality management

- Establish three quality gates for patent applications: technical examination, pre-filing search, and textual examination
- Strategically phase out obsolete technology patents to reduce maintenance costs and optimize overall patent quality



Patent exploration

- Set performance indicators for R&D engineers in patenting new technologies
- Arrange patent engineers and R&D engineers to work together on patent applications for new technologies



Patent training

- Conduct regular training on patent application, drafting and exploration
- Conduct internal training on the use of PatSnap's patent database, patent search methods and performance, etc.

Additionally, the Group emphasizes strengthening R&D personnel's ability to create and protect intellectual property. Regular professional training programs that cover patent exploration, drafting and application equip R&D teams with patent planning strategies and innovation protection skills.



Patent Training for R&D personnel

In 2024, the Group conducted online training programs themed "In-Depth Analysis of Patent Planning Strategies", "Case Studies on Patent Infringement Litigation" and "Introduction to U.S. Special Application Procedures" for R&D personnel. The training focused on patent planning strategy, infringement risk prevention and key international filing procedures.



Patent Training for R&D personnel

The Group continues to increase dedicated intellectual property budget allocation, optimize R&D governance frameworks, and strengthen innovation incentive mechanisms. By refining the full-process management from idea generation to patent generation, the Group has maintained a steady growth in the number of patents over the past three years. These patents not only cover core technologies and key processes but also form an effective patent protection network, providing strong support for the Group to maintain technological leadership and achieve sustainable development.

Number of Patents of the Group

Indicator	2024	2023
Number of patent applications filed (item)	148	126
Number of patents granted (item)	167	116
Cumulative number of patents authorized by the state (item)	996	872
Cumulative number of patents submitted and under examination (item)	365	437

During the Reporting Period, we continued to advance the development of the wind power technology standardization system. This included establishing and revising over 40 enterprise technical standards for the main gearbox business sector, updating and supplementing more than 300 external standards in the corporate repository, and enhancing the content and functionalities of the standard information platform. These efforts have not only provided a robust protective framework for the Group's technological innovation but also strengthened risk control against patent infringement, thereby safeguarding the sustainable development of the Group.



Continuous Quality Improvement

Guided by the corporate vision of "Leader of the global power transmission field", the Group continues to build an industry-leading quality lifecycle management system. In strict compliance with the requirements of the *Product Quality Law of the People's Republic of China* and other relevant laws and regulations, we have adopted a customer value-oriented approach to establish a closed loop of quality control in the whole process from raw material sourcing to after-sales service. Leveraging a digital analysis system, the Group has achieved precise analysis, prediction, and decision-making of product reliability indicators. We vigorously advance the upgrade of the "Quality 2.0" strategy, deeply integrating intelligent manufacturing technologies with quality management. While ensuring the high-quality delivery of products, the Group strives to create a quality experience that exceeds customer expectations.

Product Quality and Safety Management

The Group has always adhered to the guiding principle of "Quality First, Customer Foremost, Outstanding Service and Good Faith", resolutely implemented the concept of zero defects, and actively promote the preventive management culture of "Getting things right on the first try". Over the past five decades of development, we have gradually established the "Red Star Power Transmission 1253" quality management model, and delved deeply into the elite Six Sigma platform and the continuous improvement platform accessible to all employees. The Group has actively carried out innovation and improvement activities at all levels and developed the innovative N-DAS data analysis system, comprehensively enhancing organizational quality management level.

Quality Management System

During the Reporting Period, all seven subsidiary companies of the Group's five major business segments of wind power, industrial, rail transit, robot and new energy vehicle obtained ISO 9001:2015 Quality Management System Certification, with 100% coverage of the nine core production plants. In addition to the ISO 9001:2015 Quality Management System, the Group has successively introduced a number of industry-specific quality management systems, including GB/T 19580- 2012 Outstanding Performance Management System, VDA6.3 Process Quality Management System, APQP₄Wind Advanced Product Quality Planning²⁸ and PRI Special Process Certification derived from aviation standards, to continuously promote the Company's quality management level to a new height. During the Reporting Period, the rail transit business segment operated continuously in accordance with the specific IRIS Rev.04 (ISO 22163:2023) version quality management system requirements of the rail transit industry. It ultimately obtained the IRIS quality management system certification certificate issued by a professional third-party certification body and received the "Silver" performance level certificate issued by the IRIS Management Center.

We have maintained a pass rate of 100% in the sampling inspections conducted by government quality and technical supervision departments at all levels over the years. During the Reporting Period, the Group underwent multiple third-party quality audits. Recognizing their importance, we responded actively to all the requirements raised in the audits, ensuring that all non-conformities were 100% rectified and closed within the stipulated time.

Nanjing High Speed Gear Manufacturing Co., Ltd. Has Obtained the ISO 9001:2015 Quality Management System Certification

NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. Has Obtained the ISO 9001:2015 Quality Management System Certification

Nanjing High Speed & Accurate Gear (Group) Co., Ltd. Has Obtained the ISO 9001:2015 Quality Management System Certification

Nanjing High Speed & Accurate Rail Transportation Equipment Co., Ltd. Has Obtained IRIS Rev.04 Quality Management System Certification

Since 2018, the Group has introduced the TPG certification²⁹ and benchmarked with aerospace standards to continuously improve product quality, reduce failure costs, and enhance control over special processes. During the Reporting Period, the wind power business segment passed two new TPG certifications. By the end of 2024, a number of the Group's special processes, including thermal treatment and shot blasting processes and thermal treatment process (for example, induction quenching, carburizing quenching and nitriding), passed the TPG special process certification. In addition, a number of our gearbox R&D products have passed high-tech appraisals and hundreds of international certifications, such as EU CE Certification, GOST Russian Certification, and MA Certification.

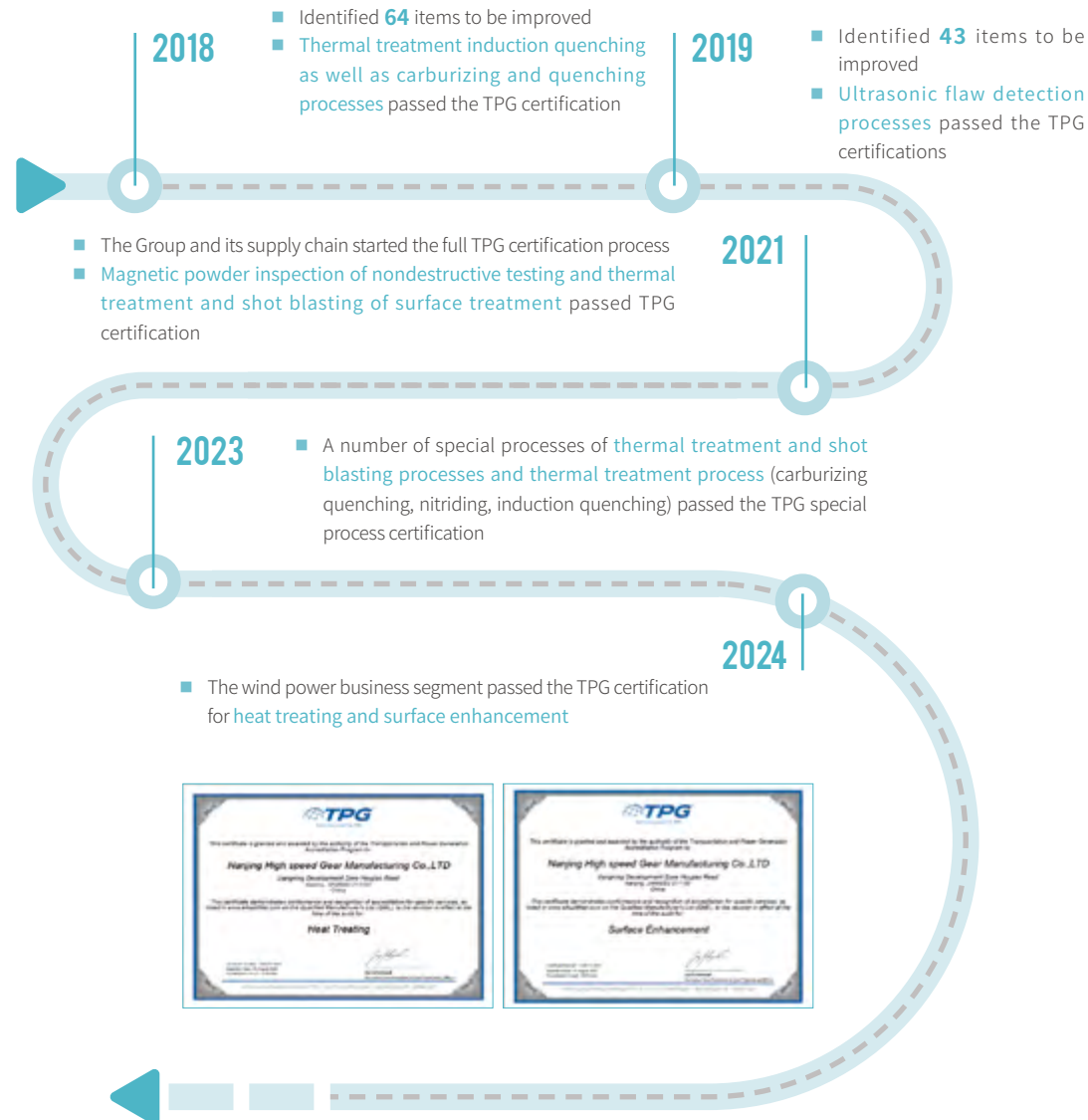
Remark:

28. APQP₄Wind is a quality standard and optimal practice for the entire wind power industry to plan and implement quality assurance throughout the supply chain from manufacturer to component suppliers, with the aim of making the product quality assurance requirements process and production part approval process (PPAP) as clear as possible.

29. TPG (Transportation and Power Generation) is a certification for special processes to suppliers based on the requirements of GE company on transportation and energy equipment. This certification is in line with the Nadcap (National Aerospace and Defense Contractors Accreditation Program) standard. The certified companies will be listed on the PRI (Performance Review Institute) website as the top choices for all manufacturing buyers in the world.

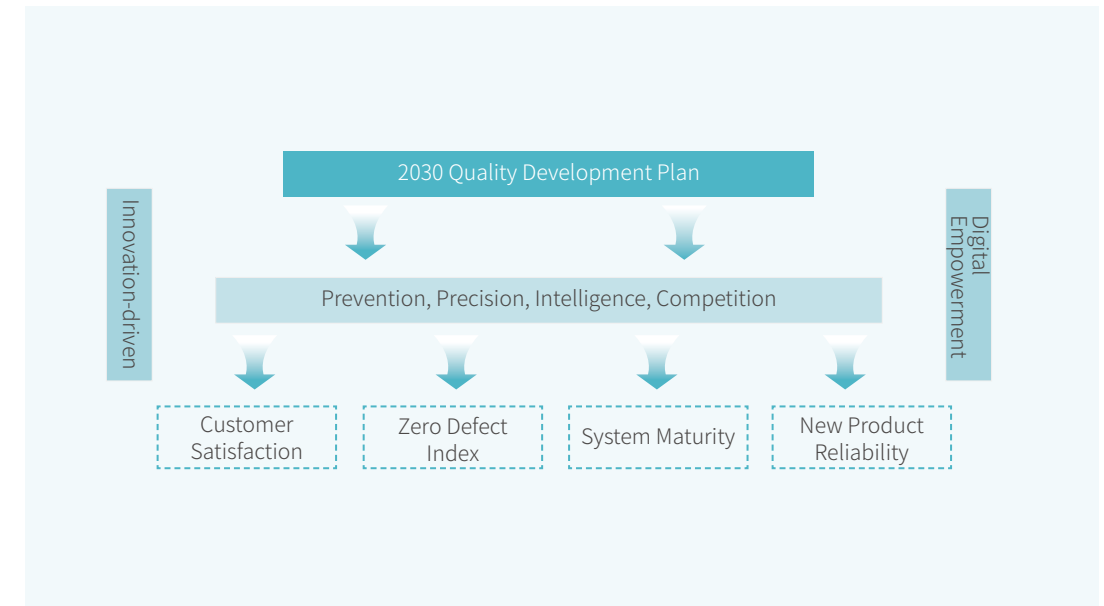


TPG Certification Journey of the Group



Excellence in Quality Management

Aligned with our overall strategic framework, the Group has been upholding the philosophy of "Carrying forward the spirit of the craftsman and creating the quality benchmark" to promote a long-term quality strategy powered by a dual engine of technological innovation and management optimization. To comprehensively consolidate the quality foundation, we focus on customer satisfaction, zero-defect management, the NGCQS excellent quality management system, and quality risk management .





NGCQS Excellent Quality Management System Construction

Since 2017, building on our quality and excellent performance management systems and unique strengths, we have continuously improved quality management methods and developed a customer-focused, three-dimensional excellent quality management system, NGCQS. Within the Group, we implement this quality management system across five key aspects. Furthermore, we have established the *Guidelines for NGCQS Excellent Performance Management System*, which allows us to conduct a comprehensive, systematic assessment of NGCQS in terms of system compliance, performance completion, and sustainable development. This ensures the continuous optimization and efficient operation of the NGCQS.

NGCQS Excellent Quality Management System

NGCQS 5-layer Modular Structure



NGCQS 3-Dimensional Assessment Approach



Data-Based Large-Closed-Loop Quality Management System for Continuous Improvement

In response to internal and external quality issues, we adopt a large-closed-loop quality management approach to improve management in 8 aspects, namely traceability and containment, emergency response plans, RCA initiatives, correction/verification/ confirmation, platform products, new products, knowledge base, and failure application. Besides, the Group also conducts multi-faceted reviews and summaries to create a comprehensive problem knowledge base. We have established a series of closed-loop quality management processes to streamline the problem-solving process, which can effectively prevent potential failure modes during the new product design phase, thereby improving product reliability at source.



Large-closed-loop quality management improvement for the industrial business segment

Regarding the failure of rubber gaskets on flanges of metallurgical gearboxes, the Group, based on systematic quality analysis, required suppliers to strictly follow the latest design specifications and optimize product quality standards. After the improvement, the dimensions of the gear ring of the rubber gasket on the flange and the inner hole of the flange are quite compatible, thus solving the problem. This improvement initiative has fully demonstrated the practical value of our large-closed-loop quality management system in addressing complex technical problems.

Layered Process Audits

To ensure that our products consistently meet stringent quality standards, we have established a comprehensive internal audit mechanism that encompasses product audits, process audits, internal system audits, designated supplier quality representative audits, and institutional audits. In doing this, our goal is to supply users with products that are of high precision, reliability, quality, and safety. During the Reporting Period, the Group intensified the system supervision and audit in process management, established a management platform for external customer documents, and optimized and fully implemented the quality assessment rules, so as to continuously optimize quality management.



Continuous Improvement

In keeping with the philosophy of striving for excellence, the Group makes every effort to promote continuous improvement programs. By implementing the "Continuous Improvement Process (CIP)" and "Six Sigma Management" training programs, we ignite employees' innovative thinking and passion for enhancement, thereby cultivating a workplace culture of continuous improvement. On this basis, the Group deeply explores potential areas for quality and efficiency improvement to boost high-quality business development.

We have established the *CIP Management Measures*, created a CIP network and developed a mobile APP accessible to all employees to encourage improvement activities in areas of system processes, management, technology, production efficiency, and working sites. Additionally, the Group has also implemented a point-based CIP system and regularly organized evaluation, rewarding, verification, and recognition activities. By the end of 2024, the accumulated number of CIP applications reached 9,519, with accumulated revenues amounting to RMB 238.80 million.

Optimization of carburizing quenching process

In 2024, the "CIP" projects enabled us to achieve remarkable results in multiple processes. For example, in the carburizing quenching process, after multiple rounds of in-depth discussion, verification, and adjustment by the project team members, the first-time pass rate of material carburizing quenching inspection was successfully increased to 100%.

Before improvement

- Uneven layer depth and insufficient hardness after carburizing quenching
- Unstable quality and delivery cycle

Improvement measures

- Pre-oxidation process optimization
- Carbon potential improvement for carburizing

After improvement

- Uniform layer depth, with surface hardness of above 60 HRC
- A pass rate of 100% for inspection
- This process can be extended to many other materials in similar high-temperature and high-pressure environments

Number and Revenue of the Group's CIP Applications

Indicator	2024	2023
Accumulated number of CIP applications (Item)	9,519	6,173
Accumulated revenue of CIP applications (RMB 10,000)	23,880	21,014

Quality Culture Cultivation

The Group regards quality culture cultivation as an important means of improving product quality. We dedicate ourselves to driving a quality culture change that emphasizes "Getting things right on the first try and striving for zero defects". By organizing training sessions that are diverse in form and rich in content, we continuously enhance the technical capabilities and qualifications of practitioners.

2024 Quality Month activities themed on "Solidifying the 'Quality 2.0' strategy to empower new quality productive forces"

To enhance the quality awareness among all employees, the Group launched a series of Quality Month activities themed on "Solidifying the 'Quality 2.0' strategy to empower new quality productive forces" in September 2024.

- A salon themed on "Making quality a habit - enhancing quality awareness among frontline employees".
- A salon themed on "Making Group-wide improvement projects thrive - sharing CIP experiences.
- A salon themed on "Collaborative improvement for win-win results - improving the quality of outsourcing partners for planetary gearbox business".

Through this series of Quality Month activities, we have promoted the implementation of the quality concept, built an efficient quality control system, and created a positive quality culture that encourages collaboration and common progress within the Group.

Lean Production

The Group has been optimizing production processes and improving working conditions, thereby significantly enhancing operational efficiency and constantly strengthening core competitive edge. In 2024, we conducted 36 peripheral inspections, 75 monthly inspections, and 12 targeted improvement activities, with 1,432 "5S improvements" achieved.

Areas of lean production	Benefits brought by lean production
Logistics simulation of Jinhua Factory	Use the Flexsim simulation software to quickly determine the logistics equipment introduction plan, verify the feasibility of logistics projects, provide basic data for improvement and management, and reduce operating costs.
Simulation of gear ring fine boring operation	By simulating the operating and occupied states of the equipment, calculate the machine tool utilization rate and personnel utilization rate in the scenario of one person operating multiple machine tools, so as to improve efficiency.
Division of main and auxiliary assembly lines	Set up auxiliary line operations and arrange night-shift workers to complete them in advance to reduce the time loss during regular daytime work. Relocate on-site heaters and pressure-holding tools to the middle area, and place the main shafts and sleeves on both sides of the aisle, thereby reducing the walking distance of personnel and easing the demand on the overhead crane.
Application of lean tools to industrial process inspections	Apply lean tools to the inspection checklist to cover five major business segments, improve 44 process points, and enhance inspection efficiency.

The Group highly values lean training and talent cultivation, and has established a systematic lean talent cultivation system. By introducing high-quality resources from external professional lean training institutions and integrating them with the practical exercises of our internal lean training camps, we aim to enhance our employees' lean awareness and practical skills in an all-round way. In 2024, to cultivate and improve employees' skills and awareness of lean production, we organized 17 lean training camps in various forms such as book sharing sessions, lean workshops, and lean trainer courses, which attracted 114 participants.



Elite Six Sigma management culture

Since the elite Six Sigma management was launched in 2015, the Group has established the *Six Sigma Management Measures*, and created a suite of high-quality training courses and assembled a team of instructors for green and black belts. As a result of these efforts, we have developed a corps of professional Six Sigma experts and significantly elevated the Company's quality standards with a systematic approach. At the same time, we also extended the application of Six Sigma methodologies to our suppliers, in order to continuously improve their data analysis skills and quality management.

In 2024, the cumulative training duration for Six Sigma black and green belts exceeded 100 days. By imparting knowledge on quality tools, the training enhanced quality control awareness and capabilities of technical personnel in the Process, R&D, and Production departments. By the end of 2024, the Six Sigma program had cumulatively trained 499 belt-certified employees for NGC and completed 289 Six Sigma improvement projects.

Lean Manufacturing

Lean production can enhance a company's production efficiency and product quality, drive cost reduction while improving efficiency, expedite new product iteration, and markedly strengthen the enterprise's resilience to market fluctuations. Therefore, the Group has comprehensively strengthened the lean production management system. By introducing intelligent technologies and a digital platform for key manufacturing data, we are continually advancing intelligent manufacturing and digital transformation.

To fully implement the lean production concept in the manufacturing process, the Group has established policies such as the *Description of Lean Production Process*, the *Tiered Meeting & Dashboard Management Policy*, the *On-Site Line Patrol Management Policy*, the *Manual of Visualization Management of Working Sites*, the *Provisions on the Management of Factory Dashboards* and other policies. In addition, we updated policies such as the *Rules on the Management of Policy Deployment and Project Tracking* and the *On-Site 5S Management Measures for Wind Power Main Gearbox* during the Reporting Period.



● Intelligent Manufacturing

The Group actively implements intelligent manufacturing and spares no effort to build an intelligent manufacturing system in the era of "Industry 4.0". Relying on data and equipment visualization technologies, we have significantly enhanced production efficiency and resource utilization. With data as the core driving force and in-depth integration of product characteristics and production practices, the Group has independently developed MES/QMS systems to steadily promote automation and informatization and accelerate the transformation and upgrading from traditional manufacturing to intelligent manufacturing.



In 2024, we achieved remarkable results in the integration of informatization and industrialization. Nanjing High Speed Gear Manufacturing Co., Ltd. was awarded the Integration of Informatization and Industrialization Management System Certificate (AAA Level). NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. completed the re-audit of its integration of informatization and industrialization management system (AA Level) in November 2024, and obtained the certification for intelligent workshop, as well as being rated as a "Five-Star Cloud Enterprise". Nanjing Nanchuan Intelligent Technology Co., Ltd. was rated as a "Four-Star Cloud Enterprise".

Additionally, we have made significant progress in informatization and intelligent transformation. We have achieved effective analysis and management of production process data. Besides, we have established a production informatization platform, and introduced AI applications. Through a series of real-world application cases, we have fully demonstrated the remarkable effectiveness of informatization and intelligent methods in enhancing production efficiency, quality control, and traceability.



Integration of Informatization and Industrialization Management System Certificate

■ Some Key Achievements

 Informatization	Acid washing data collection	We have achieved data collection for inspection items such as tank temperature, concentration, and acid washing time during the acid washing process, thereby enhancing the data utilization rate and the timely processing rate of abnormal data.
	Equipment interconnection	The equipment data collection and networking rate of the heat treatment workshop in Nanjing has exceeded 90%. The workshop has realized the whole-process online interconnection of each working procedure, with about 10% increase in the production efficiency, and has been awarded the "Jiangsu Province Intelligent Manufacturing Workshop".
	PLM system	Leveraging the early warning platform for exceptions of PLM drawing access records, the Group has enhanced the capability for data breach prevention.
	Digital process and DNC system	CAM software has been used to generate NC programs. By conducting modeling and simulation, we verify the NC programs and complete the 3D modeling and post-processing of program codes for all CNC machine tools, tooling heads, cutting tools, and other related components.
	MDC system for cold processing	The Group has established a data collection platform and carried out IOT and information network integration for 170 CNC machine tools such as hobbing, milling and grinding machines in Huai'an Factory. This move has broken down the barriers between IOT data and information data to create a visualization management platform for workshop equipment operation.
	Intelligent manufacturing platform for heat treatment	We have improved the scalability of our heat treatment MES system to realize online equipment monitoring, online work reporting and online delivery for the entire No. 30 Houjiao Road Factory, thus shortening the heat treatment processing cycle.
 Intelligent transformation	AI-based quality inspection	AI has been applied in quality inspection to identify the photos of finished products and conduct data analysis and optimization, thereby improving product quality and production efficiency.
	AI-based appearance and shipment inspections	Leveraging AI OCR technology for automatic label identification, we have transitioned appearance and shipment inspections from the original paper-based uploads on the EDOC system to an AI platform. This upgrade has enhanced the picture management system for finished gearboxes and the information traceability.



Response to Customer Demands

The Group always adheres to the service philosophy of "customers first" and is committed to providing customers with excellent service experiences throughout the product lifecycle. We have professional teams to offer our customers comprehensive and high-quality solutions. In the domestic market, the Group has established a sound service network covering more than 30 provincial administrations, ensuring a rapid response to customer needs within 48 hours. We have also built a robust global service system to provide overseas customers with professional services of the same standard as those in the domestic market. By continuously optimizing the service response mechanism and refining the service support system, the Group accurately meets the diverse needs of global customers and endeavors to earn their long-term trust and support with excellent service quality.

Customer Service

To understand and improve customer satisfaction, the Group sets annual customer satisfaction targets and conducts customer satisfaction surveys each year in accordance with the *Customer Satisfaction Control Procedures*. In 2024, we introduced the customer satisfaction survey for overseas customers to ensure that the needs of our global customers are fully addressed. Our customer satisfaction survey is subject to independent third-party oversight to ensure the objectivity and fairness of the survey results.

During the Reporting Period, the Group received 35 pieces of customer feedback, of which 28 were resolved, addressing customer concerns in a timely manner. We also continuously optimize our customer communication channels, utilizing our private cloud information platform to accelerate business response and provide customers with better service experience. In addition, the Group fully utilizes the aftermarket service management platform to provide the aftermarket service management team, service engineers, and field service personnel with corresponding maintenance solutions and other relevant information in a timely manner, thereby enhancing service efficiency and customer satisfaction.



Key Performances

For 7 consecutive years, a 100% customer satisfaction target was achieved

Complaint Handling Mechanism and Closed-Loop Management

The Group strictly adheres to the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*. In addition, we have established policies for customer complaint handling and after-sales services, including the *Customer Complaint Handling Procedure*, the *Provisions for Closed-Loop Customer Complaints Management*, and the *RCA Analysis Process*. These policies ensure that customer complaints and feedback can be promptly responded to and resolved in an efficient and appropriate manner, thereby fully protecting the rights and interests of customers.

We always prioritize our customers' needs and experiences. To ensure customers can get in touch with us easily and quickly, we have established diverse complaint channels, including QR codes, service hotlines, WeChat official account, and email address. For customer complaints, we have adopted multiple pre-treatment solutions in advance, including compensating customers for replacement parts and providing remote guidance for replacement, on-site repair by professional personnel, returning to the factory for repairs, exchanging products, and returning old machines for repairs. This enables us to provide full protection for customer rights and interests. During the Reporting Period, the Group did not receive any litigation cases related to product liability.

Product Recall

During the Reporting Period, we made a comprehensive update for the Product Recall Process, further clarifying the product recall application process initiated by departments such as Design, Quality, and Sales. When we discover any defects in our products or services, which may endanger personal safety or property damage, we will report immediately to the relevant administrative departments and inform consumers in a timely manner. In addition, we will promptly take a series of measures, including but not limited to suspension of sales, warning, recall, harmless disposal, destruction, and discontinuation of production, to minimize the losses caused by the product recall to customers and the Company, and to ensure that the safety and rights and interests of customers are not jeopardized. In 2024, there were no products which must be recalled due to safety and health reasons among all sold or delivered products within the Group.

4

Industrial Synergy for Mutual Progress

Material issues in this chapter

- Responsible Supply Chain Management
- Business Continuity
- Promoting Industry Development

Highlight Performances

- **164** annual supplier audits were conducted, with a passing rate of **100%**
- **100%** signing rate of the *Transparency Agreement* among new suppliers was achieved
- The Group participated in the development of **62** national, industry, and group standards currently in effect








Supply Chain Management

A safe, stable and sustainable supply chain is critical to our business stability. The Group is active in preventing supply chain risks. For this purpose, we make consistent efforts to strengthen supplier management across all aspects, from development and admission to daily management, audit, and evaluation, thereby ensuring supply chain security. We pay more attention to the sustainable development of suppliers, and are committed to creating sustainable supply chains that support the harmonious coexistence of economy, society and the environment.

Supplier Management

In strict compliance with relevant laws and regulations, we have established and maintained a series of supplier management policies. Such policies include the *Instructions on Supplier Discovery and Management*, the *Procurement Control Procedure*, the *International Procurement Management Procedure*, the *Supplier-Related Risk Register*, and the *Instructions on Supplier Quality Management*. We maintain stringent standards for supplier admission qualifications and communicate our environmental, social and governance requirements to our suppliers through the *Supplier Quality Manual* and conduct audits accordingly. We take a one-veto policy on any red line discrepancies.

ESG-Related Issues Subject to One-Veto Policy in the Evaluation of Suppliers' Qualification for Admission

 Environmental factors	<ul style="list-style-type: none">✗ Lack of documentation or certification to prove compliance with local environmental regulations (It is recommended that suppliers provide the ISO 14001 Certification or other evidence of compliance with environmental requirements in the places where we operate and our products are used.)
 Social factors	<ul style="list-style-type: none">✗ Failure to pass the ISO 9001 Quality Management System Certification✗ Lack of information confidentiality procedure or rule✗ Unwillingness to sign the quality guarantee agreement, no warranty period✗ Involvement in child labor and forced labor (It is recommended that suppliers provide the ISO 45001 Certification or other evidence of compliance with local occupational health and safety requirements)
 Governance factors	<ul style="list-style-type: none">✗ Inclusion in the list of poor credit records released by the government

Supplier Management Process of the Group

Development and admission



Collect potential suppliers' information with the *Questionnaire of Supplier Information* in accordance with the *Instructions on Supplier Discovery and Management* to assess whether they meet the Group's needs



Conduct pre-assessment audits on potential suppliers, and clarify assessment requirements for their business, quality, production and environment management, social responsibilities, and occupational health and safety management and practices



Conduct quality process and system audits on the suppliers who have passed the pre-assessment, and assess their risks. Sign the *Supplier Quality Manual*, the *Framework Procurement Agreement* and other relevant documents with suppliers upon the assessment to ensure that they understand and meet the Group's supplier management requirements

Daily management



Conduct graded and classified management of suppliers by the importance of supplies and cooperation relationships, and carry out differentiated management and review of suppliers in different categories in accordance with the *Provisions on the Graded Management of Supplier Quality Problems*



Provide training on safety operation procedures and environmental policies for suppliers so that they can understand and meet the Company's requirements for safety and environment management



Review and evaluation



Develop an annual supplier audit plan in accordance with the *Provisions on the Management of Supplier Performance Evaluation*; conduct a series of audits on suppliers, including system audit, process audit, customer audit, and unannounced inspection, regarding their quality management, design and development, procurement management, manufacturing process and service capacity, and issue the *Supplier Audit Report*. Our audits cover all key material suppliers every three years



Organize a special process audit on suppliers by the Quality Department in the case of a systemic problem



Require suppliers to rectify non-compliance. Suppliers need to report their corrective measures using the *Supplier Audit Non-Compliance Report Form* and complete the rectification within 1 month. Under special circumstances, an extension to complete the rectification is allowed with our prior consent



Terminate partnerships with suppliers that have major quality issues, present safety and environmental hazards, engage in bribery, or are blacklisted by authorities at all levels

Key performances

During the Reporting Period

The Group checked the qualifications of **107** new applicant suppliers gave admissions to **101** qualified suppliers

We have gradually incorporated the certification audit of Tier-2 suppliers into the annual supplier audit plan. Specifically, we require suppliers to examine the qualification of the products and services provided by Tier-2 suppliers to confirm that they meet our requirements. In 2024, we conducted process audits on Tier-2 suppliers, mainly involving heat treatment, forging and special processes suppliers, and completed 7 Tier-2 supplier audits with a passing rate of 100%.

Supply Chain Stability and Resilience

The Group safeguards the stability and security of supply chains through risk assessment, diversified procurement, strategic cooperation and other means. During the Reporting Period, we developed the *Provisions on Supplier Blacklist Management*, which clearly define the process of establishing, managing, updating and removing the supplier blacklist. This aims to safeguard our legitimate rights and interests and the market order.

Measures to Ensure Supply Chain Stability



Risk Assessment

- Conduct supplier risk assessment occasionally to assess suppliers' delivery capability and resilience to natural disasters, and set scientific risk thresholds and risk management measures



Diversified Procurement

- Seek for domestic alternatives to enhance local procurement, ensuring local supply continuity
- Implement the elimination mechanism and reinforce the risk-sharing mechanism



Strategic Cooperation

- Establish long-term partnerships with quality suppliers via supplier conferences, supplier training, mutual visits and technical exchanges to ensure the supply chain stability



Supplier Six Sigma training

During the Reporting Period, to improve the supplier quality management and ensure the safety and reliability of the supply chain, the Group's wind power business segment conducted a 8 working days Six Sigma Green Belt training for bearing suppliers. The supplier completed the training and passed the NGC Six Sigma Green Belt Certification assessment successfully.



Six Sigma Training

Professionals were also deployed to collaborate with the supplier on two Six Sigma Green Belt projects for process efficiency improvement. Through analysis and iterative coaching of the project team, both projects were successfully completed and won the First Prize and Improvement Award of the NGC Six Sigma Green Belt Projects in 2024, respectively.

Sustainable Supply Chains

As a responsible enterprise, the Group actively responds to the concerns of customers and other stakeholders for sustainable supply chains. By means of transparent procurement, sustainable supplier assessment and ESG themed training, we strive to promote the transition of supply chains towards green and low-carbon development.

Transparent Procurement

The Group makes vigorous efforts to build supply chains that uphold integrity. To achieve this, we have established the *Anti-Corruption Policy*, the *Business Conduct and Ethics Guidelines* and other policies, to clearly define the red line for conflicts of interest. We also adopt a zero-tolerance attitude towards any form of corruption. We stick to open and transparent procurement tendering, and sign the *Transparency Agreement* with suppliers. If suppliers violate the provisions, we will take measures such as charging liquidated damages or compensation, or placing them on the permanent non-cooperation list.

In addition, we have established the *Whistle-Blowing Policy* and the *Anti-Fraud Reporting Management Procedure*, to encourage stakeholders to monitor and report on business practices of the Group and our suppliers. By doing so, we jointly maintain a transparent business environment.

Sustainable Procurement

To integrate the concept of sustainable development into supply chain management practices, we have developed the *Provisions on Sustainable Procurement Management*. This policy clarifies sustainable supplier management work from three aspects: supplier development, daily management and supplier evaluation. To ensure the effective implementation of sustainable procurement, we regularly review and evaluate procurement activities. Meanwhile, we have established a performance indicator system for sustainable procurement to assess the performance of suppliers and other stakeholders. We also play an active role in sustainable procurement evaluation and certification organized by third parties to continuously improve the level of sustainable procurement.



Key performance

During the Reporting Period, **100%** signing rate of the *Transparency Agreement* for new suppliers was achieved



Supplier development

- Include environmental and social factors in supplier evaluation indicators at the early stage of development.
- Prioritize suppliers with the ISO 14001 Environmental Management System Certification and the ISO 45001 Occupational Health and Safety Management System Certification.
- Require all admitted suppliers to sign the *Supplier Compliance Commitment Letter*, the *Environment and Safety Notification Agreement and its Annexes*, the *Declaration of Non-Applicable Hazardous Materials* and other documents progressively to ensure that they understand the Group's ESG management requirements.
- Clarify suppliers' responsibilities and obligations for sustainable development in procurement contracts. This includes environmental management requirements and labor rights protection, in addition to the commitments on supplier conducts outlined in the signed documents.



Supplier management

- Establish a merit-based selection mechanism and give mutually beneficial commercial terms to highly qualified suppliers as an incentive to continuously improve their ESG management.
- Uphold green procurement management by inviting suppliers to carbon management training, requiring key suppliers to provide GHG emission data, and guiding suppliers in adopting sustainable development practices through ongoing support.



Supplier evaluation

- Establish an indicator system for supplier sustainable development evaluation, and develop the *Sustainable Procurement Supplier Evaluation Form*, with environmental and social evaluations added.
- Carry out evaluations and on-site audits on suppliers' environmental management and social responsibilities from time to time, and require suppliers who do not meet the standards to develop corrective measures for identified issues.



Specialized training on the Carbon Border Adjustment Mechanism (CBAM) for suppliers

During the Reporting Period, we organized a "Specialized Training on Carbon Border Adjustment Mechanism (CBAM) for suppliers", inviting external senior experts to serve as lecturers. This training aimed to help internal teams and suppliers to gain in-depth insights into the CBAM, so that they could better response to the global climate change and the international trade dynamics.

The training was conducted in both online and offline modes, to maximize participation from a broader range of suppliers. The training covered three major topics: policy background, implementation rules and data reporting, ensuring the effectiveness in practice. Through this training, we not only helped suppliers improve their ability in response to the CBAM, but also contributed to a more competitive and sustainable supply chain within the industry. These efforts demonstrated the Group's leadership in promoting green transition of the industry.



Specialized CBAM Training for Suppliers

Conflict Minerals

Upholding responsible supply chain management, the Group is committed to avoiding conflict minerals in products. We strictly adhere to the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, and promise to "avoid using metals (including tin, tantalum, tungsten, and gold) from companies in conflict from the Democratic Republic of the Congo and its adjacent regions". In addition, we explicitly require suppliers not to use conflict minerals in the *Instructions on Supplier Discovery and Management*.

Industry Exchanges

As the world's leading supplier of gear transmission solutions, the Group has always adhered to the principles of "equality, mutual benefit, and win-win cooperation". By actively engaging in industry exchanges and standard formulation, and sharing industry experience, we strive for mutual benefit and common prosperity of the industrial chain.

● Industry Exchanges for Common Prosperity

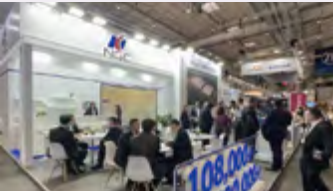
In 2024, the Group, along with its products, participated in more than ten industry exhibitions and conferences on wind power, photovoltaic power, rubber and plastics, batteries and rail transportation to discuss the development path with industry partners. By sharing our product advantages and innovative technologies, we strive to promote the high-quality development of the industry.



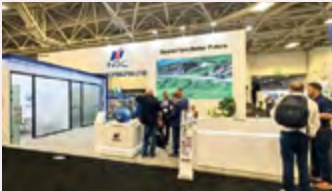


Part of the Conferences and Exhibitions Attended by the Group in 2024

Wind Power Business Segment



Wind Energy Hamburg



American Clean Power Conference and Exhibition



India Wind Power



China Wind Power (Beijing)



SNEC PV POWER EXPO

Industrial Business Segment

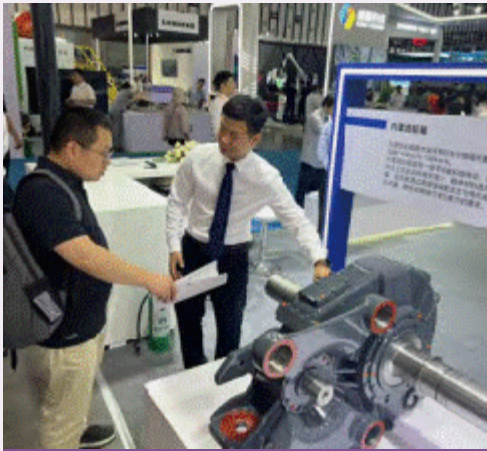


The 2nd China International Exhibition on Mining Equipment and Technology



The Industrial Fair Network

Rail Transit Business Segment

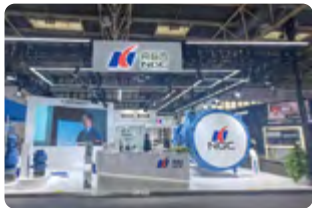


2024 International Metro Transit Exhibition & Forum (Beijing - Nanjing)



Attendance at the CWP 2024

In October 2024, the Group participated in the China Wind Power ("CWP"), and joined hands with numerous global wind energy enterprises to actively explore new paths to drive the development of the wind power industry. At this event, we highlighted the 10MW 3-stage planetary and 1-stage horizontal (3P1H) sliding bearing gearbox designed for large base onshore wind turbines in desert regions. Meanwhile, we deeply integrated our mechanical gearboxes with digital technologies to further upgrade the GearSight platform. We also introduced one of core components for photovoltaic power generation systems at the exhibition. During the event, the Group was honored as an "Enterprise Making Outstanding Contributions to China's Five Hundred Million Kilowatts of Installed Wind Power Capacity". This award recognized our remarkable contribution to the wind energy industry.



China Wind Power (Beijing)



Engagement in the 2nd Academic Annual Conference of the Offshore Wind Power Technology Committee under the Chinese Society for Electrical Engineering to promote the development of the offshore wind power industry

In May 2024, the Group participated in the 2nd Annual Conference of the Offshore Wind Power Technology Committee under the Chinese Society for Electrical Engineering to explore the industry outlook, technology development direction and co-operation opportunities with domestic and overseas offshore wind power industry colleagues and to help promote the healthy development of the industry. At the conference, we presented a report entitled *Frontier Technology Research and Reliability Assurance for Offshore Wind Power Gearbox*. Centering on the two key topics: technology development trend and reliability assurance, the report proposed a series of initiatives and methods to improve the reliability of offshore wind power gearbox. Through the report, we shared our valuable experience in improving product reliability, contributing to the sound and stable development of China's offshore wind power industry.



Keynote Report Presented by the Group's Representative at the Annual Conference



● Industry Standard Construction

The quality improvement of the industry requires the establishment of a complete set of standards. The Group plays an active role in organizing and engaging in the establishment of standards at national, industrial and group levels. During the Reporting Period, we participated in the establishment and release of 6 national standards, 1 industry standard, and 3 group standards, with several standards currently being developed. We are contributing our strength to improving the industry standardization and driving the high-quality development of the industry.

No.	Standard Name	Nature of Standard
1	Calculation of Load Capacity of Spur and Helical Gears - Part 4: Calculation of Tooth Flank Fracture Load Capacity (GB/Z 3480.4-2024)	National standard
2	Calculation of Load Capacity of Spur and Helical Gears - Part 22: Calculation of Micro-pitting Load Capacity (GB/Z 3480.22-2024)	National standard
3	Technical Requirements for the Integration of High Power Quality Demand Customers (GB/T 44137-2024)	National standard
4	Wind Energy Generation Systems - General Technical Specification and Test Method of Wind Turbines (GB/T 19960-2024)	National standard
5	Mechanical Vibration - Measurement and Evaluation of Machine Vibration - Part 9: Gear Units (GB/T 41850.9-2024)	National standard
6	Intelligent Service - Predictive Maintenance - Requirement of Virtual Maintenance System (GB/T 44407-2024)	National standard
7	Technical Specification of Gearbox Cooling and Lubrication Systems for Wind Turbines (NB/T 11593-2024)	Industry standard
8	High Speed Ratio Spiral Bevel Gears for Robot Joints (T/JSQA 182-2024)	Group standard
9	Technical Specification for Durability Design of Wind Power Gearbox (T/UNP 194-2024)	Group standard
10	Wind Turbine Gearbox - Reliability Test Method (T/UNP 195-2024)	Group standard



Engagement in the establishment of national standards

During the Reporting Period, the Group participated in the establishment of two national standards. This included the *Calculation of Load Capacity of Spur and Helical Gears - Part 4: Calculation of Tooth Flank Fracture Load Capacity (GB/Z 3480.4-2024)* and the *Calculation of Load Capacity of Spur and Helical Gears - Part 22: Calculation of Micropitting Load Capacity (GB/Z 3480.22-2024)*.

We have accumulated years of application experience in the ISO standards for the calculation of tooth flank fracture and micropitting. Giving full play to this advantage, we proposed unique insights into the preparation of drafts, exposure drafts and final drafts for review of the two national standards, respectively. This provided strong support for the practicability of the standards.



Co-hosting the national standard publicity seminar

In July 2024, the Group, as the vice president unit of the China General Machine Components Industry Association and one of the key drafting units of national standards, co-hosted the publicity seminar on the *Calculation of Load Capacity of Spur and Helical Gears - Part 5: Strength and Quality of Materials (GB/T 3480.5-2021)*. At the seminar, we publicized and interpreted important technical indicators of the standard, and engaged in in-depth discussion with peers regarding technical difficulties. With these efforts, we contributed to the technical progress and high-quality development of the gear industry.



National Standard Publicity Seminar

5

Grow with Employees

Material issues in this chapter

Human Rights
Diversity, Inclusion and Equity
Employee Development and Training
Occupational Health and Safety

Highlight Performances

- **100%** signing rate of the collective contract was achieved
- Employee satisfaction score **82.30%**
- Employee engagement score **84.90%**
- Annual training hours reached **171,749** hours, increased by **2.15%** compared to 2023
- Average training hours per employee **23.04** hours, increased by **1.97%** compared to 2023
- Invested in production safety RMB **36,093,400**, increased by **0.64%** compared to 2023





Protect Employee Rights and Welfare

The Group strengthens its human resources framework, enhances welfare benefits, and streamlines career development pathways. By doing so, we safeguard employee rights, elevate employee satisfaction and empower employees' self-fulfillment, so as to share our success, and collectively foster a thriving professional ecosystem with employees.

● Protection of Rights and Interests

Prohibition of Child Labor and Forced Labor

The Group complies with the relevant provisions of the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, and *Provisions on Prohibition of Child Labor*, and the internationally recognized principles of human rights protection. In our *Employee Handbook* and *Recruitment Management System and Procedures*, we clearly stipulate that within the Group's operational scope, any form of slavery and forced labor is resolutely prohibited, and the use of prison labor and child labor is strictly forbidden. The Company strictly prohibits the existence of child labor or forced labor. We authenticate candidate identities through third-party background investigations, litigation record screenings, and other verification channels to ensure full compliance with recruitment regulatory requirements. Meanwhile, the Group has developed and implemented the *Statement on Prohibition of Child Labor and Emergency Response Plan* and the *Statement on Prohibition of Forced Labor and Emergency Response Plan*, which specify the remedial measures upon discovery of child labor employment or forced labor practices. During the Reporting Period, no illegal or non-compliant incidents related to child labor employment, forced labor, etc., occurred within the Group, and the labor contract signing rate for full-time employees has consistently remained at 100%.

Anti-discrimination and Anti-harassment

We are committed to fostering an equitable workplace that prohibits any form of discrimination or harassment. The Group explicitly outlines in the *Statement on Protecting Employees from Discrimination, Harassment, and Guaranteeing Freedom of Association* that all personnel shall be free from prejudicial treatment based on ethnicity, gender, or religious beliefs, with the Company maintaining zero tolerance for discriminatory conduct. This prohibition extends to harassment against clients, suppliers, and employees, encompassing

unwelcome provocative behavior and sexually oriented verbal or physical conduct. Employees may file reports or complaints through formal grievance procedures. By the end of the Reporting Period, the Group had received no substantiated complaints regarding discrimination or harassment in any material aspect.

Working Hours and Leave Management

In accordance with the Group's operational requirements and regional legal provisions across business sectors, we have established comprehensive attendance management and leave policies. Our workforce scheduling system integrates standard and flexible working hours, implementing tiered arrangements for working durations of employees at different levels, reducing overtime commitments, and guaranteeing reasonable and sufficient rest periods for employees.

The Group completely respects employees' right to rest and take leave and supports them in balancing their work and life as much as possible. We strictly adhering to and in compliance with the *Labor Law of the People's Republic of China*, provide our employees with statutory holidays such as marriage leave, bereavement leave, maternity leave, paternity leave, lactation leave, nursing leave, prenatal care leave, and parental leave.

Remuneration

A fair remuneration system serves as a pivotal driver in stimulating employees' enthusiasm and boosting their productivity. The Group is committed to establishing a remuneration management system that balances external competitiveness and internal fairness, strictly abiding by national laws, regulations and local government standards. We follow the principle of distribution according to work, implement equal pay for equal work between men and women, meet the minimum wage standards, and clearly state the benchmarks for overtime pay. The Group has formulated the *Performance Management Policy*, has established a tiered performance appraisal system, and has created a performance-linked incentive structures to elevate collective output. This remuneration system integrates multidimensional appraisal methodologies to reinforce objective attainment of performance goals.



Democratic Management

The Group maintains close contact with employees through the trade union and employee representative conferences to anchor its democratic governance framework in safeguarding workforce fundamental interests. The Group's trade union regularly convenes employee representative conferences every year, facilitating a discussion on priority employee concerns to ensure robust protection of employees' legally guaranteed freedom of association and collective bargaining rights. The Group signs collective contracts covering all employees with the trade union in accordance with laws and regulations such as the *Labor Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, and the *Specification for Collective Contract*. Moreover, we have established a collective contract supervision and inspection team, which reports annually to the employee representative conferences on the fulfilment of the collective contract.



Key Performances 100% signing rate of the collective contract was achieved

Whistle-blowing Procedures

The Group has established the *Employee Whistle-blowing Procedures*, and set up various channels for reporting and complaining, ensuring an unimpeded channel for employees' feedback. In addition, strict information confidentiality policies have been established to ensure that employees can easily and safely express their opinions and demands and safeguard their legitimate rights and interests.

Employees' complaints and opinions can be handled by the immediate managers and the corresponding human resources personnel. Should initial resolutions prove inadequate, employees may escalate the appeal to higher-level supervisors, HR managers, HR director, or executive leadership. The Group has set up dedicated mailboxes for anonymous submission. Additionally, employees retain the right to file formal grievances with the trade union chairperson, leveraging collective representation to safeguard statutory entitlements.

The Company's designated complaint handlers will maintain the strictest confidentiality regarding the identities and information of employees who file complaints, safeguarding them against any form of retaliation.



E-mail address for whistle-blowing
NGC_TSJB@ngctransmission.com



Mailbox address for whistle-blowing
Dedicated mailboxes for anonymous submission in each plant of the Group

Welfare and Care

Employee Welfare and Care

We have always been committed to employee welfare and strive to create a comprehensive and perfect welfare security system. The Group has paid social insurance for all employees, with a coverage rate of 100%. On the basis of statutory benefits, the Group has further expanded the scope of welfare security by implementing a supplementary medical insurance program. The program covers all formal employees and their children under the age of 18, and the insurance plan is comprehensive, aiming to fully protect the health of employees and their families. In 2024, the Group purchased supplementary medical insurance for all eligible employees and their children.

Besides, we provide onboarding gift package, work meal, commuting shuttle bus, graduate apartment, holiday gifts to cultivate a comfortable and accessible work environment that enhances workplace belonging and well-being.

During the Reporting Period, the Group assisted financially challenged employees in applying for relief funds from the Nanjing Ninggong Caring Aid Foundation and the consolation funds under the "Union Outreach" program. Meanwhile, our active participation in the support initiatives of the Nanjing Love Mutual Aid Foundation further enables us to provide tangible support to employees in need.



Heatwave support for frontline employees

During summer heatwaves, we implemented enhanced protective protocols and conducted an event themed on "Providing Coolness, Ensuring Safety and Extending Care". Through this event, we provided cooling and heatstroke prevention supplies to frontline employees and carried out employee health monitoring under high-temperature operations so as to create a healthy and safe working environment.



Heatwave Support for Frontline Employees



Fitness running event

In January 2024, the Group organized an employee fitness running event themed on "New Year, New Vision, New Momentum" at its facility in Huai'an Jinhu. The event engaged over 1,000 participants through 25 competitive teams and 6 fitness teams. This heritage-inspired running program demonstrated our commitment to employee health and well-being optimization and conveyed our positive corporate culture, energizing our development in the upcoming year.



Fitness Running Event

Employee Activities

The Group regularly organizes activities such as outdoor team building activities, tea parties, birthday celebrations, cultural-sports events, and athletic competitions. During the Reporting Period, the Group's wind power business segment commissioned an "Employee Recreation Center" featuring a game room, reading room, table tennis room, Carrom board, Chinese billiards table, Carnation Service Station for female employees, and baby care room. These purpose-built facilities enrich employees' leisure lives while supporting work-life balance.



Establishment of Employee Recreation Center



Team Building Activity



Activity for Mid-Autumn Festival



Water Sports Carnival



Dragon Boat Race

Attract and Retain Talents

The Group enhances its attractiveness and influence on talents through constantly optimizing talent recruitment and management framework, clarifying recruitment principles and streamlining the recruitment process. We respect individual differences of employees, and actively build an equal, diverse, and inclusive workplace environment.

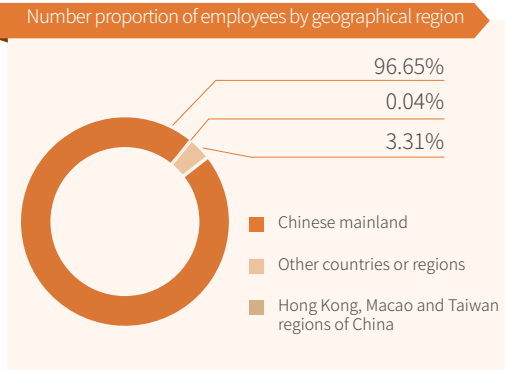
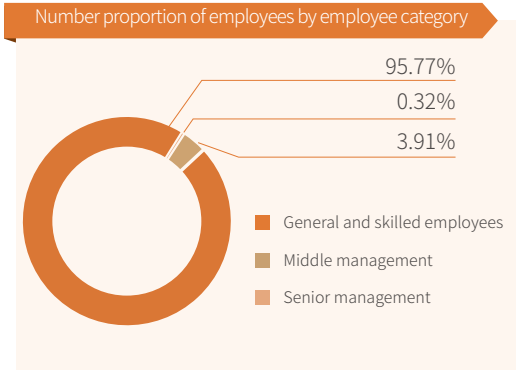
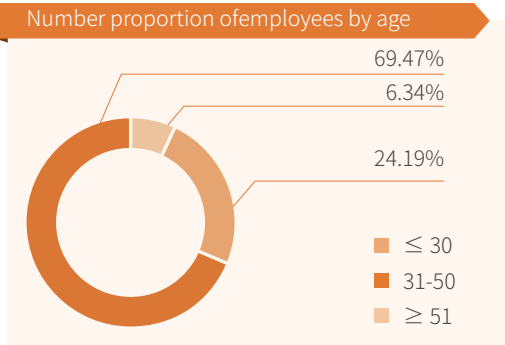
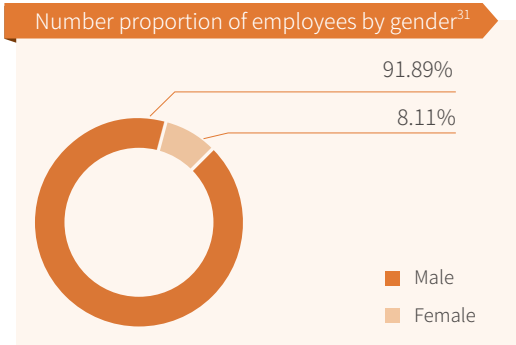
Employment

Employee Size and Composition



Employment in 2024

Total number of employees (Person) ³⁰	Full-time (Person)	Part-time (Person)
7,521	7,521	0



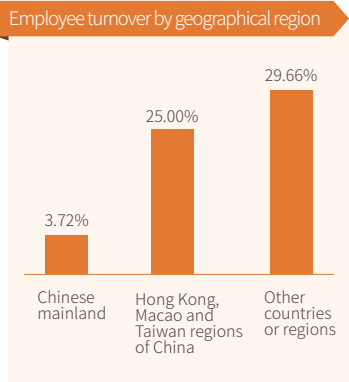
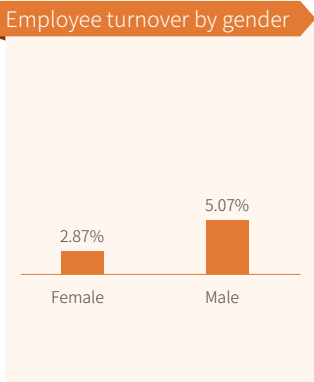
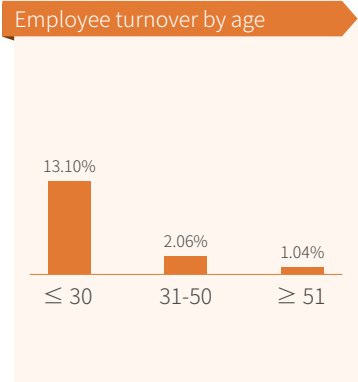
Remark:

30. The employee-related data for 2024 covers 99.88% of the full-time employees in the Group, which amounts to 7,521 individuals. The method of statistics is based on the descriptions of social key performance indicators found in *How to Prepare an ESG Report* published by HKEX.

31. The difference in the gender ratio is mainly due to the industry in which our group is situated, and it does not conflict with our group's principle of equal employment (including recruitment, promotion, and training).

Employee Turnover³²

	2024	2023
Total employee turnover rate	4.89%	4.59%



Remark:

32. Employee turnover rate by age/region/gender = Number of employees of resigned in the category during the Reporting Period / (Number of employees of resigned in the category during the Reporting Period + Total number of employees in the category at the end of the Reporting Period) * 100%

Employer Brand Building

Employer brand serves as a pivotal talent magnet and corporate culture embodiment. The Group regards employer brand building as a strategic priority in its talent strategy and is committed to building a differentiated employer value proposition (EAP). We collect the opinions, expectations and propositions of employees, and also carry out a special survey on the EAP in 12 dimensions, including career development and corporate culture, in order to optimize the employer brand system and strengthen the brand potential.

To strengthen academic-industry collaboration and amplify employer brand influence in universities, we actively developed campus partnership initiatives. In 2024, the Group carried out a total of 47 school-enterprise activities, with a cumulative total of 18 cooperation projects; established 7 internship bases, covering more than



500 students; partnered with Nanjing Forestry University's College of Mechanical and Electronic Engineering to create a modern industry college that has cultivated over 300 innovative professionals. These strategic efforts have systematically promoted our employer brand development and enhanced our attractiveness to talents.

The 5th "NGC Cup" CAD Application Competition



Participating students:
more than **1,000**



Internship Visit of Tsinghua University



Participating students:
more than **500**



During the Reporting Period, the Group earned multiple recognitions for its exceptional employer brand building achievements, including 2024 China Best ESG Employer, Employer Brand Management Excellence Award for 2024 and China Preferred Employer Of The Year 2023.



2024 China Best ESG Employer for 2024
by AON Group

China Preferred Employer Of The Year 2023
by Zhaopin

Huai'an City Youth Talent Dream Factory for 2024
by Huai'an Municipal Human Resources and Social Security Bureau

Employer Brand Management Excellence Award for 2024
by Yonyou Dayee and HR SPACE

Outstanding Human Resource Management Award –
2024 TOP EMPLOYER
by 51job

Member Unit of Huai'an City "Advanced
Manufacturing" Employment Alliance

Diversified Recruitment Channels

The Group continues to refine its talent acquisition management system, ensuring standardized and transparent recruitment processes by updating and improving the *Recruitment Management Policy and Process*. Our campus recruitment campaign themed "Building Dreams Together, Creating the Future" yielded fruitful results, successfully attracting numerous outstanding graduates. Beyond traditional channels including campus recruitment, offline job fairs, livestream recruitment, and social recruitment, the Group further diversified its recruitment channels. During the Reporting Period, the Group introduced new promotional channels on emerging media platforms, enhancing brand visibility and attracting potential candidates through posts showcasing corporate culture, work environments, and team activities on Rednote.

Additionally, the Group actively participated in localized on-site recruitment events in surrounding neighborhoods and communities, such as the "Community Doorstep Recruitment" and "Government Spring Breeze Initiative" job fairs, engaging job seekers face-to-face to enhance recruitment effectiveness and elevate corporate visibility.

Diversity, Inclusion and Equity

The Group advocates for a culture of diversity, equity, and inclusion, respecting diversity in terms of gender, race, ethnicity, age and ability. We fully respect cultural differences across our global operations, actively providing local employees with equal work and development opportunities while advancing localized operations of management teams and operational models. Additionally, we facilitate integration and mutual trust between seconded and local staff through cultural initiatives, to foster an inclusive and harmonious workplace environment.

The Group places great emphasis on the protection of rights and care for female employees and keeps encouraging the growth and development of female employees in the workplace. We strictly prohibit any form of discrimination against female employees. Through the implementation of a fair promotion system, the proportion of women in management positions has increased to 14.15%. On this basis, we provide tailored benefits and care for female



employees, including hygiene allowance, women-specific health examinations, mother and baby rooms in factories where conditions allow, and special activities during International Women's Day.



"A Velvet Flower, a Lifetime of Glory" Women's Day Activity

During the 2024 Women's Day, the Group organized a cultural workshop for female employees to create intangible cultural heritage (ICH) velvet flower accessories. Over 60 female participants visited the Ganxi Residence, where they engaged in a hands-on session led by the representative inheritor of Jiangsu Province's ICH "Velvet Flower Craftsmanship", exploring the city's distinctive Eastern aesthetics. This initiative offered employees a platform to study traditional culture, foster mutual communication, and strengthen friendships, while deepening their understanding of the profound cultural heritage behind velvet flowers and enriching their artistic appreciation.



Women's Day Activity

Talent Retention

The Group adheres to the people-oriented principle and actively builds a diverse and inclusive corporate culture. It is committed to creating a work environment full of opportunities and respect that supports employee growth, enhancing employees' sense of belonging and identity. This ensures that talents can develop steadily in the Group over the long term and grow together with the enterprise.

Employee Motivation

During the Reporting Period, the Group continued to implement multiple employee incentive programs to recognize employees' contributions while providing both spiritual and material rewards to stimulate their enthusiasm and creativity. In line with the quality model "public interests before private interests, honesty and integrity, embracing changes, teamwork, customer orientation, and taking responsibility" and other core values, we organized a series of company-wide employee incentive initiatives.



Outstanding individuals and teams

46 outstanding teams 31 excellent individuals



Technological innovation project evaluation

158 technical patent awards 11 technical innovation teams 3 technical innovation individuals



Employee promotion evaluation

Senior level: 5	Deputy senior level: 82
Intermediate level: 378	Assistant level: 310


Employee Communication

The Company places high importance on employee communication and has established effective mechanisms to actively listen to each employee's feedback and concerns through surveys, online and offline feedback channels, while providing timely responses.

The Group regularly conducts employee satisfaction and engagement surveys to gain a comprehensive understanding of their perceptions and expectations regarding career development, compensation and benefits, work environment, and corporate culture. Based on the findings, we develop targeted improvement measures and continuously monitor implementation effectiveness to ensure steady enhancement of employee satisfaction and engagement.



Additionally, we provide multiple communication channels for employees, including online platforms, dedicated email addresses, and mailboxes, to promptly identify and resolve practical issues they encounter, thereby strengthening employees' trust and sense of belonging to the Group.



Key Performances

In 2024,

Employee satisfaction and engagement questionnaire

Issued **7,009** Valid **6,281** Survey participation **89.61%**

Employee satisfaction score **82.30%** Employee engagement score **84.90%**

Employee Development and Training

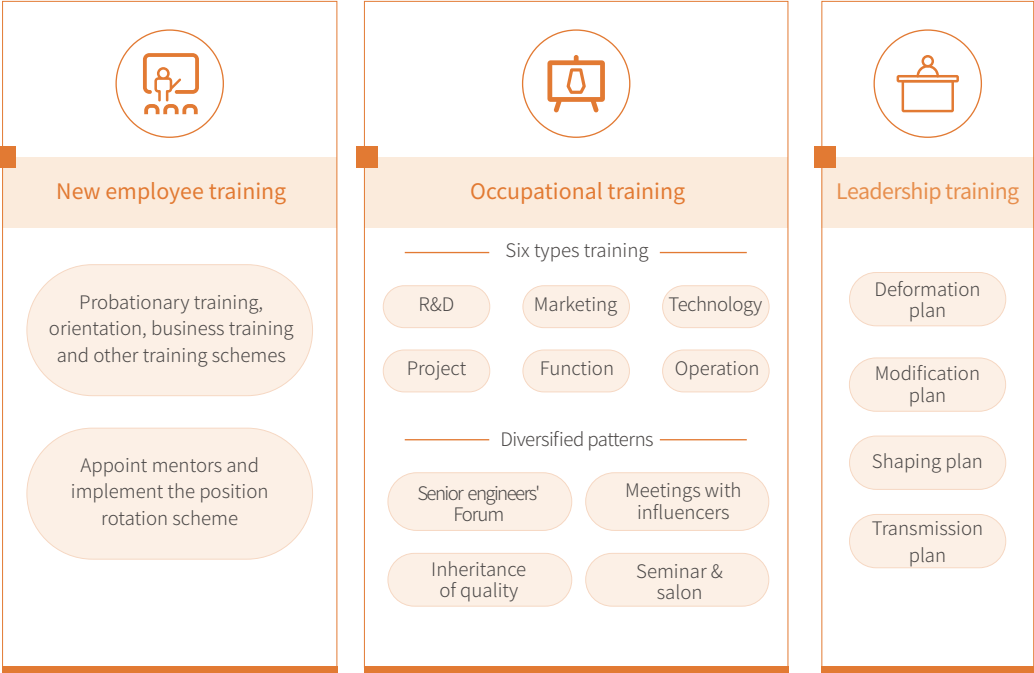
The personal growth of employees is deeply intertwined with an enterprise's development. The Group has established and continuously refined a diversified training system to empower employees in achieving self-breakthroughs and value enhancement. For each individual, we design comprehensive and systematic career development pathways to unlock their full potential.

● Training Management

The Training System of the Career Development

Upholding the corporate spirit of "Climbing up the summit step by step, striving for perfection bit by bit", the Group focuses on empowering talent development, and values the growth and ability enhancement of employees. We have established a "dual-path" training system that focuses on expertise and management capability respectively to deepen their expertise within specialized fields through continuous learning and practical application, positioning them as industry experts. In addition, we support staff in transitioning into managerial roles by cultivating comprehensive management skills and broadening career perspectives, preparing them to assume higher-level leadership responsibilities.

■ The training system of the career development



In 2024, the Group introduced the Transmission Plan Program, which aims to select promising new university graduates. Through three strategies—job rotation, project-based learning, and mentorship—combined with knowledge-sharing activities and training courses, the program is designed to equip trainees with cross-functional professional skills and managerial competencies, grooming them to become independent business backbones for the company.



E-learning Platform

The Group has launched an e-learning platform, "NGC Academy", to meet the personalized knowledge improvement needs of employees, and assist them in deepening their professional knowledge in their roles. At the same time, we also encourage employees to record courses and upload them to the company's knowledge base, creating an internal micro-course ecosystem within the enterprise. By the end of the Reporting Period, "NGC Academy" had developed over 5,000 courses. Total participation had surpassed 200,000 enrollments, while annual training hours reached 171,749 hours.

Internal Instructors System

The Internal Instructors Program undergoes biennial recertification and upskilling, designed to cultivate internal instructors who demonstrate both domain mastery and hands-on operational expertise, translating practical experience into organizational knowledge to elevate corporate-wide intellectual capital. By the end of the Reporting Period, we maintained 93 corporate-level instructors and 245 department-level instructors, constituting a progressively robust tiered instructor structure.

Employee Training

Total number of trainees (Person)	The percentage of Trainees (%) ³³	Total training hours (Hour)	Average training hours completed per employee (Hour/Person)
7,454	99.11	171,749	23.04

Remark:
33. Some employees, due to their special positions, did not engage in occupational training during the Reporting Period.

Divided by categories		Unit	2024
The percentage of employees trained by employee category ³⁴	Senior management	%	91.67
	Middle management	%	97.62
	General and skilled employees	%	99.19

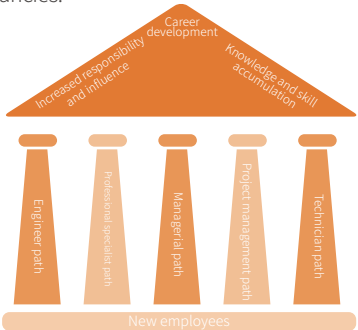
Divided by categories		Unit	2024
Average training hours by employee category	Senior Management	Hour/person	24.50
	Middle management	Hour/person	30.46
	General and skilled employees	Hour/person	22.74
The percentage of employees trained by gender ³⁴	Female	%	97.38
	Male	%	99.26
Average training hours by gender	Female	Hour/person	18.61
	Male	Hour/person	23.43

Remark:
34. The percentage of employees trained by employee category/gender=the number of trained employees in this category/the number of all employees in this category* 100%.

Promotion and Development

To meet the development needs of the Group, we updated the *NGC Group Qualification Management System* in 2024. This revision further defines the performance ratings and tenure required for promotions across different levels, thereby making the promotion management process more systematic and rational. As the rank gets higher, so do the promotion requirements. This approach not only enhances fairness and transparency in the promotion process but also provides employees with clear guidance for their career development. During the Reporting Period, a total of 220 employees were promoted, with internal candidates filling 3.71% of the vacancies.

We consistently motivate employees to pursue higher education and professional qualifications. To support this, we offer tuition reimbursement to those who demonstrate outstanding performance and obtain master's or doctoral degrees through national entrance examinations. Furthermore, we actively encourage our engineering team to obtain relevant professional titles and qualifications. These initiatives not only improve employees' professional skills but also strengthen their competitiveness and sense of belonging, thereby establishing a solid talent foundation for the Group's long-term development.





NUAA-NGC Mechanical Engineering Master's Equivalency Program

During the Reporting Period, we officially launched the "NUAA-NGC Mechanical Engineering Master's Equivalency Program" in April 2024, in collaboration with Nanjing University of Aeronautics and Astronautics (NUAA). A total of 29 employees with backgrounds in mechanical engineering and outstanding performance were selected for this training program. This program further enhanced the partnership between NGC and NUAA in domains such as technological R&D, and talent acquisition and development. It not only reinforced NGC's talent pipeline but also drives the establishment of a high-quality framework for university-enterprise collaboration through innovative training.

Health and Safety Management

Putting the health and safety of our employees above all else, we are committed to continuously improving our occupational health and safety management system. By fostering ongoing improvement and innovation, we enhance safety risk management, raise safety awareness, and fully safeguard the health and well-being of employees.

Occupational Health and Safety Management System

We strictly comply with national and regional laws and regulations on occupational health and safety management, including the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. To support this, we have established and continuously optimized several management policies, such as the *Safety Production Responsibility System of All Employees*, the *Environmental and Occupational Health and Safety Management Handbook*, the *Responsibility System of All Departments as EHS Entities*, the *Graded Risk Control and Hazard Identification and Management Policy*, and the *Hazardous Chemical Control Procedure*.

In 2021, we obtained the ISO 45001:2018 Occupational Health and Safety Management System Certification. To maintain compliance, we conduct annual internal and external audits covering all activities, locations, equipment, risks, and control measures across every department and process, along with daily EHS management records. Any non-compliance issues identified are promptly rectified to ensure full adherence to certification requirements. During the Reporting Period, all five subsidiary companies of the Group's three major business segments of wind power, industrial and rail transit obtained ISO 45001:2018 Occupational Health and Safety Management System Certification, with 100% coverage of the nine core production plants.



Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System Certification



Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System Certification



NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System Certification



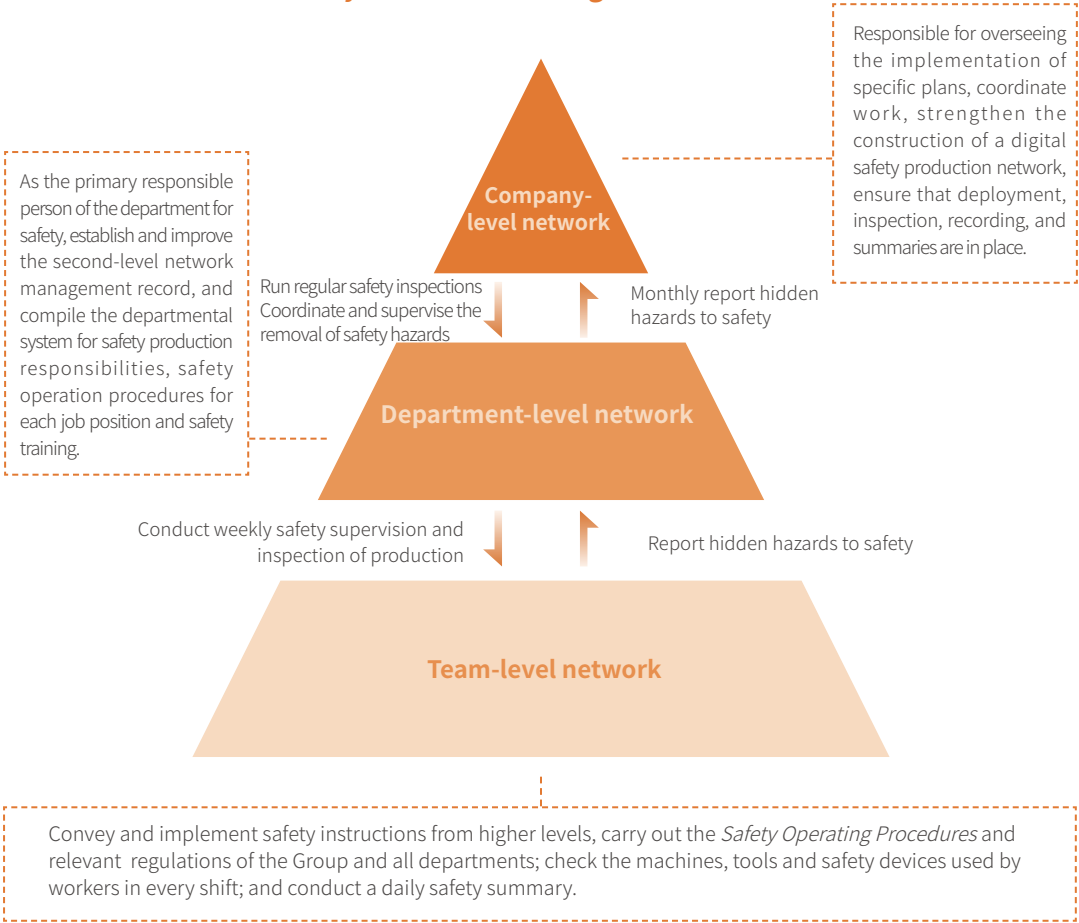
Nanjing High Speed & Accurate Rail Transportation Equipment Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System Certification



We promote a responsibility system for Environment, Health and Safety-based production for all employees. Specifically, this system defines safety management responsibilities for employees at all levels, each production process, and all stakeholders. Furthermore, we continue to implement a grid management model that outlines the safety responsibilities of employees and stakeholders at each level, thus ensuring thorough and effective safety management to minimize occupational safety hazards.



The Framework of Safety Production Management



During the Reporting Period, we revised and improved the graded risk control policy, engaged a third-party safety evaluation company to identify safety risks across the entire facility, all equipment, and all job positions, established a graded risk control list, and continuously implemented occupational health and safety management measures.

2024 target	Achievement review
Occupational hazard factor monitoring meets the standards	Achieved
Employees 100% passed the Occupational Health Assessment	Achieved
Zero major accidents occurred	Achieved
Work-related incident rate per 200 thousand work hours ≤ 0.70	Achieved
100% review and approval of dangerous work (working at high altitudes, with fire, or in a confined space)	Achieved
98% hazard closure rate	Achieved



Occupational Health and Safety Target

Pursuant to the *2025 Development Plan for Environment and Occupational Health and Safety*, the Group sets up indicators for the annual health and safety targets and then breaks these targets down into quantifiable ones for different departments. Each quarter, the Group reviews the fulfillment of these sub-targets, which is linked to the performance appraisal of these departments. In 2024, all departments accomplished their annual objectives. In the past three years, the Group had no work-related fatalities.



Occupational Health and Safety Management Actions

✓ Work safety management

- Revise and improve management systems
- Implement an approval process for special operations
- Ensure that hazardous work is performed in accordance with established plans
- Ensure that all personnel engaged in special operations possess the required certifications
- Conduct three-tier safety inspections on an on-going basis
- Correct and assess issues promptly

✓ Safety management of stakeholders

- Revise and improve management systems
- Establish an online management system for stakeholders
- Sign safety management agreements
- Conduct qualification assessments for personnel
- Provide safety training and briefings on safety matters before entry
- Ensure continuous safety supervision and inspections during operations
- Obtain approval for hazardous work when conducting special operations

✓ Safety Training

- Set up the management system for EHS culture, compile a safety guidebook, and introduce detailed rules for EHS points rewards
- Organize "Safety Production Month", "Taking Photos of Hidden Hazards", EHS CIP improvement and other activities every year
- Provide various safety training courses on the training platform, including three-tiered safety education training for new employees, certification training and examinations for special operation personnel, and training on job hazards and their control measures

✓ Prevention and control of occupational diseases

- Set up a management system of occupational health
- Regularly assess the occupational health status at the worksite
- Monitor occupational hazard factors at the worksite
- Establish personal health management records for employees exposed to occupational hazards and provide regular health check-ups for them
- Provide employees with appropriate personal protective articles
- Offer training on proper use of personal protective articles and continuously supervise and inspect employees' use of personal protective articles
- Equip workplace with medicine kits, emergency medications, AEDs and other emergency equipment, buy eye wash lotion for places where chemicals are used ,and check all medicines regularly

✓ Emergency management

- Develop emergency plans for production safety incidents
- Establish an internal emergency rescue team
- Provide emergency rescue equipment
- Develop on-site emergency response measures for key departments, including special plans for accidents with high occurrence rate
- Regularly conduct emergency drills for incidents such as chemical spills, heat treatment, confined spaces, falls from heights, electric shocks, and heatstroke, involving all relevant personnel and stakeholders





Emergency drill for chemical spill

On June 18, 2024, the Group conducted an emergency drill for chemical spills in the hazardous materials transfer area of our No. 36 Houjiao Road Factory. The drill simulated a scenario involving a liquefied gas cylinder leak and personnel injuries. The on-site team quickly activated the emergency plan and utilized specialized equipment and protective gears to control the leak and isolate the affected area. They provided first aid to the injured individuals and transferred them to a safe location. This drill effectively enhanced employees' emergency response, self-rescue, and teamwork skills, ensuring that they could swiftly and effectively take actions in emergencies, thereby minimizing potential injuries and property damage.



Emergency Drill for Chemical Spill



Special safety training on lifting slings

On December 24, 2024, the Group conducted a special safety training focused on the use of lifting slings in the field. This training provided a comprehensive overview of the types and characteristics of lifting slings, along with their appropriate usage methods. By means of practical demonstrations and hands-on exercises, participants learned the proper procedures for using shackles and lifting rings. The training enhanced the participants' understanding and mastery of the safe use of lifting slings, with the goal of preventing personal injuries caused by improper operation and proactively addressing safety concerns.



Special Safety Training on Lifting Slings

Various Types of Emergency Drills



First Aid Training



Emergency Drill for Lifting Accidents



Emergency Drill for Confined Space Incidents



Emergency Drill for Environmental Equipment Failures



Key Performances

In 2024

Held emergency drills **160** times

Created **287** online safety training courses

Detected **2,427** problems and hazards

Invested in production safety **36,093,400** RMB

Organized safety training **614** times

Attracted **70,275** viewing

100% safety hazards removed

Management of Occupational Health and Safety

Indicators	Unit	2024	2023	2022
Number of work-related fatalities	Person	0	0	0
Proportion of work-related fatalities	%	0	0	0
Lost days due to work injury	Day	1,675	1,557	597
The proportion of employees who have taken the physical examination	%	100	100	100

6

Spreading Warmth in the Community

Material issues in this chapter

Community Engagement

Highlight Performances

- Expenditure in donations was RMB **5,196,000**, **23.99** times compared to 2023
- Participating in the volunteer activities was **98** person-time, increased by **60.66%** compared to 2023





The Group upholds the corporate mission of "Geared for a Better Future", actively participates in community building, protects biodiversity, promotes educational equity, cares for the lives of vulnerable groups, engages in public welfare endeavors, and actively fulfills its social responsibilities, giving back to society through concrete actions.



Supporting Wildlife Conservation and Safeguarding Ecological Security

As human activities continue to expand, the living environment of wildlife is facing numerous challenges. The Group actively fulfills its responsibility for biodiversity conservation and has partnered with the Aide Foundation, as well as the wildlife rescue and rehabilitation centers in Jiangsu Province and Nanjing City, to launch the "Help Them Return to Nature"



Volunteer Team for Ecological Protection

biodiversity public welfare project. This project aims to help wildlife regain health and return to nature through scientific and effective methods, while also raising public awareness of wildlife protection.

During the project, the Group organized a volunteer team consisting of over 30 employees to participate in wildlife conservation activities, including visiting the biodiversity conservation area at the North Gate of the zoo, touring the wildlife rescue and rehabilitation center, engaging in animal welfare work, and participating in the release of rescued wildlife back into the wild. Additionally, by providing financial support, the Group has contributed to the rescue and rehabilitation of wildlife, assisting them in their return to nature.



"Dream Realization Sports Pack" – Empowering Rural Children's Sports Dreams

To enhance the sports activity conditions for children in rural areas, the Group initiated the "Dream Realization Sports Pack" public welfare project. In November 2024, the volunteer team of the "Dream Realization Sports Pack" public welfare project traveled to Jinhu County, Huai'an City, and donated a variety of commonly used sports equipment, including volleyballs, basketballs, badminton rackets, table tennis rackets, footballs, and skipping ropes, to four local schools. This initiative improved the sports teaching facilities in rural schools and enriched the extracurricular activities for rural children. During their visit, the volunteers also entered classrooms to conduct an engaging "Sports Dream Class" for the students. They further organized friendly matches in volleyball and badminton at the indoor sports hall, conveying joy and the spirit of perseverance through sports.



Donation of Sports Equipment



"Qinghai Disadvantaged Children Sponsorship" Project

During the Reporting Period, the Group initiated a "Qinghai Disadvantaged Children Sponsorship" project. Starting from 2024, the project is planned to last for three consecutive years, providing support to 20 local impoverished children. The initiative aims to help these children improve their living and learning conditions and ensure their right to equal education. In addition to providing financial assistance for education and daily life, the Group also organizes activities such as team-building exercises and heart-to-heart communication to care for and promote the psychological growth and social integration of the children. The Group plans to send a volunteer team to Qinghai in 2025 to visit and comfort the sponsored children and local impoverished residents, further understand their needs, and ensure the effective implementation and continuous improvement of the sponsorship project.



Donation of Love-filled Desks and Chairs

To support the development of rural education, the Group, in collaboration with the Amity Foundation and the Jiangsu Sports Industry Group, donated over 300 sets of desks and chairs to Guanzhen Primary School and Guanzhong Town Xinglong Primary School in Xuyi County, Jiangsu Province. This initiative effectively alleviated the issue of outdated and insufficient desks and chairs in both schools, creating a more comfortable and safe learning environment for the students. The donation not only improved the hardware facilities of the schools but also injected new vitality into the development of rural education. Through this concrete action, the Group actively supports the development of rural education and contributes to the healthy growth of rural students.



Donation of Love-filled Desks and Chairs





Appendix

Key Performance Indicators

Environmental KPIs			
KPIs	Unit	2024	2023
A1.1 Air pollutant emissions in total and intensity			
Intensity of air pollutant emissions	kg/ tonne of production	0.010	0.015
Total air pollutant emissions	kg	5,510.16	6,932.18
Emission of nitrous oxides (NO _x)	kg	1,665.83	2,224.81
Emission of sulphur oxides (SO _x)	kg	65.61	142.39
Emission of particulate matter	kg	3,778.73	4,564.99
A1.2 GHG emissions in total and intensity			
GHG emissions intensity	tCO ₂ e/ tonne of production	0.60	0.59
GHG emissions intensity (Scope 1)	tCO ₂ e/ tonne of production	0.05	0.04
GHG emissions intensity (Scope 2)	tCO ₂ e/ tonne of production	0.55	0.55
Total GHG emissions	tCO ₂ e	322,874.32	270,683.84
GHG emissions (Scope 1)	tCO ₂ e	25,863.44	17,605.62
GHG emissions (Scope 2)	tCO ₂ e	297,010.88	253,078.22
A1.3 Hazardous wastes produced in total and intensity			
Intensity of total wastes (hazardous wastes+non-hazardous wastes)	kg/ tonne of production	95.04	81.44

KPIs	Unit	2024	2023
Total wastes(hazardous wastes+non-hazardous wastes)	Tonne	51,253.29	37,313.13
Intensity of hazardous wastes	kg/ tonne of production	2.78	3.05
Total hazardous wastes	Tonne	1,497.64	1,395.84
Waste of paint residue	Tonne	196.24	179.60
Waste of lead acid battery	Tonne	33.99	25.31
Waste oil	Tonne	93.30	124.30
Contaminants	Tonne	409.99	402.62
Waste oil containers	Tonne	76.71	68.14
Waste chemical containers (including waste paint buckets)	Tonne	101.33	108.16
Waste cleaner	Tonne	29.01	22.45
Waste activated carbon	Tonne	81.14	118.56
Waste quenching oil	Tonne	17.02	6.17
Dross (including sludge)	Tonne	292.80	194.75
Waste salt	Tonne	0.00	0.50
Waste rust preventive oil	Tonne	6.10	3.35
Waste lubricating oil	Tonne	47.04	22.99
Waste cutting oil	Tonne	0.00	1.89
Waste cotton filter	Tonne	17.61	28.96
Online monitoring equipment for detecting liquid waste	Tonne	3.09	0.11
Oily waste	Tonne	92.28	87.98
A1.4 Non-hazardous wastes produced in total and intensity			



KPIs	Unit	2024	2023
Intensity of non-hazardous wastes	kg/ tonne of production	92.26	78.39
Total non-hazardous wastes	Tonne	49,755.65	35,917.29
Grinding metal chips	Tonne	1,144.98	1,108.02
Wood	Tonne	8,474.17	7,868.29
Iron filings	Tonne	38,831.60	25,376.64
Scrap steel	Tonne	1,304.90	1,564.34
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Intensity of energy consumption	MWh/ tonne of production	1.17	1.07
Total energy consumption	MWh	630,490.03	490,410.86
Direct energy consumption	MWh	76,733.35	45,480.20
Natural gas	MWh	23,820.53	11,518.62
LPG	MWh	386.62	1,105.44
Diesel	MWh	1,020.35	1,064.05
Gasoline	MWh	661.74	607.98
Renewable energy (photovoltaic)	MWh	50,844.11	31,184.10
Indirect energy consumption	MWh	553,756.68	444,930.66
Purchased electricity	MWh	550,705.28	441,111.17
Purchased steam	MWh	3,051.40	3,819.49
A2.2 Water consumption in total and intensity			
Intensity of water consumption	m ³ / tonne of production	1.76	1.80
Total water consumption	m ³	946,685.00	825,623.00

KPIs	Unit	2024	2023
Total wastewater discharge	m ³	333,892.22	236,105.00
A2.5 Packaging material used for finished products with reference to per unit produced			
Intensity of packaging material used	kg/ tonne of production	15.97	15.46
Total packaging material used	Tonne	8,613.86	7,084.00
Steel	Tonne	1,623.70	1,236.00
Plastics	Tonne	302.19	228.00
Wood	Tonne	6,687.97	5,620.00

Social KPIs			
KPIs	Unit	2024	2023
B1.1 Total workforce by gender, employment type, age group and geographical region			
Total number of employees	Person	7,521	7,483
Number of employees by gender			
Female	Person	610	618
Male	Person	6,911	6,865
Number of employees by age			
≤ 30	Person	1,819	1,819
31-50	Person	5,225	5,149
≥ 51	Person	477	515
Number of employees by type of employment			
Full-time	Person	7,521	7,483



KPIs	Unit	2024	2023
Part-time	Person	0	0
Number of employees by geographical region			
Chinese mainland	Person	7,269	7,220
Hong Kong, Macao and Taiwan regions of China	Person	3	1
Other countries or regions	Person	249	262
Number of employees by employee category			
Senior management	Person	24	22
Middle management	Person	294	284
General and skilled employees	Person	7,203	7,177
B1.2 Employee turnover rate by gender, age group and geographical region			
Total Employee turnover rate	%	4.89	4.59
Employee turnover rate by gender			
Female	%	2.87	3.29
Male	%	5.07	4.71
Employee turnover rate by age			
≤ 30	%	13.01	9.32
31-50	%	2.06	3.09
≥ 51	%	1.04	1.72
Employee turnover rate by geographical region			
Chinese mainland	%	3.72	4.07
Hong Kong, Macao and Taiwan regions of China	%	25.00	0.00

KPIs	Unit	2024	2023
Other countries or regions	%	29.66	17.09
B2 Health and Safety			
Number of work-related fatalities ³⁵	Person	0	0
Proportion of work-related fatalities ³⁵	%	0	0
Lost days due to work injury	Day	1,675	1,557
B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)			
Total trainees	Person	7,454	7,441
Number of trainees by gender			
Female	Person	594	594
Male	Person	6,860	6,847
Number of trainees by employee category			
Senior management	Person	22	22
Middle management	Person	287	278
General and skilled employees	Person	7,145	7,141
Total training hours			
Total training hours	Hour	171,749	168,130
Total training hours by gender			
Female	Hour	11,051	10,817
Male	Hour	160,696	157,313
Total training hours by employee category			
Senior management	Hour	539	534

Remark:

35.The Group has not experienced any fatal work-related injuries to its staff in the past three years.



KPIs	Unit	2024	2023
Middle management	Hour	8,741	7,894
General and skilled employees	Hour	162,469	159,702
B3.2 The average training hours completed per employee by gender and employee category			
Average training hours completed per employee by gender			
Female	Hour/Person	18.61	18.21
Male	Hour/Person	23.43	22.98
Average training hours completed per employee by employee category			
Senior management	Hour/Person	24.50	24.27
Middle management	Hour/Person	30.46	28.40
General and skilled employees	Hour/Person	22.74	22.36
Average training hours	Hour/Person	23.04	22.60
Total number of courses	Course	5,000+	3,551
B5.1 Number of suppliers by geographical region			
Total number of suppliers	Number	666	623
Total number of suppliers -Chinese mainland	Number	642	603
Total number of suppliers -Hong Kong, China	Number	1	0
Total number of suppliers -Other countries or regions	Number	23	20
B6 Product Responsibility			
The number of products receiving complaints	Number	0	0
The number of products which must be recalled due to safety and health reasons among the total sold or delivered products	Number	0	0

KPIs	Unit	2024	2023
The percentage of products recalled for health and safety reasons out of all products sold or delivered	%	0	0
The number of products receiving complaints - Related to the health and safety of products	Number	0	0
The number of products receiving complaints - Related to customer privacy	Number	0	0
B7 Anti-corruption			
Number of lawsuits concluded in association with the Group or the bribery of its employees	Number	0	0
B8 Community Investment			
Person-time of participating in the volunteer activities	Attendances	98	61
Person-time of participating in the volunteer activities - The employees of the Group	Attendances	63	35
Person-time of participating in the volunteer activities - Employees outside the Group	Attendances	35	26
Total hours of participating in the volunteer activities	Hour	21	14
Expenditure in donations	RMB	5,196,000	216,600



HKEX ESG Key Performance Indicators Index

Aspect	Indicator Content	Page
A1	Emissions	
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A1.1	The types of emissions and respective emissions data.	P4, P21-22, P75-76
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P28, P75
A1.3	Total hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P4, P24, P75
A1.4	Total non-hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P24, P76
A1.5	Description of emission target(s) set and steps taken to achieve them.	P19-22
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P23-24
A2	Use of Resource	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P30-37
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	P31-32, P76
A2.2	Water consumption in total and intensity.	P4, P35, P76
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P30-34
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P34-35
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	P37, P76

Aspect	Indicator Content	Page
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General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	P17-37
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P6, P17-37
A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P25-29
A4.1	Description of the significant impacts of climate-related issues that have and may affect the stakeholders and the actions taken to manage them.	P25-29
B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P60-66
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	P63, P76-77
B1.2	Employee turnover rate by gender, age group and geographical region.	P63, P77
B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P68-71
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P71, P77



Aspect	Indicator Content	Page
B2.2	Lost days due to work injury.	P71、P77
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B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P66-68
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B4	Labour Standards	
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B4.2	Description of steps taken to eliminate such practices when discovered.	P60
B5	Supply Chain Management	
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B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P53-56
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B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P53-56
B6	Product Responsibility	

Aspect	Indicator Content	Page
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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P51、P78
B6.2	Number of products and service related complaints received and how they are dealt with.	P51、P78
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P43-44
B6.4	Description of quality assurance process and recall procedures.	P45-51
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P15
B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P13-14
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	P14、P78
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P13-14
B7.3	Description of anti-corruption training provided to directors and staff.	P14
B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P73-74
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B8.2	Resources contributed (e.g. money or time) to the focus area.	P4、P72-74、P78



Feedback from Readers

If you wish, please leave your information so that we can respond to your comments and suggestions in a timely manner:

■ Name: _____ ■ Company: _____

■ TEL: _____ ■ Email: _____

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Email : esg@chste.com

Dear readers:
Thank you for reading this Report. To effectively advance the management and practice of environment, social, and governance at China High Speed Transmission, we highly value and look forward to hearing your valuable opinions and suggestions.

Please select your stakeholder category

- ☐ Government and regulatory bodies
- ☐ Shareholders and investors
- ☐ Customers
- ☐ Employees and the trade union
- ☐ Suppliers/Partners
- ☐ The general public and the neighborhood
- ☐ Media and Non-governmental Organisations(NGOs)
- ☐ Industry Associations/ Chamber Organizations
- ☐ Other ()

1. What is your overall assessment of the Group's ESG Report?

☐ Very good

☐ Good

☐ Normal

☐ Poor
2. What do you think about the authenticity, accuracy and effectiveness of information and data disclosure in this Report?

☐ Very good

☐ Good

☐ Normal

☐ Poor
3. How do you think this Report reflects the Group's significant environmental, social and governance impacts?

☐ Very good

☐ Good

☐ Normal

☐ Poor
4. What do you think of the Group's performance in stakeholder communication?

☐ Very good

☐ Good

☐ Normal

☐ Poor
5. Do you think the language description, content layout and layout of this Report are easy to read?

☐ Yes

☐ No
6. What are your comments and suggestions on the Group's implementation of the Environmental, Social and Governance Report?