

2024

Hubei Xingfa Chemicals Group Co., Ltd.
Environmental, Social, and Governance (ESG) Report



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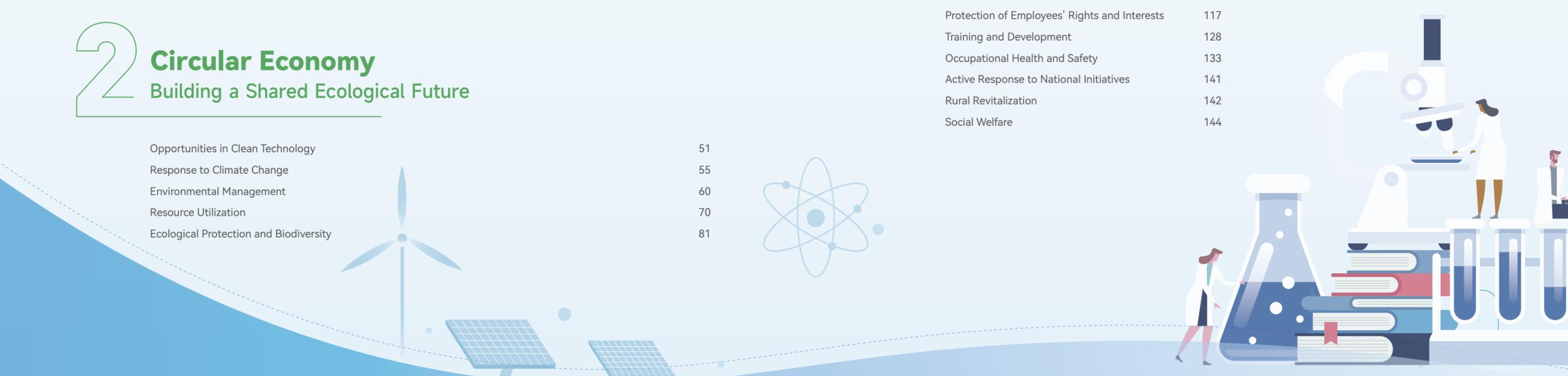
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About This Report

This is the sixteenth Environmental, Social and Governance (ESG) Report issued by Hubei Xingfa Chemicals Group Co., Ltd. (“the Company”). Adhering to principles of objectivity, standardization, transparency, and comprehensiveness, the report offers a detailed exposition of Xingfa Group’s practices and performance in the realms of environmental, social, and governance for the year 2024.

Reporting Scope



This report covers Hubei Xingfa Chemicals Group Co., Ltd. and its subsidiaries and direct affiliates. Unless otherwise stated, the scope of this report is consistent with the scope of the Company’s Annual Report.

Impact Duration



The impact duration in this report is defined as short term (within 1 year), medium term (1 to 5 years), and long term (more than 5 years).

Preparation Basis



- State-owned Assets Supervision and Administration Commission of the State Council *Study on the Preparation of ESG Special Reports of Listed Companies Controlled by Central State-owned Enterprises*
- UN Sustainable Development Goals (SDGs)
- China Enterprise Reform and Development Society *Guide to Corporate Sustainability Reporting in China (CASS-ESG 6.0)*
- *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)*
- Global Reporting Initiative *Sustainability Reporting Standards (GRI Standards)*
- Sustainability Accounting Standards Board (SASB) *Standards*

Reporting Period



This report covers the period from January 1, 2024 to December 31, 2024 (the “Reporting Period”). To improve the comparability and completeness, some sections of this report may be appropriately referred to previous years or contain forward-looking statements. This report is released on an annual basis, consistent with the financial year.

Data Sources and Reliability Assurance



The sources of data used in the report include the original data of the Company’s actual operation, public data from government departments, annual financial data, relevant internal statistical statements, third-party questionnaires and third-party evaluation interviews. All financial data in this report are denominated in RMB. In the event of any inconsistency with the financial statements, the latter shall prevail.

Appellation Description



For ease of expression and readability, “Hubei Xingfa Chemicals Group Co., Ltd.” is also referred to as “Xingfa Group”, “the Company” or “We” in this report. In addition, “the State” and “the government” in this report refer to the People’s Republic of China and its administrative agencies.

Short Name	Full Name
Yichang Xingfa	Yichang Xingfa Group Co., Ltd.
Xingfa Group, the Company and We	Hubei Xingfa Chemicals Group Co., Ltd.
Jixing Chemical	Hubei Jixing Chemical Group Co., Ltd.
Xiangyang Xingfa	Xiangyang Xingfa Chemical Co., Ltd.
Xinjiang Xingfa	Xinjiang Xingfa Chemical Co., Ltd.
Xingfa Jinguan	Chongqing Xingfa Jinguan Chemical Co., Ltd.
Hubei Xingrui	Hubei Xingrui Silicon Materials Co., Ltd.
Trisun Chemical	Hubei Trisun Chemical Co., Ltd.
Inner Mongolia Xingfa	Inner Mongolia Xingfa Technology Co., Ltd.
Longma Phosphorus Industry	Weng’an Longma Phosphorus Industry Co., Ltd.
Baokang Chufeng	Baokang Chufeng Chemical Co., Ltd.
Sinophorus Electronic	Hubei Sinophorus Electronic Materials Co., Ltd.
Guizhou Xingfa	Guizhou Xingfa Chemical Co., Ltd.
Yidu Xingfa	Yidu Xingfa Chemical Co., Ltd.

Access to this Report



You can browse or download this report on the websites of the Shanghai Stock Exchange (<https://www.sse.com.cn>), cninfo (<http://www.cninfo.com.cn>) or Hubei Xingfa Chemicals Group Co., Ltd. (<https://www.xingfagroup.com>).

Feedback



If you have any comments or suggestions concerning this report, please feel free to contact us through the following ways.

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Tel.: 0717-6760939

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Message from the Chairman

Dear shareholders, partners, and friends,

Thank you for reading this report. On behalf of Xingfa Group, I wish to extend my deepest appreciation for your unwavering support and trust throughout the Company's growth journey.

The year 2024 was marked by a volatile global economic environment amid escalating resource scarcity and environmental pressures. Against this backdrop, Xingfa Group remains unwavering in its commitment to sustainable development principles, consistently advancing a green and circular growth model. The Company has integrated the ESG (Environmental, Social, and Governance) strategy as a cornerstone of its business operations, driving synergistic progress across economic, social, and environmental dimensions with resolute action.

In the past year, we reinforced standardized governance mechanisms to solidify our development foundation. Through the revision of key governance policies, we established a robust institutional framework to clarify the roles and responsibilities of directors, supervisors, and senior executives, while empowering independent directors to exercise greater oversight. While ensuring steady dividend growth, we strengthened value management by repurchasing and canceling company shares, implementing an Employee Stock Ownership Plan (ESOP), and incentivizing major shareholders to augment their equity positions. The quality of our information disclosure remains at industry-leading standards. We have conducted all forms of investor engagement activities to enhance market confidence and stakeholder alignment.

In the past year, we insisted on a circular economy to build a shared ecological future. Through initiatives such as optimizing energy structure, promoting energy conservation and emission reduction and constructing photovoltaic power plants, we improved the efficiency of energy resources. Anchored in the statutory requirements of the environmental protection bottom line, and with the courage of transformative innovation, we continuously improve the environmental protection standards and energy efficiency of the industry, challenge the limit of resource recycling, and strive to unlock more "virtuous cycles" within the circular economy.

In the past year, we accelerated industrial upgrading through steadfast innovation and quality excellence. Our R&D investment reached RMB 1.188 billion. Our R&D team, with 1,613 members, obtained 1,421 authorized patents. Through R&D and innovation, we successfully developed a series of new products with high value-added, further improving product quality. We also implemented strict quality control, and enhanced the quality management system, to ensure every step complied with national and industry standards. In supply chain management, we built a sustainable supply chain and worked closely with suppliers to ensure the green and stable supply of raw materials.

In the past year, we fulfilled our social responsibilities to create a better future together. Our total investment in social welfare exceeded RMB100 million, reaching a record high. For rural revitalization, we focused on helping Shukongping Village and Maocaoping Village in Xingshan County achieve economic development and livelihood improvement by means such as industrial assistance and talent cultivation. Meanwhile, we attached great importance to the protection of employees' rights and interests, steadily increasing employees' income levels. We have set up a vocational training school for employees and increased investment in employees' training, to provide employees with vast opportunities for development.

Looking ahead to 2025, we will continue to uphold the philosophy of sustainable development, deepen the implementation of the ESG strategy, further enhance corporate governance, and improve decision-making efficiency. We will also increase R&D investment to drive technological innovations; strengthen environmental protection to promote the achievement of the "carbon peaking and carbon neutrality" goals; and actively fulfill social responsibilities for public welfare and rural revitalization. Moreover, we will continuously improve product quality and strengthen supply chain management to lay a solid foundation for the high-quality development of the Company.

Finally, I'd like to thank you again for your support and trust. Let's join hands to create a better future together!

Chairman of Hubei Xingfa Chemicals Group Co., Ltd.

Li Guozhang



About Xingfa Group

Company Profile

the Company has evolved into a globally leading enterprise specialized in phosphorus-based fine chemicals and committed to green and circular development.

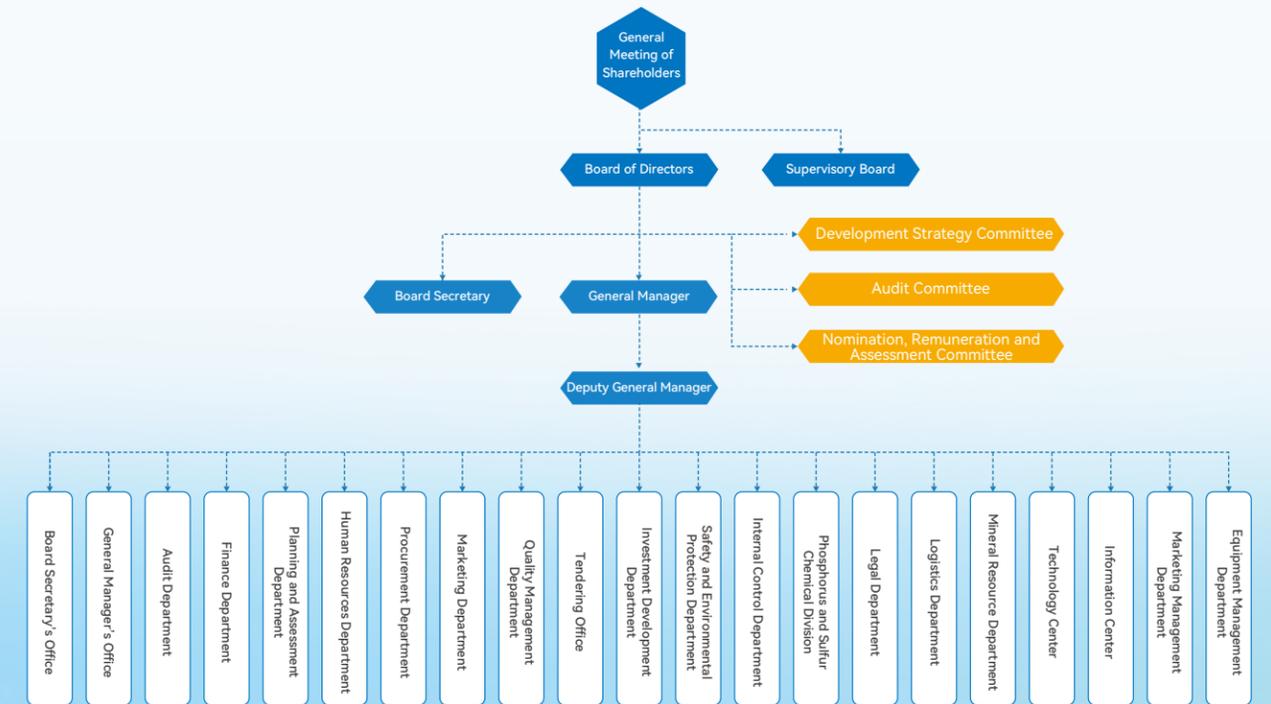


Xingfa Group ranked **475th** among 2024 Fortune China 500

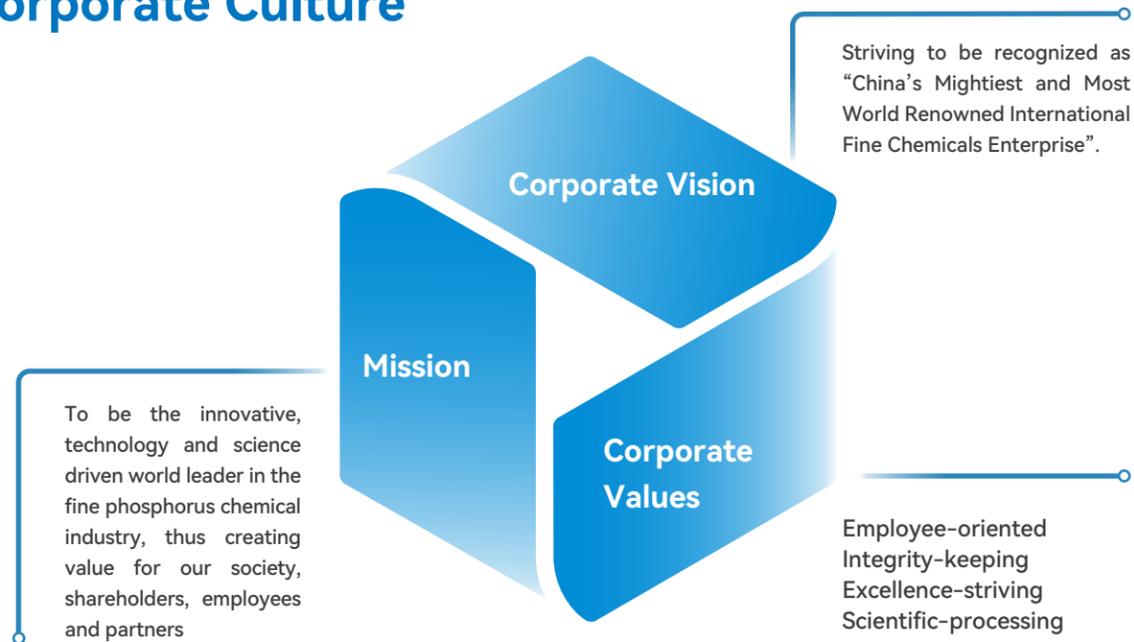
Hubei Xingfa Chemicals Group Co., Ltd. was established in 1994, with its registered office in Xingshan County, Yichang City, Hubei Province. Listed on the Shanghai Stock Exchange in 1999 (Stock Code: 600141.SH), the Company has evolved into a globally leading enterprise specialized in phosphorus-based fine chemicals and committed to green and circular development.

Xingfa Group ranked 475th among 2024 Fortune China 500. On April 24, 2018, President Xi Jinping made Xingfa Group the first stop during his inspection tour in Hubei, giving full recognition to our performance in green transformation and development. Li Zhanshu, then Chairman of the Standing Committee of the National People's Congress, and Li Qiang, Premier of the State Council, visited the Company respectively on June 30, 2022 and January 2, 2024, encouraging Xingfa Group to continuously promote scientific and technological innovation and to pursue the path of ecological priority and green development.

Organizational Structure



Corporate Culture



Business Scope

Xingfa Group strengthens innovation-driven development and accelerates the green, high-end, and international transformation of the industrial chain. The Company develops products in 9 categories, 26 series, and 674 varieties, including food-grade, pharmaceutical-grade, and electronic-grade products. Through participation in the formulation and revision of 108 international, national, and industry standards, the Company has formed a “resource and energy-based, fine chemical industry-led, and related industries-supported” development pattern.

Our main products include phosphate rock, specialty chemicals, pesticide products, organosilicon series products, fertilizers, new energy materials, etc. These products are widely used in food, agriculture, integrated circuits, automotive, construction, chemical, and other sectors.



Phosphate Rock

Production Capacity:

Phosphate Rock Resource Reserves with the Mining Right: about **395 million** tons

Phosphate Rock Resource Reserves at the Prospecting Stage or the Prospecting-to-Mining Transition Stage: **412 million** tons (proven reserve)

Designed Phosphate Rock Production Capacity: **5.85 million** tons/year

Specialty Chemicals

Production Capacity of Main Products:

Electronic Chemicals: electronic-grade phosphoric acid: **60,000** tons/year; electronic-grade sulfuric acid: **100,000** tons/year; electronic-grade hydrogen peroxide: **30,000** tons/year; functional wet electronic chemicals: **54,000** tons/year; electronic-grade ammonia: **20,000** tons/year (accompanying electronic-grade ammonia gas: **10,000** tons/year)

Food Additives: food-grade phosphate: over **150,000** tons/year

Industrial Solvents and Others: dimethyl sulfoxide (DMSO): **60,000** tons/year; sodium hypophosphite: **40,000** tons/year

Glyphosate Products

Production Capacity:

Glyphosate Technical: **230,000** tons/year; supporting formulations: **101,000** tons/year

Organosilicon Series Products

Production Capacity:

Organosilicon monomer: **600,000** tons/year; methyl vinyl silicone rubber: **120,000** tons/year; hydroxyl terminated polydimethylsiloxane: **120,000** tons/year; sealant: **60,000** tons/year; silicone fluid: **56,000** tons/year; aerogel: **5,000** cubic meters/year; microcapsules: **550** tons/year; silicone leather: **1 million** meters/year; silicone foam: **150,000** square meters/year.

Fertilizers

Production Capacity of Main Products:

Ammonium phosphate: **1 million** tons/year; compound fertilizer: **400,000** tons/year; wet-process phosphoric acid (in 100% acid equivalent): **680,000** tons/year; refining purification of phosphoric acid (in 100% acid equivalent): **150,000** tons/year; sulfuric acid: **2 million** tons/year, synthetic ammonia: **400,000** tons/year.

New Energy Materials

Production Capacity:

Photovoltaic adhesive: **50,000** tons/year
Iron phosphate: **100,000** tons/year
Lithium iron phosphate: **80,000** tons/year
Lithium dihydrogen phosphate: **100,000** tons/year

Xingfa Group maintains a flagship position in global phosphorus and sulfur chemical industry.

Xingfa Group focuses on resource and energy integration at the upstream, while on the deep processing of products on the downstream, forming a mineral-electricity-chemical industry chain with a cost advantage.

✓ Strong Foundation in Phosphate Rock Resources

- ◆ Xingfa Group leads the integration of phosphate rock resources in Hubei Province, and its 6 green mines provide sufficient resource support for the development of phosphorus chemical industry. The Shukongping Mining Area in Xingshan County was included in the first batch of national green mining demonstration areas. We solve the global problem with the mining technology of thick and large phosphate rocks, and develop supporting processes such as gravity separation, color sorting, flotation, and photoelectric sorting. Our recovery rate and utilization rate of phosphate rock resources are among the top in the industry.

✓ Stable Power Supply

- ◆ Xingfa Group uniformly oversees small hydropower resources in Xingshan County, and realizes an installed capacity of 180,300 kW in hydropower stations and an annual power generation of 500 million kWh. 13 distributed photovoltaic power stations have been built in the basin, with a total installed capacity of 1,828 kW. The Company is accelerating the construction of a clean, low-carbon, safe, efficient, and smart interconnected modern energy system. The protective development of hydropower has been undertaken, and Xingshan County is the first Chinese county awarded as a "Green Hydropower Demonstration Base" by the International Center on Small Hydropower of the United Nations. The Gaolan River Basin and the Nanyang River Basin have been recognized as the "National Water Conservancy Scenic Areas".

✓ Significant Advantage in Chemical Industry

- ◆ Rooted in Xingshan County, Xingfa Group radiates to Xiaoting, Yuan'an, Nanzhang, Baokang, and expands into Guizhou, Jiangsu, Chongqing, and Xinjiang, to build an international first-class phosphorus-sulfur product production base. The phosphate chemical products of the Company feature the largest national capacity and the most complete categories. The production and sales of our sodium hypophosphite and dimethyl sulfoxide are the largest in the world. Our high-end phosphates with internationally leading quality make us one of the largest global suppliers of food-grade phosphates.

Xingfa Group has risen to a leading position in China's new microelectronic material market

Focusing on the construction of Hubei's electronic chemicals zone and the intensive cluster development of the high-end electronic chemicals industries, Xingfa Group has developed products such as electronic-grade phosphoric acid, sulfuric acid, hydrofluoric acid, etching solutions, hydrogen peroxide, etc. Among others, our electronic-grade phosphoric acid, sulfuric acid, and mixed series products have broken the foreign technical blockade, with industry-leading production capacity and international first-class quality. We have become stable suppliers for many domestic and international semiconductor companies. The high-purity yellow phosphorus purification and distillation technology solves the impurity problem in the preparation of electronic chemicals in China. The key technology for electronic-grade phosphoric acid has won the second prize of the National Science and Technology Progress Award. The electronic-grade sulfuric acid meets international standards and has achieved stable supply to domestic 12-inch wafer fabs. The core technology of high-performance etching solutions breaks the foreign monopoly, fills the gap in advanced domestic processes, and provides products like D etching solution, E etching solution, and polycrystalline silicon etching solution to support chip localization, making us the sole domestic supplier of such products.

Xingfa Group is one of the top Chinese manufacturers for comprehensive strength in organosilicon products.

With the Yichang New Materials Industrial Park as the main battlefield, Xingfa Group vigorously promotes the integration of phosphorus and silicon development, establishing a 600,000-ton/year silicon monomer plant, with supporting facilities of methyl vinyl silicone rubber (120,000 tons/year), hydroxyl terminated polydimethylsiloxane (120,000 tons/year), sealant (60,000 tons/year), and silicone fluid (56,000 tons/year). Our monomer production technology fills the gap in Hubei. We independently developed the first large diameter U-shaped tube fluidized-bed reactor, and innovated key technologies to control monomer synthesis and separation. More than one of our key processes has reached international advanced levels.

Xingfa Group ranks first domestically and second globally in the production scale of glyphosate pesticide.

Based on the Yichang New Materials Industrial Park and in coordination with the Inner Mongolia Wuhai Park, we have implemented technological upgrades to our glyphosate plant, increasing our production capacity of technical material to 230,000 tons/year, which remains first in China and second in the world. A supporting production line has been completed, with a capacity of 101,000 tons/year glyphosate formulation (including granules at 51,000 tons/year and liquid formulations at 50,000 tons/year). The Company has also pioneered a new, environmentally efficient synthesis process that solves major environmental challenges in the industry, addressing challenges like discontinuous production and high energy consumption. With the leading cost control and clean production, the Company is one of the first four enterprises to pass environmental inspections nationwide.

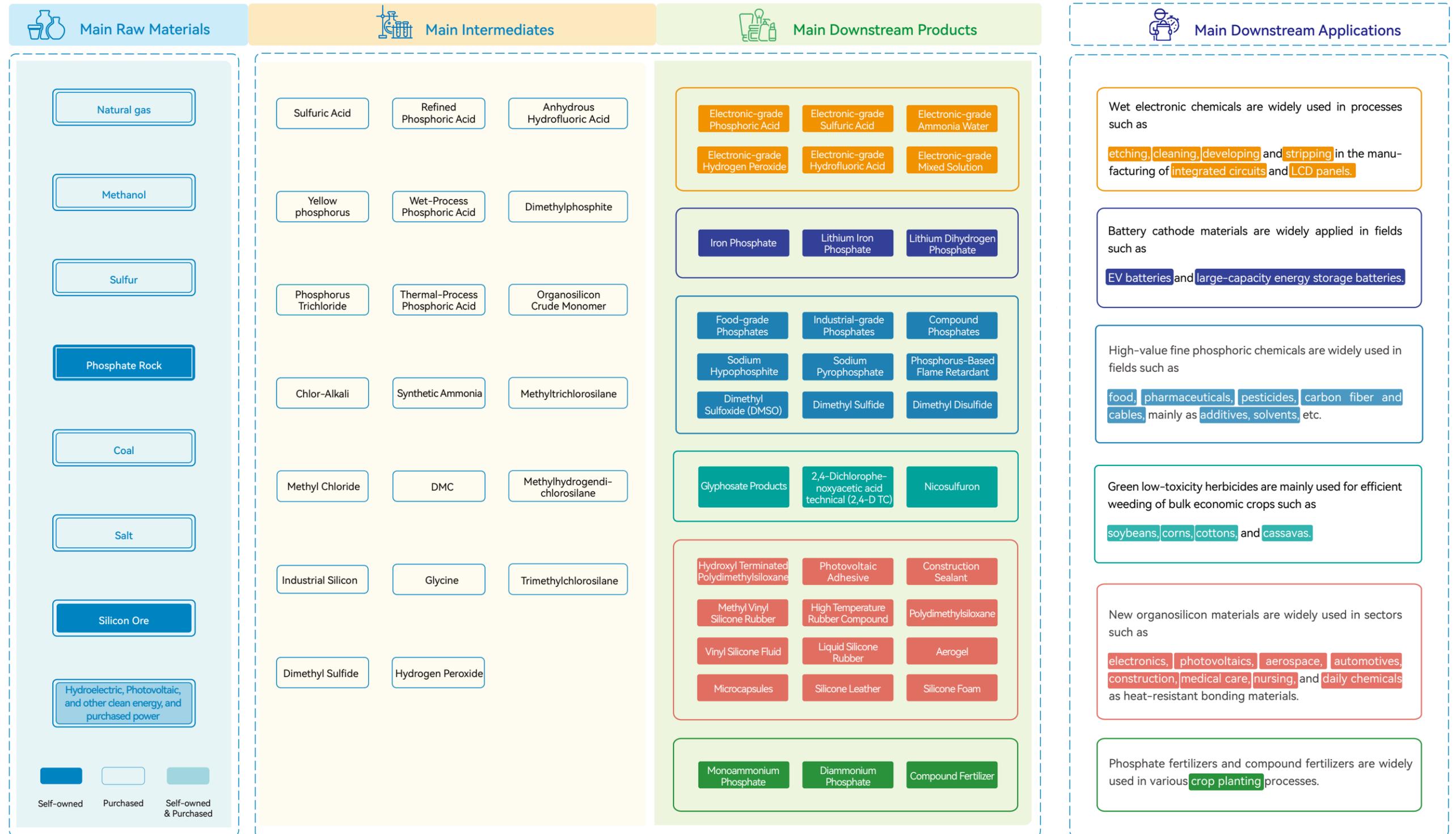
Xingfa Group sets a benchmark for resource integration in the field of phosphate fertilizer development.

With a focus on resource integration, and based at the Yidu Green Eco-Industrial Park, the Company has established a total scale of 1 million tons/year of ammonium phosphate, 2 million tons/year of sulfuric acid, 3 million tons/year of ore dressing, 150,000 tons/year of wet-process phosphoric acid refinement, 20,000 tons/year of anhydrous hydrofluoric acid, 400,000 tons/year of synthetic ammonia, and 10 million tons/year of cargo docks. It has connected the wet and thermal processes and formed a mineral fertilizer industrial chain integrating ore dressing, wet-process acid refinement, and fertilizer production. It has been awarded the title of "National Demonstration Base for Comprehensive Utilization of Low-Grade Phosphorus Ore."

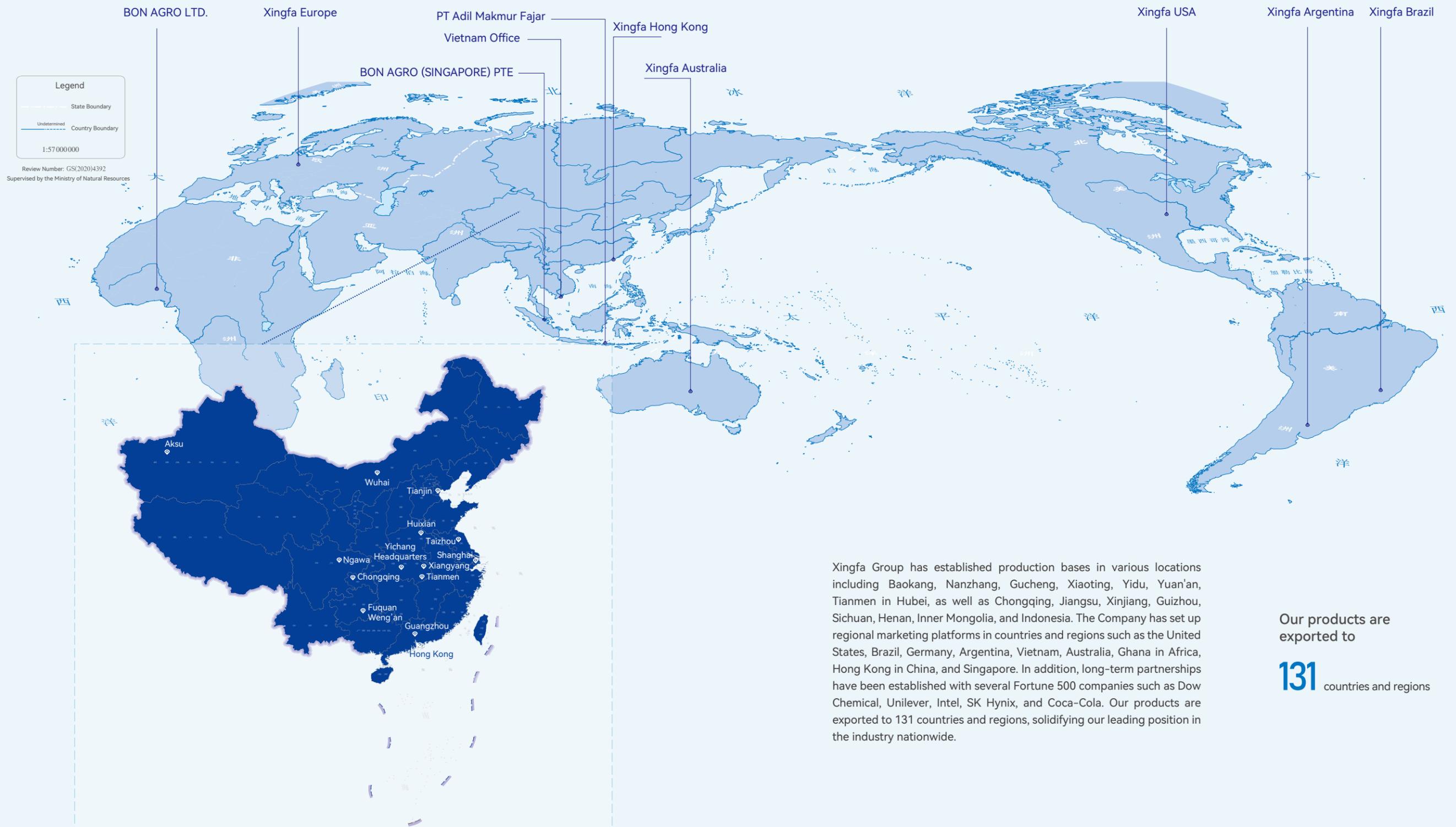
Xingfa Group accelerates the pace of evolving into a nationally renowned supplier of high-quality new energy materials.

The Company is accelerating the construction of projects, such as the 300,000 tons/year iron phosphate project, the 300,000 tons/year lithium iron phosphate project, and the 20,000 tons/year lithium bis(fluorosulfonyl)imide project. We have made breakthroughs in the core processes of lithium manganese iron phosphate and all-vanadium redox flow batteries, and advanced the battery-grade lithium fluoride technology, to build an industrial cluster for new energy battery materials.

Always focusing on the development of the phosphorus-based fine chemicals, Xingfa Group actively explores the integration of phosphorus, silicon, sulfur, salt and fluorine, and constantly improves the upstream and downstream integration of the industrial chain, to create the unique industrial chain advantages of "mining-electrification integration", "phosphorus-silicon-salt synergy" and "mineral-fertilizer combination". Now, the Company is accelerating the transformation and upgrading to become a technology-based supplier of green chemicals and new materials.



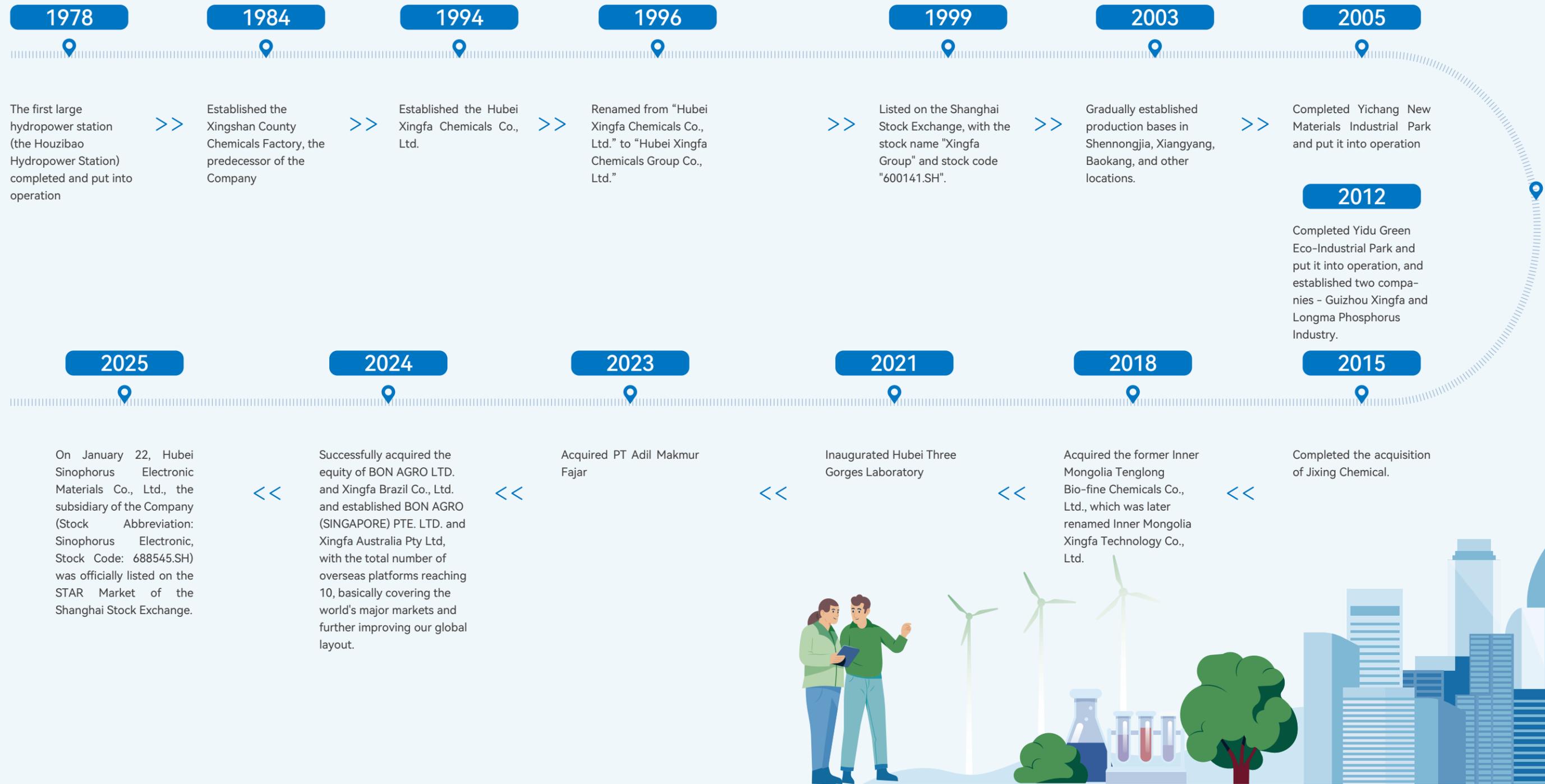
Global Layout of Businesses and Markets



Xingfa Group has established production bases in various locations including Baokang, Nanzhang, Gucheng, Xiaoting, Yidu, Yuan'an, Tianmen in Hubei, as well as Chongqing, Jiangsu, Xinjiang, Guizhou, Sichuan, Henan, Inner Mongolia, and Indonesia. The Company has set up regional marketing platforms in countries and regions such as the United States, Brazil, Germany, Argentina, Vietnam, Australia, Ghana in Africa, Hong Kong in China, and Singapore. In addition, long-term partnerships have been established with several Fortune 500 companies such as Dow Chemical, Unilever, Intel, SK Hynix, and Coca-Cola. Our products are exported to 131 countries and regions, solidifying our leading position in the industry nationwide.

Our products are exported to **131** countries and regions

Milestones



Honors in 2024

<p>Outstanding Contribution Award in China Chemical Mining Industry</p> <p>Awarding Authority: China Chemical Mining Association</p>	<p>2023 Energy Efficiency Leader Benchmark Enterprise (Yellow Phosphorus)</p> <p>Awarding Authority: China Petroleum and Chemical Industry Federation</p>	<p>2023 Energy Efficiency "Leaders" in Key Industries</p> <p>Awarding Authority: Ministry of Industry and Information Technology</p>
<p>First Prize for Hubei Scientific and Technological Progress Award</p> <p>Awarding Authority: China Petroleum and Chemical Industry Federation</p>	<p>Second Prize of Hubei Science and Technology Progress Award 2024</p> <p>Awarding Authority: People's Government of Hubei Province</p>	<p>Third Prize of Hubei Science and Technology Progress Award 2024</p> <p>Awarding Authority: People's Government of Hubei Province</p>
<p>National "March 8" Red Flag Collective</p> <p>Awarding Authority: All-China Women's Federation</p>	<p>May 1st Labor Certificate of Hubei Province</p> <p>Awarding Authority: Hubei Federation of Trade Unions</p>	<p>Worker Pioneer of Hubei Province</p> <p>Awarding Authority: Hubei Federation of Trade Unions</p>
<p>Enterprise of Observing Contract and Valuing Credit in Hubei Province</p> <p>Awarding Authority: Hubei Administration for Market Regulation</p>	<p>Water-saving Benchmark Enterprise in Guizhou Province</p> <p>Awarding Authority: Water Conservancy Department of Guizhou Province</p>	<p>2023 Single Champion Enterprise in the Manufacturing Industry of Shandong Province</p> <p>Awarding Authority: Department of Economy and Information Technology of Hubei Province</p>
<p>Outstanding Information Disclosure in 2023-2024</p> <p>Awarding Authority: Shanghai Stock Exchange (SSE)</p>	<p>5A Rating for Board Secretary's Performance</p> <p>Awarding Authority: China Association for Public Companies</p>	<p>Excellent Practice Case of the Office of the Board of Directors</p> <p>Awarding Authority: China Association for Public Companies</p>
<p>2024 Golden Quality Award for Outstanding Board Secretary</p> <p>Awarding Authority: Shanghai Securities News</p>	<p>Outstanding Board Secretary Award for Investor Relations of Listed Companies in China</p> <p>Awarding Authority: Securities Times</p>	<p>Excellent Case of ESG Practices</p> <p>Awarding Authority: Chinese Securities Journal</p>

Industry Associations



Association Name	Position Held
Phosphorus Chemical Branch of China Inorganic Salts Industry Association	Chairman
China Inorganic Salts Industry Association	Vice Chairman
China Petroleum and Chemical Industry Federation	Vice Chairman
China Chemical Mining Association	Vice Chairman
China Chamber of Commerce of Metals, Minerals & Chemicals Importers and Exporters	Vice Chairman
China Meat Association	Vice Chairman
Chemical New Materials Committee of the China Petroleum and Chemical Industry Federation	Vice Director Unit
China Association of Fluorine and Silicon Industry	Vice President
China Phosphate and Compound Fertilizer Industry Association	Vice President
China Chemical Environmental Protection Association	Vice President
China Electronic Chemical Materials Alliance	Vice President
Mineral Resources and Material Application Innovation Association	Vice President
China Nitrogen Fertilizer Industry Association	Executive Director
China Sulfuric Acid Industry Association	Director
China Crop Protection Industry Association (CCPIA)	Director
China Controlled Chemicals Association	Director
Patent Protection Association of China	Director
China Association for Quality Inspection	Director
China Association of Pesticide Development and Application Association	Director

Performance Highlights in 2024

Economic Performance

Total Assets
RMB **47.776** billion

Net Profit
RMB **1.619** billion

Operating Revenue
RMB **28.396** billion

Net Profit Attributable to Shareholders of the Parent Company
RMB **1.601** billion

Environmental Performance

Total Investment in Environmental Protection
3.76 in RMB 100 million

Total Energy Consumption
203.64 in 10,000 tce

Total Green Power Consumption
10 in 100 million kWh

Total GHG Emissions
643.2 in 10,000 tCO₂e

Social Performance

Total Number of Employees
14,121 Persons

Total Investment in Employee Training
2,102.47 in RMB 10,000

Number of Employees of Minority Nationalities
778 Persons

External Donation
10,731.02 in RMB 10,000

Governance Performance

Meetings of Party Committee Held
20 Sessions

Meetings of the Board of Directors Convened
9 Sessions

Specialized Meetings of Independent Directors
4 Sessions

General Meeting of Shareholders Convened
4 Sessions

Meetings of the Supervisory Board Convened
8 Sessions

Meetings of Specialized Committees under the Board of Directors
13 Sessions

R&D Performance

Total R&D Investment
RMB **1.188** billion

Number of R&D Team Members
1,613 Persons

Proportion in Total Number of Employees
11.42%

Specialized and Sophisticated Enterprise that Produces Novel and Unique Products
6

Percentage in Operating Revenue
4.18%

Total Number of Authorized Patents
1,421 Items

National High-tech Enterprises
16

01 Standardized Governance

Strengthening the Foundation for Development

SDGs Responded in this Chapter



Material ESG Topics Covered in this Chapter

- Anti-Commercial Bribery and Anti-Corruption
- Anti-Unfair Competition

Key Achievements in 2024

General Meeting of Shareholders Convened
4
Proposals Reviewed and Approved
18

Meetings of the Board of Directors Convened
9
Proposals Reviewed and Approved
56

Meetings of the Supervisory Board Convened
8
Proposals Reviewed and Approved
26

Sustainable Development Governance



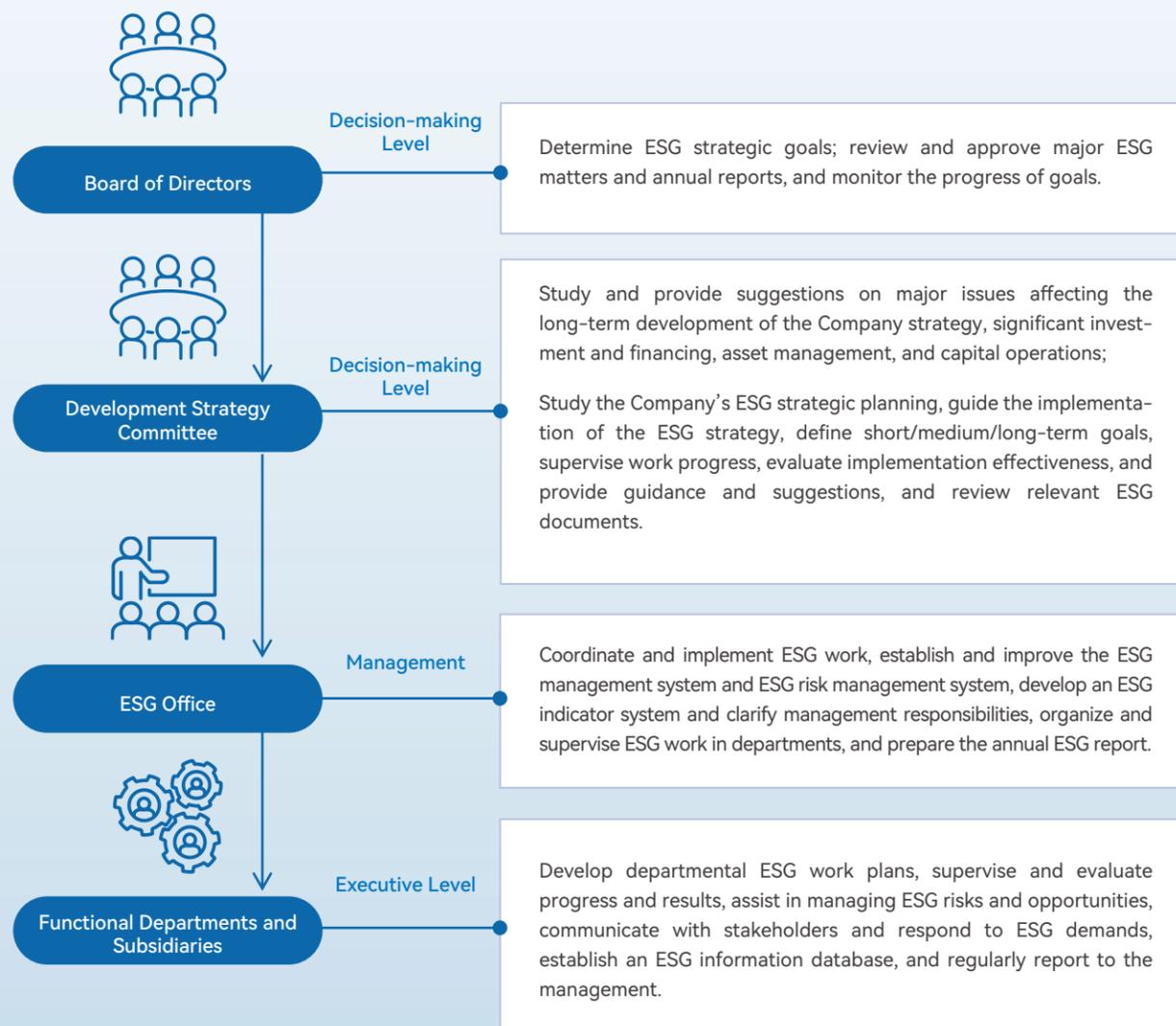
Sustainable Development Goal and Vision

Adhering to the vision of striving to be recognized as "most world-renowned international fine chemicals enterprise", Xingfa Group is firmly committed to implementing the sustainable development strategy. The Company relies on technological innovation to optimize the circular economy, efficiently utilize resources, and actively promote the industry's response to the call for sustainable development. We aim to create economic and social value, set a benchmark for sustainable development in the industry, and become a model for sustainable development within the sector.



Governance Framework for Sustainable Development

In active response to the call for sustainable development, Xingfa Group has integrated the ESG (Environmental, Social, and Governance) philosophy into corporate strategic plans. The Company continuously optimizes management systems in the dimensions of environmental protection, social responsibility, and corporate governance, and builds a complete and scientific organizational structure. We also revised the *Implementation Rules of the Development Strategy Committee under the Board of Directors*, which clarifies the departments at all levels and their responsibilities, to ensure the implementation of relevant measures. This promotes the high-quality development of the Company, and contributes solidly to the sustainable development of society and the environment.



Communication with Stakeholders

Adhering to the principle of paying great attention to the opinions of stakeholders, and on the basis of actual needs, Xingfa Group has formulated and distributed questionnaires to widely listen to the voices of stakeholders. We also built a regular communication channel and join hands with all parties to promote the sustainable development of the Company.

Category of Stakeholders	Demands and Expectations	Communication and Response
 Government and Regulatory Agencies	Standardized Operation Lawful Tax Payment Business Ethics and Anti-corruption	Respond to relevant policies Disclose information Conduct supervision and inspection
 Suppliers and Partners	Win-win Cooperation Contribution to Industry Development	Create a responsible supply chain Strengthen industry exchanges
 Investors and Shareholders	Protection of Shareholders' Rights and Interests Risk Management Improvement of Corporate Governance	Improve business performance Enhance internal control levels Improve information disclosure
 Employees	Compensation and Benefits Health and Safety Employee Promotion	Enhance compensation and benefits Raise employee satisfaction Improve the training and promotion mechanism
 Customers	Smooth Communication Channels Product Quality Assurance Protection of Customers' Rights and Interests	Strengthen product quality and service management Protect rights and interests of customers
 Public Welfare and Community Organizations	Improvement of People's Livelihoods Rural Revitalization Public Welfare and Charity	Support rural revitalization Conduct public welfare activities

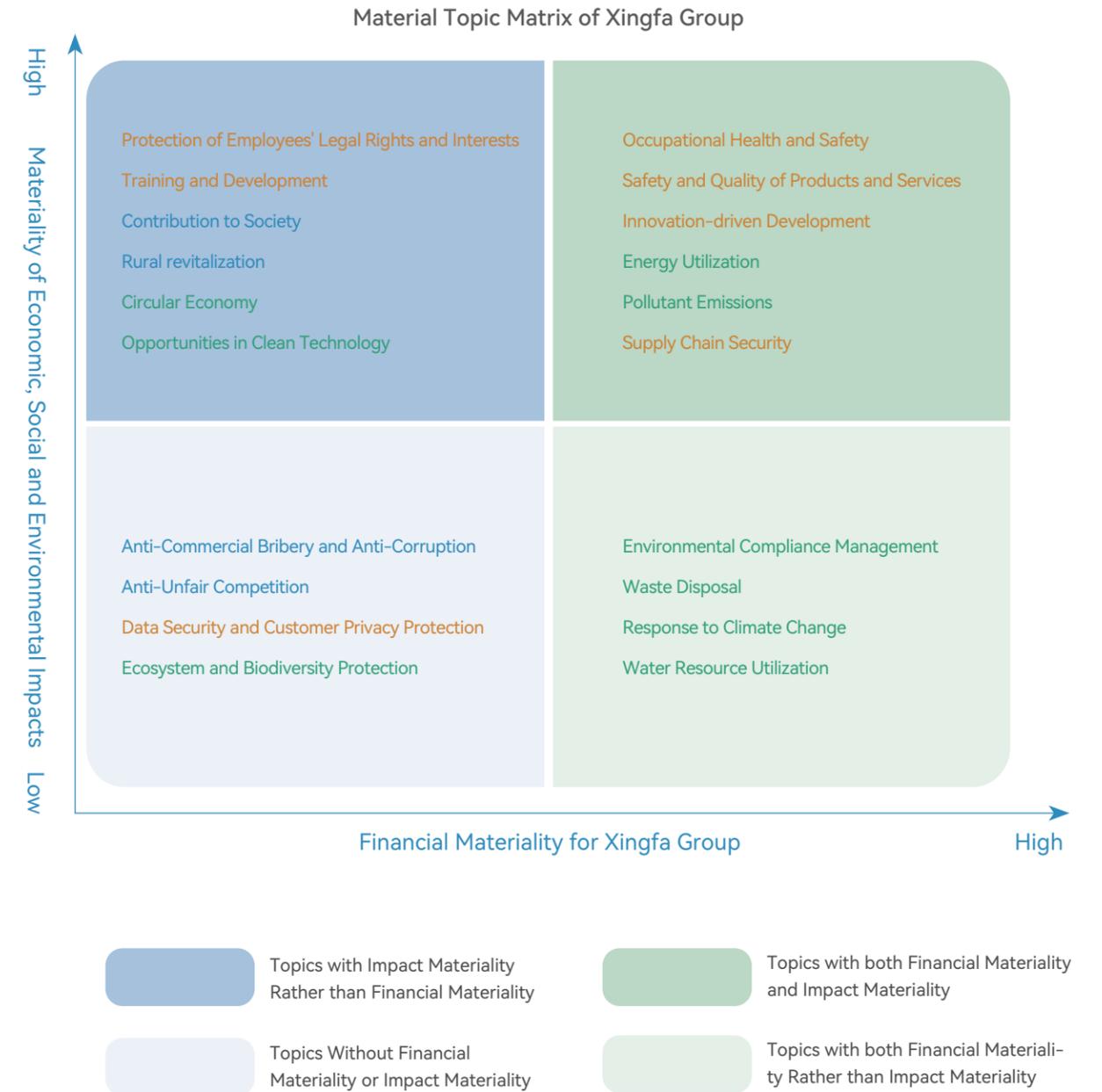
Management of Material Topics

In accordance with the assessment methods stated in the domestic and international disclosure standards such as the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14 - Sustainability Report (for Trial Implementation), the GRI 3: Material Topics, the European Sustainability Reporting Standards (ESRS), the International Financial Reporting Sustainability Disclosure Standards No. 1 - General Requirements for Disclosure of Sustainability (IFRS IFRSS1), Xingfa Group introduces the analysis perspective of impact materiality and financial materiality to identify and assess material topics in the following steps:



Topic Analysis Results

Based on the returned questionnaires, Xingfa Group conducts an empirical analysis of material topics. Topics are prioritized and analyzed from the dimensions of "impact materiality" and "financial materiality" to form a matrix of material topics.



Guidance for Disclosure and Practice of Material Topics

Material Topics	Risk	Opportunities	Corresponding Section
Environmental Compliance Management	Changes in environmental protection regulations may lead to penalties if the Company fails to adapt in a timely manner. In addition, increasing investment in environmental protection funds and technological upgrades may increase operating costs or expose the Company to the risk and pressure of technological upgrade failures.	The Company can attract more consumers and partners and enhance corporate image by responding to policies and actively participating in environmental protection activities.	Circular Economy: Building a Shared Ecological Future
Waste Disposal	Improper disposal of hazardous waste can pollute soil and water bodies, and delays in handling general waste affect the environmental sanitation of plant areas.	Proper waste disposal can improve the Company's image and increase influence.	Circular Economy: Building a Shared Ecological Future
Pollutant Emissions	Equipment failure or mishandling may result in non-compliant pollutant discharges and affect the Company's reputation.	Through effective control of pollutant emissions, the Company can meet customers' social responsibility requirements and enhance market competitiveness.	Circular Economy: Building a Shared Ecological Future
Response to Climate Change	Natural disasters caused by climate change, such as extreme weather and rising sea levels, as well as stricter policies and shifts in market preferences, pose physical and transition risks to the Company, potentially increasing operating costs.	The development of electric vehicles and the energy storage sector drives the demand for phosphorus chemical products; and breakthroughs in green low-carbon technologies can enhance competitiveness and open up new markets.	Circular Economy: Building a Shared Ecological Future
Water Resource Utilization	As the Company has high requirements for water quality, natural disasters may affect the stability of water supply.	The Company may increase R&D of recycled water technologies to reduce dependence on fresh water.	Circular Economy: Building a Shared Ecological Future

Material Topics	Risk	Opportunities	Corresponding Section
Energy Utilization	Stricter energy policies, fluctuations in energy prices, or non-conforming raw materials may affect product quality stability, leading to increased operating costs.	The Company may optimize energy management systems to reduce energy consumption and increase the use of clean energy.	Circular Economy: Building a Shared Ecological Future
Occupational Health and Safety	Long-term exposure to raw materials may increase the risk of occupational diseases, while improper operation may also induce occupational health risks.	The Company may enhance automated and intelligent production and strengthen occupational health management.	Social Responsibility Fulfillment: Co-creating a Better Future
Safety and Quality of Products and Services	Constant pursuit of product quality may bring additional financial and human resource costs.	The Company may participate in the formulation of industry standards and take other actions to enhance corporate influence and consolidate position in the industry.	Innovation and Quality Improvement: Driving Industrial Upgrades.
Innovation-driven Development	Factors such as high R&D costs and long R&D cycles lead to an increase in operating costs.	The Company may strengthen cooperation and focus on breakthroughs in key technological bottlenecks to enhance market expansion and increase operating income.	Innovation and Quality Improvement: Driving Industrial Upgrades.
Supply Chain Security	Some raw materials are affected by safety and environmental regulations, as well as weather and transportation factors, resulting in production interruptions and order delays.	The Company may enhance the level of digital operations, optimize inventory management, and improve operational efficiency.	Innovation and Quality Improvement: Driving Industrial Upgrades.

Party Building Leadership

Xingfa Group has always attached importance to Party building, and thoroughly implemented the guiding principles of the 20th National Congress of the Communist Party of China and the Third Plenary Session of the 20th CPC Central Committee. The Company remains steadfast in arming minds and guiding practice with the advanced theories of the Party. We closely integrate Party building with corporate development strategies, corporate culture construction, and production and operation management. This effort continuously strengthens the cohesion and centripetal force of Party organizations, improve the quality of Party members, and ensure that Party building becomes an important guarantee for the Development of the Company.

★★★ Party Organization Construction

The Party Committee of the Company continuously strengthens and improves Party building in alignment with actual business needs. Each year, based on adjustments to departments and subsidiaries, the Company flexibly optimizes and adjusts primary Party organizations. In Party building, the Company strictly complies with laws, regulations, and relevant systems, as well as rules and policies, ensuring the standardization and institutionalization of Party building work.

As of the end of the Reporting Period, there were **5** secondary Party committees under the CPC Yichang Xingfa Group Committee. These **5** secondary Party committees oversee a total of **70** Party branches, which provide a solid organizational foundation for the Company's Party building work and ensure the thorough and effective implementation of the Party's policies within the Company.



Key Performance

New Probationary Party Members: **22** Persons;

Probationary Members Granted Full Party Membership: **39** Persons.

★★★ Party Building

Xingfa Group attaches great importance to education for enhancing Party consciousness. Through multiple collective study sessions and lectures, the Company continuously helps Party members and cadres deepen their understanding of Party theories and disciplines. To ensure orderly progress in study and education, the Company formulated the *Work List for Party Discipline Learning and Education of Xingfa Group*, which clearly defines learning content and objectives, to strengthen the political literacy and consciousness of Party members.

▶ Learning of the Xibaipo Spirit Case Study

On May 22, 2024, the Company organized 50 management personnel to visit Xibaipo, gaining an in-depth understanding of its historical significance as the last rural command post before the liberation of China, and the revolutionary spirit it fostered: courage to fight, reliance on the masses, scientific construction, modesty and prudence.



▶ Celebration of the 103rd Anniversary of the CPC and July 1st Commendation Conference Case Study

On June 28, 2024, Xingfa Group celebrated the 103rd anniversary of the founding of the Communist Party of China (CPC) and the "July 1" commendation meeting.

The meeting honored 4 "Red Flag Branches", 1 "Model Secretary", 3 "Party Affairs Masters" and 50 "Communist Demonstration Posts", to set examples and encourage all Party members to keep striving forward. Additionally, a cautionary film was screened to remind Party members and cadres to remain vigilant and uphold bottom-line thinking.



► Support for the Company in Building Harmonious Labor Relations Case Study

On May 24, 2024, the Third Party Branch of the Yichang Intermediate People’s Court, together with the Party Branch of Xingfa Group and the Comprehensive Party Branch of the Yichang Park, carried out a Party Day event themed “Supporting Enterprises in Building Harmonious Labor Relations” in the Yichang Materials Industrial Park.



The event covered activities such as visiting the new materials industrial park, renewing the Party membership oath, learning the new content of the Regulations on Disciplinary Actions of the Communist Party of China, and explaining the norms of labor and personnel management, to deepen cooperation through “Party Building + Legal-Enterprise Integration” and provide strong support for the long-term development of Xingfa Group.

In addition, the Company also emphasizes the importance of cautionary education. Through warning meetings and the work on party conduct and clean governance, Party members and cadres are constantly reminded to stay alert and firmly uphold moral and ideological integrity.



Cautionary Education



Work on Party Conduct and Clean Governance

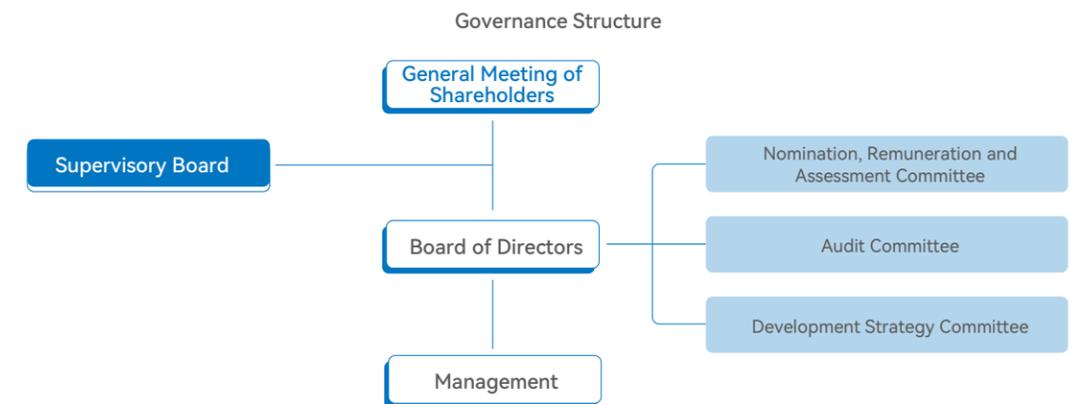
Key Performance

During the Reporting Period, the Theoretical Study Center Group under the Party Committee of Xingfa Group organized **12** centralized learning sessions and studied the “first-topic” at **12** meetings of the Party Committee.

Governance through the General Meeting of Shareholders, Board of Directors, and Supervisory Board

Governance Structure

Xingfa Group is committed to building an efficient and transparent governance system. In strict compliance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law"), the Governance Code for Listed Companies and other laws and regulations, the Company continuously optimizes the Articles of Association, the Rules of Procedure of the Board of Directors, and other internal management systems, and defines the specific responsibilities of the General Meeting of Shareholders, the Board of Directors, the Supervisory Board, the Management Team, and various departments, to continuously improve the governance structure and lay a solid foundation for the long-term development of the Company.



General Meeting of Shareholders

To safeguard shareholders' rights and interests, the Company revised the Rules of Procedure for the General Meeting of Shareholders during the Reporting Period. This clarified the responsibilities and authority of the General Meeting of Shareholders, enabled the General Meeting of Shareholders to exercise its powers in accordance with applicable laws and regulations, and protected the interests of both the Company and its shareholders. The procedures for convening, holding, and proposing the General Meeting of Shareholders comply with the Company Law, the Articles of Association, and the Rules of Procedure for the General Meeting of Shareholders, as well as other relevant regulations.

Xingfa Group emphasizes equal treatment of all shareholders, ensuring that all shareholders, especially minority shareholders, enjoy equal status and can fully exercise their rights. The Company holds the General Meeting of Shareholders in a physical location and offers a secure, economical, and convenient online voting method to facilitate shareholder participation in the meeting. For significant matters affecting the interests of minority investors, the votes of small and medium-sized investors are counted separately, which effectively protects the legitimate rights and interests of minority shareholders.

Key Performance

General Meeting of Shareholders Convened: **4** Sessions;
Proposals Reviewed and Approved: **18** Items.

Board of the Directors

The Board of Directors, as the core decision-making body of the daily operation, has been shouldering crucial responsibilities in the development of the Company. To further enhance the standardization of operations and the soundness of decision-making, the Company revised the *Rules of Procedure of the Board of Directors* during the Reporting Period. The revision improved the meeting procedures, decision-making processes, and the rights and duties of directors, ensuring that the Board of Directors follows established guidelines when carrying out strategic planning, investment decisions, and management supervision. This effort ensures that each decision is fully discussed and carefully considered, effectively guaranteeing that the Company's operations move forward steadily in the right direction.

Key Performance

Meetings of Board of Directors Convened: **9** Sessions;
 Proposals Reviewed and Approved: **56** Items; Average Attendance Rate: **100%**.

The Board of Directors has set up three specialized committees: the Audit Committee, the Nomination, Remuneration and Assessment Committee, and the Development Strategy Committee, and formulated corresponding implementation rules to enhance the professionalism and soundness of decision-making. Each specialized committee has clear responsibilities and works collaboratively to provide strong support for the Company's strategic decision-making, ensure the precise implementation of all company decisions, and contribute to the Company's sustainable development.

Director	Number of Members	Number of Independent Directors	Proportion of Independent Directors	Core Responsibilities	
Audit Committee	Independent Directors	5 Persons	5 Persons	100%	Propose hiring/replacement of auditor, supervise the implementation and communication of internal and external auditing system, review financial information, project investment and internal control system, and deal with other related matters authorized by the Board of Directors.
Nomination, Remuneration and Assessment Committee	Independent Directors	5 Persons	5 Persons	100%	Recommend the size and composition of the Board of Directors based on the realities of the Company, study and recommend candidates for directors and managers, formulate remuneration plans, conduct performance assessment, supervise the implementation of the remuneration system, and deal with other related matters authorized by the Board of Directors.
Development Strategy Committee	Chairman	7 Persons	5 Persons	71%	Study the Company's long-term strategy, major investment and financing plans, and significant matters affecting development, provide recommendations, supervise their implementation, and handle other related matters authorized by the Board of Directors.

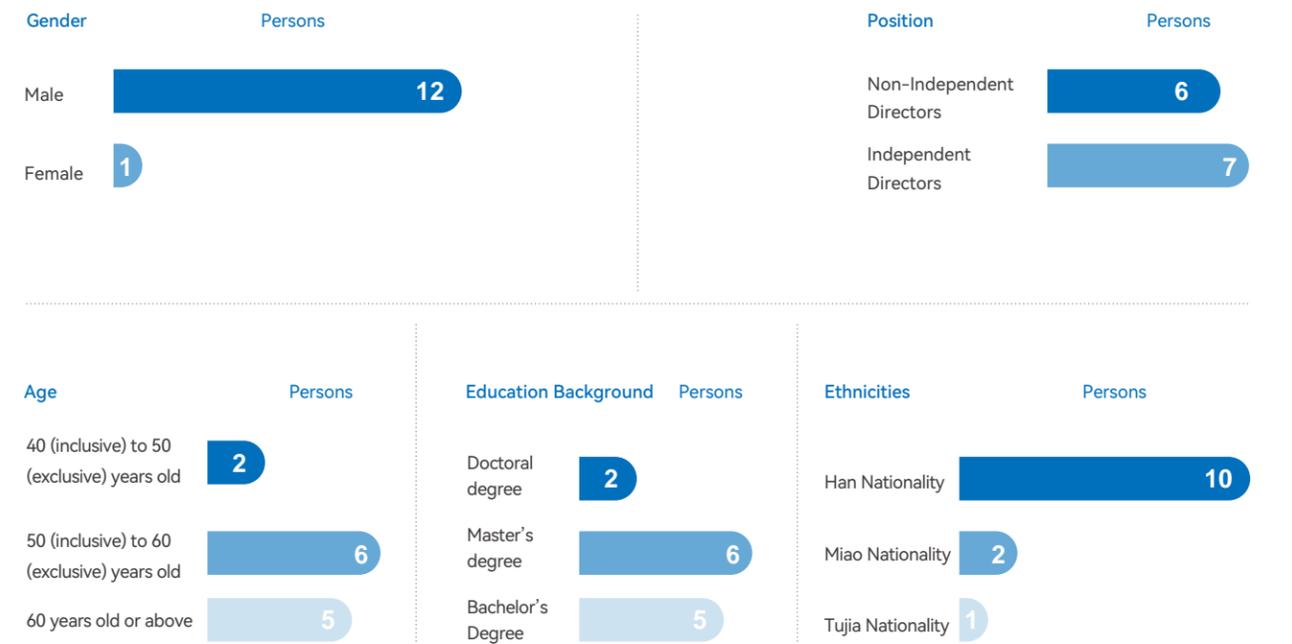
Independence of the Board of Directors

Xingfa Group has formulated the Procedures for the Work of Independent Directors to ensure that independent directors can perform their duties. During the Reporting Period, 7 independent directors participated in all decision-making of the Company in strict accordance with applicable regulations and expressed objective and independent opinions on the relevant matters considered by the Board of Directors, to safeguard the legitimate rights and interests of the Company and all shareholders.

Board Diversity

The Company adheres to the internationally recognized ESG governance guidelines and takes board diversity as a core tool to improve the modern corporate governance system, and actively promotes the construction of a diversified Board of Directors in terms of gender, age and educational background. The Board of Directors consists of 13 directors, including 1 female director, accounting for **7.69%** of the total. The members of the Board of Directors have deep professional expertise and rich practical experience covering a wide range of industry sectors, including: financial management, accounting, investment, safety and environmental protection, metallurgy, chemicals, etc.

Board Diversity and Composition



Supervisory Board

During the Reporting Period, the Company revised the *Rules of Procedure of the Supervisory Board* to strengthen the supervisory function of the Supervisory Board, clarify its composition, deliberation and voting procedures. The Supervisory Board consists of 5 supervisors, including democratically elected employee representatives, to ensure fair, transparent and efficient supervision.

Key Performance

Meetings of the Supervisory Board Convened: **8** Sessions;

Proposals Reviewed and Approved: **26** Items; Average Attendance Rate: **100%**.

Management of Remuneration for Directors, Supervisors, and Senior Management

In accordance with applicable laws and regulations such as the *Company Law of the People's Republic of China*, by reference to the provisions of the *Articles of Association*, and in conjunction with the actual operating conditions, the Nomination, Remuneration and Assessment Committee conducted a comprehensive and objective performance assessment of directors, supervisors and officers in accordance with the established performance assessment standards and processes, and reasonably determined the remuneration of directors, supervisors and officers to ensure the fairness and effectiveness of the incentive mechanism.

Remuneration Plan for Directors, Supervisors, and Officers



Determination Basis

The remuneration of directors and supervisors is determined based on the 2024 Allowance Program for Directors and Supervisors adopted by resolution at the 2023 Annual General Meeting of Shareholders;

The compensation of officers is based on the 2024 officer salary assessment plan approved by the Board of Directors and the *Regulations on the Management of the Chairman's Incentive Fund*.



Actual Payment

Allowances for directors and supervisors are paid by the Company on a monthly basis;

The remuneration of officers comprises base salary, performance-based pay, and outstanding contribution awards. The base salary is fixed and paid monthly, while performance-based pay and outstanding contribution award are paid after evaluation by the Nomination, Remuneration and Assessment Committee based on the work performance of the senior management team in 2024.



Remuneration of Directors, Supervisors, and Officers (Current and Former):

RMB 24,635,800

Compliant Operations

- Xingfa Group always integrates risk management and compliance operation deeply into the core of enterprise development, builds an all-round risk management and control system, keenly observes all risks in fields such as market, operation and finance, and formulates countermeasures in advance to effectively prevent risks. The Company actively fosters a strong compliance culture, so that compliance awareness permeates every decision and business process, guaranteeing that the Company's operations are legal and compliant.

Compliance Management System

To build a scientific compliance management system and comprehensively improve the Company's compliance governance capacity, the Company has formulated a series of regulations, including the *Compliance Management System*, the *Compliance Evaluation Control Procedures*, and the *Contract Management System*, etc. Upholding the requirement of "business management must cover compliance management", the Company implements employees' compliance responsibilities. The Company passed the certification of GB/T35770-2022/ISO37301:2021 Compliance Management System.



Compliance Management System Certificate

Compliance Management Policy

- The Company firmly establishes the philosophy that "the compliant operation and the adherence to laws and regulations are everyone's responsibility", actively builds a compliance culture of lawfulness and integrity across the entire organization, and continuously improves the compliance management system to safeguard the high-quality development of the Company.

Responsibilities of the Compliance Committee

- Confirm the compliance management strategy and define compliance management objectives.
- Establish and improve the compliance management system of the Company, and review basic compliance management systems, procedures, and major management plans against compliance risks.
- Read reports on compliance management, and provide guidance, supervision, and evaluation of compliance management work.

Compliance Management Measures

In accordance with the Measures for Inspection, Evaluation and Assessment of Internal Control and other systems, Xingfa Group vigorously promotes compliance management, regularly conducts the comprehensive reviews of operational processes, from financial revenue and expenditure to business operations, and from internal approvals to information disclosure, with all processes included in the scope of rigorous assessment. The Company continuously strengthens training on laws and regulations and enhances employees' compliance awareness and legal literacy, to safeguard the long-term development of the Company.

During the Reporting Period, no compliance risks or internal control deficiencies were shown in the internal control evaluation report.

▶ Training on the Revision of the Company Law

Case Study

On July 15, 2024, Xingfa Group held a training session on the *Revision of the Company Law* to deepen state-owned enterprise reform and compliance to support the high-quality development of the Company. The training aimed to help employees improve their understanding and application of the latest regulations, enable them to better grasp the direction of reform, enhance compliance awareness, and support the Company in achieving high-quality development while adhering to laws and regulations.

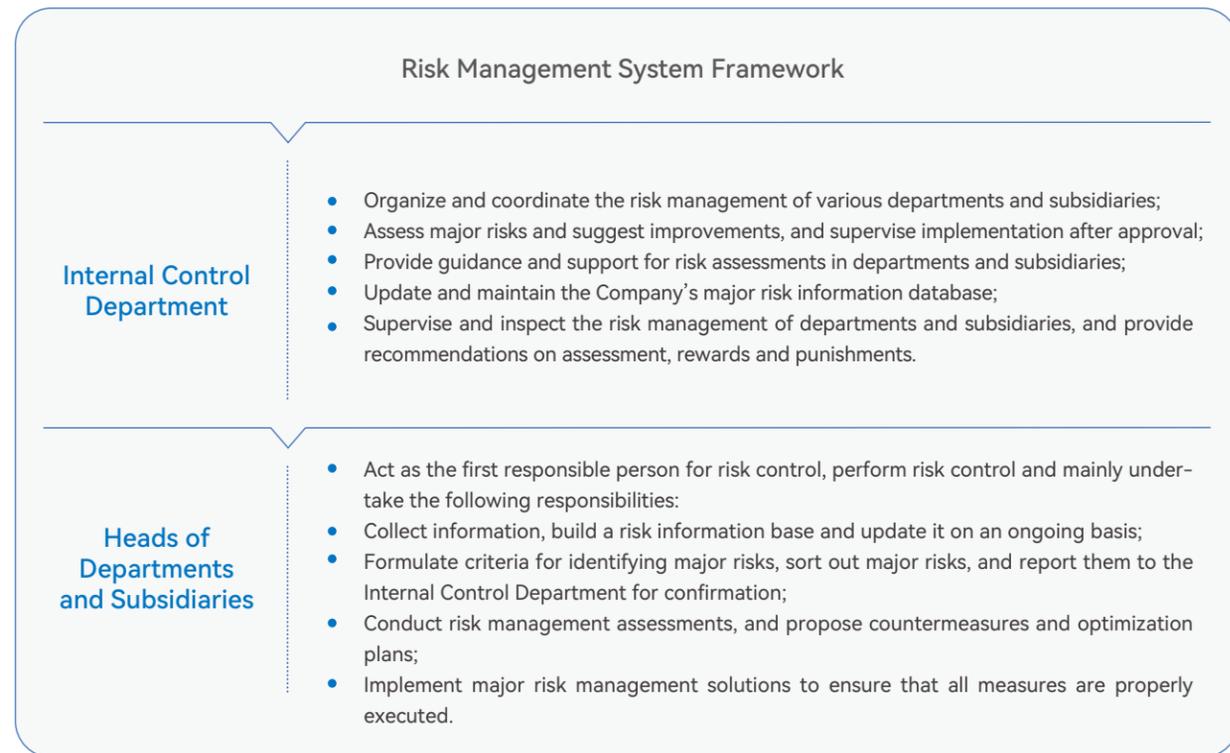


📖 Training on Laws and Regulations

Indicator	Unit	2022	2023	2024
Training on Laws and Regulations (Sessions)	Times	19	23	22
Duration of Training on Laws and Regulations	Hours	29	55	64
Number of Participants in Training on Laws and Regulations	Person-times	1,432	1,958	2,265
Number of Legal Personnel Participating in Training	Persons	20	19	19

Risk Management System

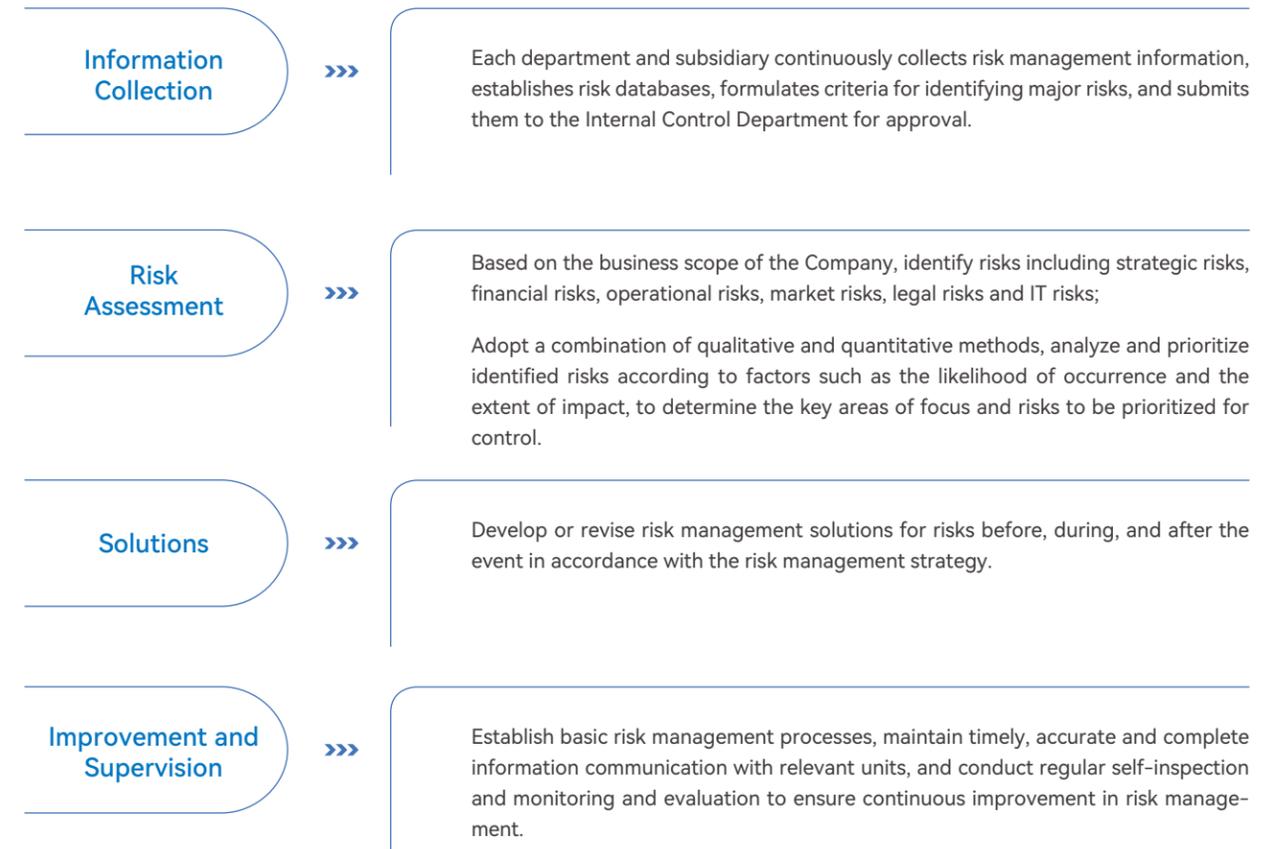
In strict compliance with the *Basic Standard for Enterprise Internal Control*, the *Articles of Association* and other laws, regulations and internal systems, the Company formulates the *Risk Management System*, establishes a comprehensive and strict risk management system, with the Internal Control Department responsible for organizing, coordinating, guiding, and supervising the risk management work of all departments and subsidiaries. Through risk identification, assessment, and response, the risk levels are clarified, and corresponding response strategies are developed and implemented for different risks, ensuring the achievement of the Company's overall objectives.



Risk Management Process

The risk management process covers key steps such as information collection, risk assessment, strategy and solution formulation, and improvement and supervision. Through systematic collection of relevant information, potential risks are accurately assessed, and scientific and reasonable countermeasures and solutions are then formulated. Efforts are made to continuously improve the risk management and supervision process to ensure that risks are effectively controlled.

Risk Management Process



Risk Management Measures

To strengthen risk management, Xingfa Group conducts risk assessment of each business process through internal audit, analyzes risk points and provides a scientific basis for response strategies. In addition, the Company focuses on raising employees' awareness of risk, actively offers training on risk management, and enhances employees' understanding of and ability to respond to risks, thereby building a solid and comprehensive risk management system.

Key Performance

Financial Audit Reports Completed: **44** Copies

Engineering Project Settlement Audit Reports Completed: **523** Copies

▶ Constitution Publicity Week Case Study

From December 2 to 9, 2024, all units (departments) under Xingfa Group actively carried out activities to promote and study the Constitution, including: organizing employees to watch the special program of “2024 Annual Rule of Law Figures”, holding legal knowledge competitions, posting promotional slogans, and using new media platforms to learn and forward promotional materials. Specialized training on laws and regulations was provided to marketing and trade personnel, effectively improving the legal awareness and business capabilities of all employees.



Tax Management

Xingfa Group attaches great importance to tax management, formulates and regularly optimizes the *Tax Risk Management Measures* and other related systems, clarifies tax obligations and responsibilities, closely monitors changes in tax policies, and adjusts in a timely manner to address potential risks, ensuring the standardization of tax operations.

Tax Management System

The Company utilizes the electronic VAT invoice reform by building a direct connection platform with the General Administration, completing the intelligent data link between the ERP system and the tax system, promoting the digitalization and intelligence of financial management. The tax system functions are optimized to support automatic declaration of multiple taxes, data verification, and a tax-sharing center is established to improve processing efficiency, integrate data to support decision-making, strengthen risk monitoring, effectively reduce tax risks, and drive the overall digital transformation of the Company.



Tax Team Building

Xingfa Group regularly organizes finance and tax knowledge sharing sessions to enhance the compliance awareness and professional capabilities of tax management personnel, and has established a tax-sharing center with clear divisions of responsibilities. In addition, we have established a communication mechanism, strengthened internal exchanges, and emphasized cross-departmental collaboration to ensure that the tax work is coordinated with the overall operation and to effectively reduce tax risks.

▶ Annual Training on Finance Case Study

In September 2024, Xingfa Group held the 2024 Annual Training on Finance, explaining the latest financial policies, accounting standards, and tax management to help employees improve their abilities in financial analysis, budget preparation, and tax compliance management, thus promoting the stable development of the Company's finances.



Protection of Shareholders' Rights and Interests

Information Disclosure

Xingfa Group has formulated the *Information Disclosure Management System*, which aims to ensure the accuracy and timeliness of the information disclosed by the Company to the public, thereby protecting the right to know of the majority of investors and stakeholders and maintaining the fairness and transparency of the capital market. In addition, the Company has established the *Internal Reporting System for Material Matters*, which stipulates that in the event of a material matter, such matter must be reported internally to the Company and then disclosed externally after internal review, thus strengthening internal information management and external transparency.

During the Reporting Period

the Company received an **excellent rating** for information disclosure work for the 2023-2024 period from the Shanghai Stock Exchange (**Top 15% of A-shares**)

and the Company Secretary received a **5A rating** from the China Association for Public Companies (**Top 3% of A-shares**)

as well as its first award for the **Excellent Practice Case** from the China Association for Public Companies (**Top 10% of A-shares**).

Key Performance

Periodic Reports Disclosed: **4** Copies; Interim Announcements: **81** Copies

Penalties for violations in information disclosure: **0** cases

Investor Relations Management

To strengthen the close relationship between the Company and its investors, improve the quality and efficiency of information disclosure, and promote accurate recognition of the Company's value in the capital market, Xingfa Group establishes the *Investor Relations Management System*. By standardizing the organization and execution of investor relations activities, the Company ensures that it can promptly, accurately, and comprehensively communicate key information to investors, such as its strategy, business results, and development prospects. This, in turn, effectively enhances investors' trust and confidence in the Company and lays a solid foundation for the Company's stable development in the capital market.

As a result of its continuous efforts and outstanding performance in investor relations management, the Company has won multiple prestigious awards.



Communication with Investors

During the Reporting Period, the Company actively engaged in investor relations activities such as brokerage strategy meetings, online exchanges and results briefing sessions, which effectively strengthened communication with investors and laid a good foundation for the Company's sustainable development.

Performance Exchange Meeting

On August 20, 2024, Xingfa Group held an interim results exchange meeting, and explained the operating results and financial highlights of the first half of the year to investors. Through online platforms, the meeting enhanced interaction with investors, answered investor questions in detail, and strengthened investors' understanding and trust in the Company.

Key Performance

Investor On-Site Surveys Received: **18** Times; Participants in the Survey: **100** Person-times
 Brokerage Strategy Sessions and Conference Calls Attended: over **100** Sessions; Performance Briefings Held: **4** Sessions;
 Investor Questions Answered: **114** Pieces; Investor Calls Received: over **500** Times

Shareholder Return

Xingfa Group attaches great importance to shareholder returns. Under the guidance of the *Articles of Association*, the Company has built a fair and transparent profit distribution system, thereby implementing a reasonable profit distribution plan to respond to shareholders' trust and support with tangible actions, creating more stable and sustainable returns for shareholders.

Key Performance	2022	2023	2024*
Cash Dividend per Share (RMB)	1.00	0.60	1.00
Total Cash Dividend (Tax Inclusive) (in RMB 10,000)	111,167.07	66,195.26	110,325.51
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements (%)	19.00	48.01	68.89

*Note: This proposal has been reviewed and approved at the 7th Session of the 11th Board of Directors, and still requires approval from the General Meeting of Shareholders.

During the Reporting Period, the stock price of the Company increased by 22.45% in 2024, which is 24.57% and 9.78% higher than the Wind Chemical Index and the Shanghai Stock Exchange Index, respectively.

Business Ethics

Xingfa Group strictly adheres to regulations such as the *Company Law* and the *Anti-Monopoly Law of the People's Republic of China*, upholds business ethics, and follows the principle of fair competition. By establishing and improving internal management systems, strengthening employee legal education and professional ethics training, and promoting legal and compliant business activities, the Company takes practical actions to fulfill its corporate social responsibility, set an industry example, and contribute to building a healthy and orderly market environment.

Anti-Commercial Bribery and Anti-Corruption

The Company actively responds to the call for anti-commercial bribery and anti-corruption. In daily operations, it signs integrity agreements with business partners to clarify the integrity guidelines for both parties in business dealings, establishing a strong integrity defense through practical actions. In addition, the Company has set up multiple and accessible whistleblowing channels, ensuring smooth supervision and feedback paths, and vigorously promotes the construction of an integrity culture, allowing the awareness of integrity to permeate every corner of the Company. It strives to create a clean and positive business environment, ensuring the Company's steady progress.

Cultivation of Integrity Culture

To foster an atmosphere of integrity, the Company and its subsidiaries have placed numerous integrity slogans in locations such as office areas and factories, and established integrity reading corners. Regular training activities are held, using real case analysis and legal interpretations to help employees deeply understand the importance of integrity in their work. In addition, the Company regularly issues integrity reminders, using both images and text to convey integrity concepts to employees, strengthening integrity awareness through daily details, and deeply embedding these concepts into employees' hearts.

Key Performance

Signing Rate of Integrity Agreement: **100%**



Integrity Slogans



Integrity Book Bar



Integrity Reminders

Disciplinary Education

Case Study

On July 15, 2024, Xingfa Group organized the 2024 Cautionary Education Conference and Disciplinary Education Work Meeting. Through the analysis of typical cases, the Company reinforced all employees' awareness of discipline and rules, solidifying the ideological defense line against corruption and changes. The direction and key focus of disciplinary education were clarified to create a favorable atmosphere for the Company's healthy development.



Integrity Awareness Training for New Employees

Case Study

On July 10, 2024, Xingfa Group organized a collective discussion on integrity in professional conduct for newly hired university graduates. The aim was to guide the new employees to establish correct values and professional ethics, emphasize the importance of integrity in their work, and provide a detailed explanation of the Company's integrity systems and related regulations, laying a solid foundation for them to maintain good moral qualities throughout their career at the Company.



Whistleblowing Channels

The Company has set up multiple whistleblowing channels to allow employees and the public to easily report potential violations. It also takes a series of confidentiality and protection measures to ensure the safety and legal rights of whistleblowers.

Email: xftjjiwei@163.com

Tel.: 0717-2588616

Address: Room 812, No. 58 Gaoyang Avenue, Gufu Town, Xingshan County, Yichang City, Hubei Province, China



Anti-Monopoly and Fair Competition

In strict compliance with the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China* and other legal regulations, Xingfa Group is committed to maintaining a fair and just market competition environment. The Company resolutely opposes any form of monopoly behavior and ensures that there is no abuse of market dominance or actions that limit or exclude competition in our business activities. We actively advocate for fair competition, create more value for consumers and industry partners through ethical business practices and quality services, and jointly promote the prosperity and development of the market economy.

02

Circular Economy

Building a Shared Ecological Future

SDGs Responded in this Chapter



Material ESG Topics Covered in this Chapter

- Opportunities in Clean Technology
- Response to Climate Change
- Environmental Compliance Management
- Waste Disposal
- Water Resource Utilization
- Ecosystem and Biodiversity Protection
- Pollutant Emissions
- Energy Utilization
- Circular Economy

Key Achievements in 2024

Total Investment in Environmental Protection:
RMB **376** million
Total Energy Consumption:
2,036,400 tce

Total GHG Emissions:
6.432 million tCO₂e
Direct GHG Emissions (Scope 1):
3.8631 million tCO₂e

Indirect GHG Emissions (Scope 2):
2.5689 million tCO₂e



Opportunities in Clean Technology

Xingfa Group's opportunities in clean technology mainly come from three main directions: renewable energy materials, circular economy, and improvement of energy efficiency.

Renewable Energy Materials

Xingfa Group is actively involved in the renewable energy materials field. Its products have wide applications and cooperate with many industry giants, playing an important role in promoting the development of renewable energy.

Field	Field Introduction	Main Measures
Photovoltaic Materials	Xingfa Group's silicone products can be used as sealing materials and packaging processes for solar photovoltaic panels, improving the durability and efficiency of the components, directly supporting the development of renewable energy.	Xingfa Group cooperates with photovoltaic giants such as LONGi Green Energy Technology Co., Ltd. and Tongwei Co., Ltd. to provide silicone sealants for photovoltaic module packaging. The product (such as high-temperature vulcanized silicone rubber) can withstand extreme temperatures and ultraviolet rays, extending the component's lifespan to over 25 years and reducing the operation and maintenance costs of photovoltaic power plants.
Lithium Battery Materials	Expand the lithium iron phosphate (LFP) cathode material industry chain, utilizing phosphate chemical resources to serve the electric vehicle battery market, aligning with sustainable transportation demands.	In cooperation with Zhejiang Huayou Cobalt Co., Ltd. and others, the Company uses its own phosphate resources to produce lithium battery materials, with a planned capacity of 300,000 tons/year of iron phosphate (Phase 1: 100,000 tons/year to be put into production in 2024) and 300,000 tons/year of lithium iron phosphate (Phase 1: 80,000 tons/year already constructed). The products are gradually being introduced to leading domestic lithium battery companies.

Building a Circular Economy

Xingfa Group follows the concept of "there is no absolute waste, only resources placed in the wrong position," and according to the principles of "reduction, reuse, and resource utilization," supports technological innovation, with a focus on efficient resource recycling, energy conservation, and pollution reduction. This has formed a circular economy development model characterized by "innovation in the cycle, efficiency improvement in the cycle," covering the utilization of by-products and waste, wastewater, tail gases, and other fields.

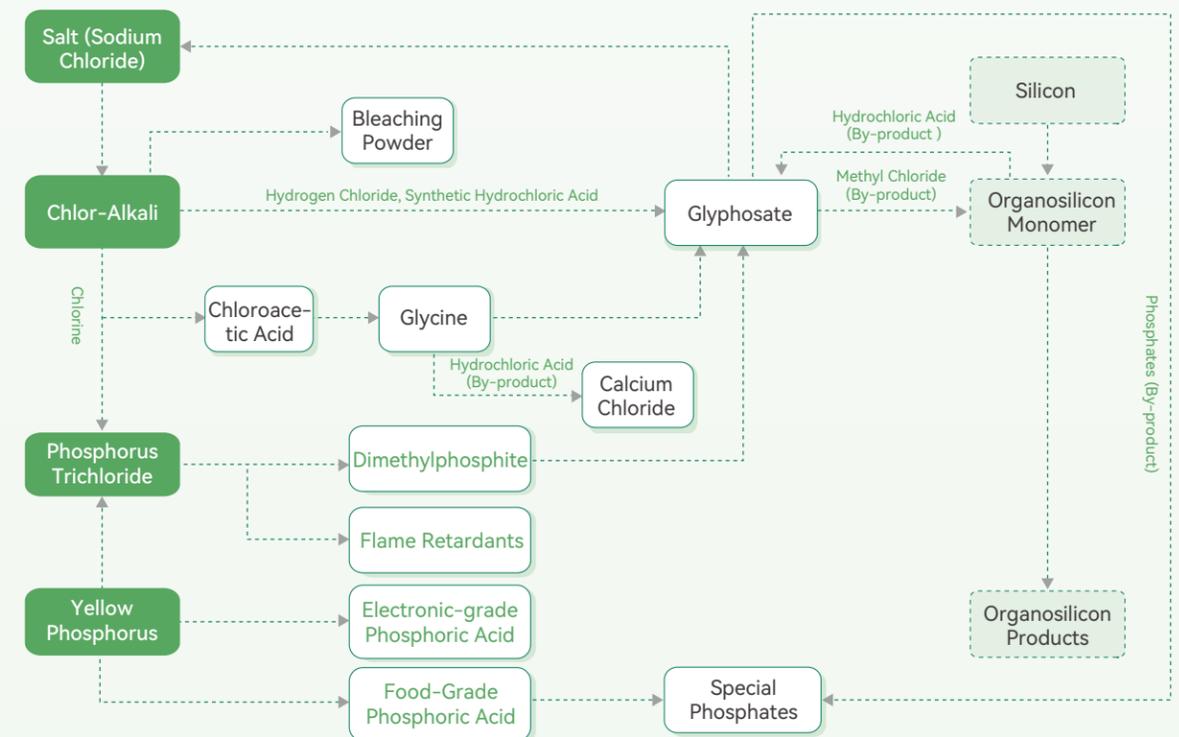
The Company has been recognized as a National Clean Production Demonstration Enterprise, a National Demonstration Base for Comprehensive Utilization of Low-Grade Phosphate Ore, a Core Enterprise of the National Circular Economy Pilot Park, and a National Demonstration Enterprise for Resource Conservation and Environmental Friendliness.

By-product and Waste Resource Utilization

Chemical enterprises produce large amounts of by-products and "waste water, tail gas and solid waste" which can either be used as valuable resources or discarded as waste. The park plans its industrial layout under the guidance of "circular development, circular utilization", leveraging the symbiotic coupling relationships between different products to build industrial chains and make full use of "waste".

In Xingfa Group's Yichang New Materials Industrial Park, glyphosate and organic silicon form the most representative circular economy chain. Glyphosate is a green ecological herbicide, and during its production, by-product methyl chloride is generated. This by-product is transported via pipelines and can be applied to the production of organic silicon. The hydrochloric acid produced as a by-product of organic silicon is all reused in the production of glyphosate. This cycle is also known as Xingfa's "virtuous cycles".

Diagram of Circular Industry Chain in Yichang New Materials Industrial Park



In addition, the Company has made a series of important breakthroughs in the comprehensive utilization of phosphogypsum, gradually overcoming industry challenges through technological innovation and industry-academia-research cooperation. In 2024, the Company continued to focus on the resource utilization of phosphogypsum, with a focus on advancing the development of waste sulfuric acid recovery process packages and the construction of related facilities to further improve resource utilization efficiency. In July 2024, the Company launched a pilot project for the preparation a pilot-scale test of high-purity gypsum, producing gypsum products with a purity of $\geq 99\%$ and whiteness of 85-90%, reaching industry-leading levels. In the future, the Company will continue to center on technological innovation, deepen industry-academia-research cooperation, and promote the industrialization of phosphogypsum comprehensive utilization technology, contributing to the green and sustainable development of the industry.

Wastewater Recycling and Utilization

By the end of the Reporting Period, Xingfa Group had renovated pipelines, built cooling towers, collected and treated phosphorus-containing surface water, and closed-loop recycled industrial wastewater in all of its plants, achieving near-complete industrial wastewater reuse and zero liquid discharge.

Tail Gas Reduction and Control Utilization

Xingfa Group is actively promoting the comprehensive utilization of tail gas, achieving efficient recovery of yellow phosphorus tail gas, which is used as a fuel for the production of products such as sodium tripolyphosphate and sodium hexametaphosphate, as well as for power generation. Additionally, the tail gas phosphine produced from sodium hypophosphite is converted into phosphoric acid for the production of flame retardants, greatly enhancing the resource utilization level of tail gas. The Company has been carrying out clean production technology renovations for yellow phosphorus at its Baisha River Chemical Plant, Longma Phosphorus Industry, Xiangyang Xingfa, and Baokang Chufeng Chemical Plant. This initiative successfully addressed the yellow phosphorus exhaust combustion issue in yellow phosphorus production enterprises, effectively improving the environmental protection level of production, setting a new benchmark for industry development, and leading the industry toward a green and clean direction.



Pursuit of Higher Energy Efficiency

The clean production process for yellow phosphorus has been recognized for 12 consecutive years as the national energy efficiency leader in key industries, with the Ministry of Industry and Information Technology promoting it as a typical experience throughout the industry.



Response to Climate Change

The chemical industry, as a key pillar of the national economy, has become a major area for GHG emissions due to its high energy consumption and high emissions during the process of economic development. As a member of the chemical industry, Xingfa Group is deeply aware of the significant responsibility it carries in terms of emission reduction. The Company actively responds to the national "carbon peaking and carbon neutrality" goals, continuously improving its climate change governance framework, and regards the "carbon peaking and carbon neutrality" goals as an important guide for corporate development. These goals are deeply integrated into the Company's long-term strategic planning, with the Company identifying and managing climate risks in accordance with its actual situation. Additionally, the Company, based on its operational conditions, has set emission reduction targets in line with the development trends of the chemical industry and is actively fulfilling its carbon reduction responsibilities, contributing to the achievement of carbon peak and carbon neutrality goals.

Governance

To further optimize carbon emission verification and compliance work, improve carbon emission management, and actively integrate into the national carbon emission trading market, Xingfa Group has established a Leading Group for carbon emission management. The Leading Group has an office responsible for the daily affairs of carbon emission trading. In addition, the Leading Group has set up four working groups: the Verification Group, the External Liaison Group, the Trading Group, and the Information Disclosure Group. Each group has clear responsibilities and works collaboratively, ensuring efficient and orderly execution of carbon emission trading-related tasks, including carbon emission verification, external communication, market trading operations, and information disclosure.

During the Reporting Period, to enhance employees' professional skills and capabilities in responding to climate change, the Company conducted training on carbon management, covering professional knowledge such as carbon policy interpretation and carbon emission calculations.



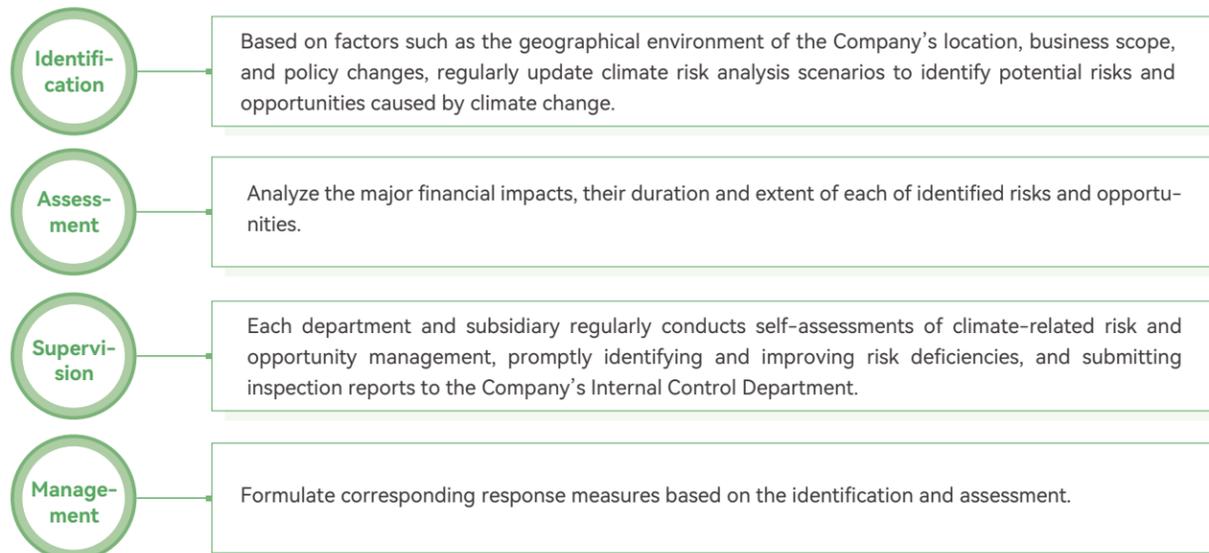
Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Physical Risk	Acute risks such as extreme weather conditions due to their geographical location, including heavy rainfall and snowstorms in regions like Hubei, typhoons in Jiangsu, and sandstorms in Xinjiang, which can damage facilities, disrupt transportation, and affect production and sales.	Short term	Upstream, operations, downstream	Increase in operating costs and decrease in operating revenue	Strengthen facility construction standards, improve disaster resistance, and formulate emergency response plans to ensure supply chain resilience.
	Chronic Risks Long-term temperature increases may affect crop growth, thereby impacting the stability of the supply of biomass raw materials required for chemical products.	Long term	Operations, downstream	Increase in operating costs	Further reduce comprehensive product costs
	Policies and Regulations As countries impose stricter carbon emission and environmental protection requirements, companies may face changes in policies such as carbon taxes and carbon emission quota restrictions. For instance, the chemical industry faces stringent environmental protection policies and carbon emission regulations.	Long term	Operations	Increase in operating costs	Actively monitor policies and regulations, formulate carbon reduction plans, optimizes production processes, and improve energy usage.
Transition Risks	Technological Transformation As the industry transitions to green and low-carbon technologies, if companies fail to keep up with the pace of technological development, such as falling behind in carbon capture, utilization, and storage (CCUS) technology, new catalyst technology, and green chemical processes, they may face the risk of obsolescence.	Medium term	Operations	Reduction in Operating Revenue:	Increase R&D investment, and collaborate with research institutions and other companies to develop green and low-carbon technologies.
	Changes in Market Demand As consumer demand for green and environmentally friendly products increases, if Xingfa Group does not adjust its product structure in time and produce more green products that meet market demand, it may lose market competitiveness.	Long term	Downstream	Reduction in Operating Revenue:	Strengthen market research, adjust product structure, and develop green and environmentally friendly products.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Policy Support	The government provides support policies for the green and low-carbon industry, such as subsidies and tax incentives for companies using renewable energy and green low-carbon technologies, which can help the development of enterprises.	Medium term	Operations	Reduction in operating costs	Actively apply for policy support and utilize policy benefits to promote enterprise development.
Growth in Market Demand	With the development of electric vehicles, energy storage, and other sectors, the demand for lithium iron phosphate and other phosphochemical products are growing rapidly, bringing market opportunities to Xingfa Group.	Medium term	Downstream	Increase in operating income	Expand the production capacity of related products and increase market share.
Technological innovation	In the process of green and low-carbon technological innovation, if it achieves technological breakthroughs, e.g., developing more efficient carbon reduction technologies or new green products, Xingfa Group can enhance its competitiveness and explore new markets.	Long term	Operations, downstream	Reduction in operating cost and increase in operating income	Establish R&D centers, attract talent, and encourage innovation.

Impact, Risk, and Opportunity Management

Xingfa Group has built a comprehensive process for risk identification, assessment, supervision, and management, and adjusts it based on changes in the external environment and company business planning, continuously optimizing risk response strategies to ensure that climate risk management aligns with the Company's overall strategy and provide strong support for achieving sustainable development goals.



Metrics and Targets

The Company has developed an energy-saving and carbon-reduction plan based on actual operations and long-term development plans. The plan clearly defines the main objectives, key tasks, implementation paths for energy-saving and carbon-reduction transformations, and supporting measures, actively promoting the establishment of the Company's carbon-neutral management system and implementing carbon reduction responsibility goals. During the Reporting Period, the Company and its subsidiaries carried out key green and low-carbon upgrade and transformation projects to achieve green and low-carbon transformation.

Project Name	Project Content	Construction Start Time	Project Benefit Analysis
Project for Upgrading and Transforming Permanent Magnet Motors	The project gradually upgrades and replaces the plant's reduction motors, using permanent magnet motors to replace gear reduction motors, with an expected replacement of over 30% within two years.	2024	After the project is completed, the annual power consumption is reduced by 540,000 kWh.
Comprehensive Utilization Project of Phosphine Tail Gas	The project uses sodium hypophosphite tail gas as raw material for production to expand downstream products of phosphines. The main construction includes: pretreatment process, cryogenic process, high-pressure synthesis process, distillation process, and supporting plants and tank areas.	2024	Project Benefits after Completion: The phosphine tail gas can be comprehensively utilized to produce high-value-added products.
Sodium Hypophosphite Continuous Process Reaction Technology Upgrade Project	The project has been transformed from the original 24 single reactors for raw material addition reactions to 2 sets of vertical circulating reaction towers to achieve continuous reactions within the towers. The main construction contents include 2 sets of continuous reaction towers, electrostatic demister, tail gas fan, etc.	2024	Project Benefits after Completion: The original 24 reaction kettles are transformed into 2 sets of continuous tower reducing equipment power consumption; the annual power consumption is reduced by 1.7388 million kWh; and the use of continuous reaction processes reduces raw material losses.
Yellow Phosphorus Optimized Low-Carbon Raw Material Process Upgrade	Optimize the yellow phosphorus production process by replacing coarse ore with concentrate, renovating the phosphate ore screening equipment, and adjusting process parameters for production. The use of concentrated ore increases to 100%.	2023	Project Benefits after Completion: the CO2 emissions is reduced by 8,368 tons/year.

The Company actively carries out product carbon footprint certification and compiles product lifecycle reports. Through these measures, the Company can not only comprehensively understand the environmental impact of products at different stages of their lifecycle but also identify key processes and potential optimization points, providing a basis for developing improvement measures. Some of the Company's products are expected to reach industry benchmark levels through technological improvements and the application of green and low-carbon technological innovations.

Indicator	Unit	2024
Direct GHG Emissions (Scope 1)	10,000 t CO ₂ e	386.31
Indirect GHG Emissions (Scope 2)	10,000 t CO ₂ e	256.89
Total GHG Emissions	10,000 t CO ₂ e	643.20
GHG Emission Intensity	t CO ₂ e/Ton of Product	0.339

Climate Action

In response to the national policy deployment regarding carbon peak and carbon neutrality goals, the Company actively adopts a series of measures. The Company conducts a detailed analysis of its "carbon peaking and carbon neutrality" situation every year and adjusts its strategic layout in a timely manner based on actual conditions, ensuring that the Company's "carbon peaking and carbon neutrality" goals align with the national "carbon peaking and carbon neutrality" goals. By formulating a clear "carbon peaking and carbon neutrality" strategic plan, the Company not only incorporates carbon reduction targets into its long-term development strategy but also ensures effective control of carbon emissions through regular evaluation and adjustment, while achieving economic benefits.

Carbon Market Trading

The Company responds to the national call for promoting the low-carbon transformation of enterprises, carries out carbon verification work, and actively participates in carbon market trading. Currently, the Company and its subsidiaries, including Hubei Xingrui, Trisun Chemical, and Xiangyang Xingfa, among 8 units, are included in the Hubei Provincial Carbon Market. Hubei Xingrui and Inner Mongolia Xingfa's thermal power plants are included in the national carbon market. In 2024, the total verified carbon emissions of the companies (or units) in the Xingfa Group that are included in the carbon market for the year 2023 amounted to 5.5904 million tons.

Carbon Standard System

The country advocates for chemical enterprises to actively participate in the formulation of domestic and international standards related to carbon peak and carbon neutrality, in order to improve the standard level in this field. The Company has participated in the development of national mandatory standards such as energy consumption limits for yellow phosphorus and organic silicon per unit product, as well as industry standards like the Green Engineering Evaluation for the yellow phosphorus industry. Additionally, in 2024, the Company also participated in the formulation of the national standard titled the *Requirements of the Greenhouse Gas Emissions Accounting and Reporting - Part 45: Phosphoric Acid and Phosphate Enterprise*, which has now been published. Moreover, Trisun Chemical, a subsidiary of the Company, is currently in the consultation phase for the group standard titled *Specification for Carbon Footprint Accounting of Pesticide Products - Glyphosate*.

Environmental Management

The main categories of pollutant emissions and waste generation of the Company include industrial wastewater, domestic sewage, industrial tail gas and industrial solid waste generated in the production and office processes. In terms of environmental management, the Company adheres to the policy of "clean production, circular development, green transformation, and setting industry benchmarks," committed to continuously carrying out clean production, building a circular economy industrial chain, and vigorously promoting transformation and upgrading, as well as green manufacturing, in order to set an environmental benchmark for the chemical industry. In the process of promoting environmental compliance work, the Company strictly follows the applicable laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Yangtze River Protection Law of the People's Republic of China*, systematically manages pollution sources within the plant, establishes a strict environmental protection system, and ensures the health of employees and environmental safety. During the Reporting Period, the Company did not face any penalties from regulatory agencies due to violations of environmental management laws and regulations.

Governance

Xingfa Group continues to improve its environmental management system, has formulated and implemented the *Environmental Protection Management System*, and established an environmental protection management department consisting of the Safety and Environmental Protection Department, the Safety Production Committee (Park, Segment), and the Safety and Environmental Protection Departments of various production units. This department is responsible for the Company's environmental protection management, supervising, inspecting, and evaluating the on-site environmental protection management of each unit. The environmental management department has an environmental monitoring station responsible for the Company's environmental monitoring work, supervising, inspecting, and evaluating the discharge of wastewater, tail gas, and noise by each unit according to national standards. The Company has formulated the *Management Measures for Reward and Punishment Related to Safety and Environmental Protection*, incorporating environmental protection management and other indicators into the performance assessment system for management personnel of relevant departments. The Company conducts comprehensive environmental protection capability training and awareness-raising activities, including: environmental protection facility management, EHS awareness and management capability enhancement, standardized management of environmental protection sites, hazardous waste site management, and special training on the management system requirements for "waste water, tail gas and solid waste" and hazardous waste, ensuring that employees acquire the necessary environmental protection knowledge and skills.

The Company and its subsidiaries actively promote environmental management system certification and review work. Xingfa Group and its subsidiaries, such as Yidu Xingfa, Inner Mongolia Xingfa, and Hubei Xingrui, have obtained Environmental Management System (ISO 14001) certification. Subsidiaries such as Hubei Xingrui, Sinophorus Electronic, Xinjiang Xingfa, and Longma Phosphorus Industry have obtained national-level green factory certification.



Honors and Certifications Related to Environmental Protection (Partial)

Company Name	Certification Name	Certification Level
Hubei Sinophorus Electronic Materials Co., Ltd.	 Green Factory	National Level
Weng'an Longma Phosphorus Industry Co., Ltd.	 Green Factory	National Level
Xinjiang Xingfa Chemical Co., Ltd.	 Green Factory	National Level
Hubei Xingrui Silicon Materials Co., Ltd.	 Green Factory	National Level
Hubei Trisun Chemical Co., Ltd.	 Green Factory	National Level
Chongqing Xingfa Jinguan Chemical Co., Ltd.	 Green Factory	National Level
Hubei Jixing Chemical Group Co., Ltd.	 Green Factory	Provincial Level
Baokang Chufeng Chemical Co., Ltd.	 Green Factory	Provincial Level
Inner Mongolia Xingfa Technology Co., Ltd.	 Green Factory	Provincial Level
Hubei Xingrui Silicon Materials Co., Ltd.	 Green Supply Chain Enterprises	Provincial Level
Weng'an Longma Phosphorus Industry Co., Ltd.	 Water-Saving Unit in Guizhou Province	Provincial Level

In the performance rating work of key industry enterprises during heavy pollution weather organized by the local government's environmental protection administrative department, Xingfa Group and its subsidiaries completed the relevant ratings. Among them, Hubei Xingfa Phosphorus Chemical Research Institute Co., Ltd. obtained an **"A" rating in environmental performance**, and Xingfa Jingguan obtained a **"B" rating in environmental performance**.

Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Physical Risk	Pollutant Emissions and Leakage	Short term	Operations	Increase in operating costs	Strengthen equipment inspections and maintenance, regularly monitor tail gas and wastewater emissions; improve emergency plans to ensure timely handling in case of abnormalities, reducing emissions; provide environmental protection operation training for employees to standardize operational procedures.
	Improper Waste Disposal	Short term	Operations	Increase in operating costs	Establish a strict waste classification, collection, and disposal system to ensure that hazardous waste is handled by qualified units, with proper records kept; promptly clean and transport general waste, and strengthen management of waste storage areas.
Transition Risks	Regulatory Risks	Short term	Operations	Increase in operating costs	Timely collect and interpret environmental protection laws and policies; regularly assess the Company's environmental management measures and their compliance with regulations, take actions to plan and implement improvements in advance.
	Technology Upgrade Failure	Long term	Operations, downstream	Reduction in Operating Revenue:	Strengthen cooperation with research institutions and environmental protection companies, actively explore new environmental protection technologies suitable for the Company; develop a long-term plan for environmental technology upgrades and management system optimization, implementing it in phases to ensure smooth transformation.

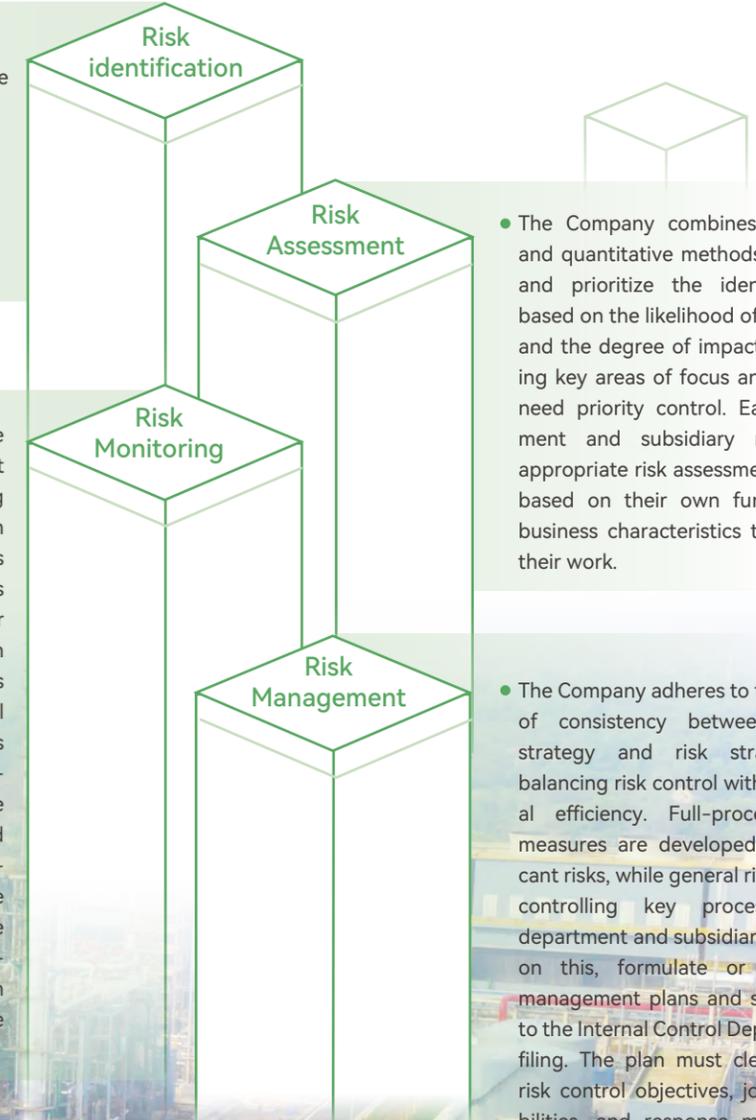
Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Advantages from Environmental Protection Improvements	By effectively controlling pollutant emissions and properly handling waste, companies can enhance their environmental protection image, meet customers' demands for eco-friendly products and corporate social responsibility, increase market competitiveness, and attract more customers and partners, such as obtaining environmental certifications or participating in green supply chain projects, thereby increasing business revenue.	Long term	Downstream	Increase in operating income	Continuously improve environmental management work, actively participate in the formulation of environmental protection standards and industry environmental activities, promote the Company's environmental achievements, and enhance brand image; explore R&D and production of green products, further tapping into the economic benefits brought by environmental protection.

Impact, Risk, and Opportunity Management

To strengthen environmental risk management, the Company has formulated the *Risk Management System*, and in accordance with the ISO 14001 Environmental Management System, the Company regularly identifies and reviews environmental risk factors, continuously improving risk control measures. By standardizing daily environmental management, continuously upgrading environmental protection facilities and equipment, and enhancing emergency response capabilities for environmental incidents, the Company constantly improves risk prevention levels and strengthens environmental risk management.

- Risks are identified based on the scope of the Company's business.

- The Company uses an online monitoring system to conduct real-time monitoring of cooling water for equipment and the main exhaust outlets to ensure emissions meet standards. Exhaust gases from other production units, after treatment, can also meet emission standards. Departments at all levels regularly conduct environmental inspections, and production units also carry out regular self-inspections. If environmental hazards are identified during monitoring and inspections, the relevant departments will formulate corrective action plans, specify responsible persons and deadlines for correction, and complete the rectification and conduct acceptance within the specified time.



- The Company combines qualitative and quantitative methods to analyze and prioritize the identified risks based on the likelihood of occurrence and the degree of impact, determining key areas of focus and risks that need priority control. Each department and subsidiary may select appropriate risk assessment methods based on their own functions and business characteristics to carry out their work.

- The Company adheres to the principle of consistency between business strategy and risk strategy, and balancing risk control with operational efficiency. Full-process control measures are developed for significant risks, while general risks focus on controlling key processes. Each department and subsidiary will, based on this, formulate or revise risk management plans and submit them to the Internal Control Department for filing. The plan must clearly specify risk control objectives, job responsibilities, and response measures for each stage.

Contingency plan and drills

To strengthen the monitoring and prevention of environmental risk sources, effectively reduce the likelihood of sudden environmental incidents, and ensure that effective measures can be taken quickly in the event of an emergency, minimizing environmental pollution, the Company has formulated the *Emergency Response Plan for Sudden Environmental Incidents*. All plans have been filed with and approved by the relevant local authorities. In addition, the Company regularly conducts various emergency drills, including comprehensive emergency responses to sudden environmental incidents, emergency responses to hazardous chemical and waste leaks, and emergency responses to abnormal operation of environmental protection facilities. These activities aim to improve employees' ability to respond to emergencies, reduce risks and damage that may be caused by sudden environmental incidents, and ensure effective prevention and control of potential adverse environmental factors. Through these measures, the Company is committed to creating a safer and more environmentally friendly working environment.

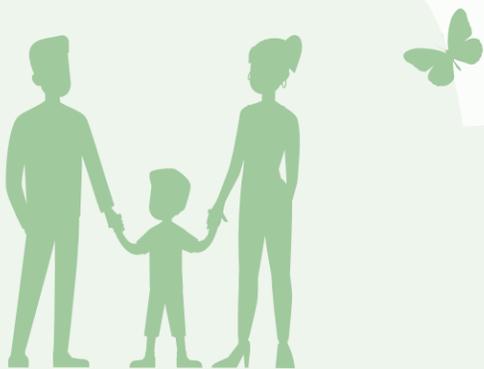
▶ Comprehensive Emergency Drill for Hazardous Chemical Accidents 📄 Case Study

On June 24, 2024, Sinophorus Electronic, a subsidiary of the Company, conducted a comprehensive emergency drill for a hazardous chemical hydrofluoric acid leak at the etching solution device tank area in Workshop 2. The drill simulated a leak at the CCB machine in the workshop, emergency response by the team and workshop, and the activation of the plan with coordinated rescue efforts by specialized teams, including medical assistance, evacuation, and environmental monitoring. The response procedures at all levels were correct, effectively improving emergency response capabilities.



Identification of hidden hazards

The Company has established a regular safety hazard inspection mechanism and organizes professional personnel to conduct comprehensive safety inspections. For safety hazards identified during the inspections, the Company stipulates that the responsible individuals must complete the corrective actions within the specified time.



Environmental Impact Assessment

Xingfa Group strictly complies with the *Law of People's Republic of China on Environmental Impact Appraisal* and other laws and regulations, and conscientiously implements the "Three Simultaneities" principle for projects, ensuring that environmental protection facilities are designed, constructed, and put into use simultaneously with the main project to reduce the potential environmental impact of production activities.

Management of Wastewater

The Company attaches great importance to the potential impact of wastewater discharge on the surrounding environment and continuously optimizes and upgrades wastewater treatment and management strategies. In accordance with the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the Company has established quantitative indicators and a system for wastewater management, specifically including the discharge of pollutants such as COD, ammonia nitrogen, total phosphorus, etc. The monitoring results are lower than the industry and regional standards such as the first-level standard of the *Integrated Wastewater Discharge Standard (GB8978-1996)* and the general water area protection standard of the *Integrated Wastewater Discharge Standard for the Middle and Lower Reaches of the Han River in Hubei Province (DB42/1318-2017)*.

Indicator	Unit	Total Discharge in 2024
Wastewater Discharges	Ton	1,042.25
Wastewater Discharge Intensity	t/10 ⁴ CNY revenue	3.67

The Company adheres to strict wastewater management policies, fully implements the requirements for the separation of clean and polluted water and the closed-loop recycling of wastewater, and systematically treats wastewater through physical, chemical, and biological combined treatment technologies. The wastewater from each yellow phosphorus production unit is treated and fully recycled in a closed-loop system. Wastewater from other chemical production units is treated through a specialized treatment process, meets the standards, and then connects to the park's sewage treatment system, ensuring zero discharge of production wastewater. The treatment of equipment cooling water uses an online monitoring system for 24-hour real-time monitoring. Through the prevention and treatment of environmental protection facilities such as sewage treatment stations, the Company and its subsidiaries' wastewater treatment facilities have been continuously and stably operating during the Reporting Period, with no instances of exceeding discharge standards.



Types of Pollutant	Unit	Total Discharge in 2024	Approved Total Discharge
Chemical Oxygen Demand (COD)	Ton	433.79	1,719.79
Ammonia nitrogen (NH ₃ -N)	Ton	24.72	158.09

The Company has set goals for compliant industrial wastewater discharge, and the targets have been met during the Reporting Period.

Objective

Compliance with Industrial Wastewater Main Pollutant Discharge Standards

Achievements in 2024

Achieved

Management of Tail Gases

To reduce the adverse impact of production exhaust on the surrounding environment, the Company actively conducts exhaust emission management and control work. In accordance with the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the Company has developed a quantitative indicator system for tail gas management and implemented monitoring, including the discharge of pollutants such as sulfur dioxide, particulate matter, and nitrogen oxides. During the Reporting Period, the Company's tail gas emissions were monitored according to the Grade II emission standard as stated in the *Integrated Emission Standard of Air Pollutants* (GB16297-1996), the special emission limits of the *Emission Standard of Pollutants for Sulfuric Acid Industry* (GB 26132-2010), and the special emission limits of the *Emission Standard of Air Pollutants for Boilers* (GB 13271-2014).

The Company has established a comprehensive tail gas treatment system to conduct thorough and deep treatment of various tail gases generated during the production process. By installing an online monitoring system at the main emission outlets, 24-hour continuous real-time data tracking is achieved, ensuring strict compliance with emission standards for tail gas discharge. Exhaust gases from other production units are treated through a combination of purification technologies such as in-furnace desulfurization and denitrification combined with ultra-low emission technology, bag dust removal, alkaline-washing neutralization, activated carbon adsorption, and RTO high-temperature combustion before being discharged. During the Reporting Period, the Company and its subsidiaries' tail gas treatment facilities operated continuously and stably, with no instances of exceeding discharge standards.

Types of Pollutant	Unit	Total Discharge in 2024	Approved Total Discharge
Sulfur Dioxide (SO ₂)	Ton	1,271.13	3,529.14
Nitrogen oxide (NOx)	Ton	1,019.32	3,046.46

The Company has set goals for compliant industrial tail gas emissions, and the targets were achieved during the Reporting Period.

Objective

Compliance with Industrial Tail Gas Main Pollutant Discharge Standards

Achievements in 2024

Achieved

Solid Waste Treatment

Xingfa Group follows national laws and regulations, continuously improving its waste management system to ensure that the treatment process is environmentally safe, reduces environmental and health risks, and classifies waste into non-hazardous and hazardous waste based on its characteristics. Non-hazardous waste mainly comes from general industrial solid waste, such as phosphorus slag, desulfurized Gypsum, and domestic waste, while hazardous waste mainly includes waste filter membranes, waste oil, waste paint buckets, and phosphorus mud. The Company has established a dedicated management system focused on improving material utilization efficiency, reducing waste generation at the source, and promoting resource utilization. The Company strives to minimize solid waste generation, fully utilize resources, and ensure safe disposal of solid waste.

Types of Pollutant	Unit	2024
Volume of Non-Hazardous Waste Generated	10,000 tons	534.88
Disposal Volume of Non-Hazardous Waste	10,000 tons	534.88
Generation Intensity of Non-Hazardous Waste	Tons / 10,000 yuan of revenue	1.88
Volume of Hazardous Waste Generated	10,000 tons	5.15
Disposal Volume of Hazardous Waste	10,000 tons	5.15
Generation Intensity of Hazardous Waste	Tons / 10,000 yuan of revenue	0.02

General Solid Waste Treatment and Disposal

Treatment Method:

Units that generate general solid waste and delegate the transportation, utilization, and disposal of industrial solid waste to others must verify the qualifications and technical capabilities of the entrusted party, and sign a written contract in accordance with applicable laws and regulations, specifying pollution prevention requirements in the contract. The sale of by-products must also comply with relevant national, industry, or enterprise standards.

When general solid waste enters and exits the plant area, the environmental protection management department of each unit is responsible for supervising the plant gatekeepers to conduct strict registration and ensure that no solid waste spillage or leakage occurs after the vehicle leaves the plant area.

Treatment Method:

Hazardous waste transportation between production units must be approved by the environmental protection management department, with entry and exit of the plant area based on the *Hazardous Waste Inbound and Outbound Form*. Departments generating hazardous waste should report the management plan and relevant information on the hazardous waste management platform. When disposal is needed, they should contact a qualified disposal unit and handle the electronic joint form as required, entrusting a hazardous waste transportation unit with the transportation.

The storage principle for hazardous waste should not exceed one year. If storage exceeds this period, approval from the local ecological and environmental department is required, and relevant information should be submitted to the environmental management department for record. The environmental management department should strengthen supervision over hazardous waste stored beyond the approved period.

Hazardous Waste Treatment and Disposal

Measures for Recycling and Utilization of Waste

Treatment Method:

Non-hazardous waste should be classified for collection, storage, transportation, utilization, and disposal identification, with recyclable parts being collected for recycling.

Green Life

Xingfa Group actively advocates and fully promotes the concept of green office practices. The Company encourages all employees to start from the small things in daily life, saving every sheet of paper, every drop of water, and every kilowatt of power, promoting the use of electronic documents and online collaboration tools to reduce paper consumption and carbon emissions. We also encourage employees to use video conferencing software for remote communication, reducing unnecessary business trips, thus lowering energy consumption and transportation-related carbon emissions. The Company has set up clear waste sorting guidelines, equipped with sorting trash bins, and regularly organizes training to enhance employees' environmental awareness and participation.

The Company strongly advocates the concept of "advocating thrift, opposing waste." The Company issued the *Notice on Carrying out Special Actions to Combat Food Waste*, launching a special campaign against food waste throughout the Company, responding to the national call, and establishing the value concept of "waste is shameful, saving is glorious" making the "Clean Plate Campaign" a shared behavioral consensus among employees.



"Grain" Action for Saving and Eliminating Waste - Trisun Chemical in Action

Case Study

Subsidiary Trisun Chemical actively responded to the call of Xingfa Group, seriously implemented the requirements of the *Notice on Carrying out Special Actions Against Food Waste*, and issued the *Proposal on Strictly Practicing Thrift and Eliminating Waste*. Trisun Chemical actively created a good atmosphere for the "Grain" Action for saving by posting proposals in various areas of the cafeteria, hanging promotional slogans, setting up promotional boards, and other methods. In addition, the Company organized a working group to strengthen the supervision of cafeteria waste behaviors through on-site supervision and video monitoring to track and review actions. For personnel violating the management measures, the Company takes early-stage persuasion and gradually implements public notices and assessments, guiding employees to develop good habits of civilized dining and resource conservation. Through continuous efforts, the Company strives to make every employee a practitioner and disseminator of resource saving.



Resource Utilization

Xingfa Group actively responds to the national energy-saving and emission-reduction call, follows the *Energy Conservation Law of the People's Republic of China*, the *Water Law of the People's Republic of China*, and other relevant resource management laws and regulations. Through technological innovation and management optimization, the group explores more efficient resource utilization models and is committed to building a resource-saving and environmentally friendly enterprise.

The Company continuously optimizes its energy structure and actively uses renewable energy in its production and operational activities. The energy structure includes coal, diesel, gasoline, natural gas, power (including photovoltaic power generation and hydroelectric power), and thermal energy. Regarding water resource utilization, the Company mainly uses municipal water, surface water, and groundwater, ensuring a stable water supply while implementing various water-saving measures to promote rational water use.



Green Electricity Certificate Transaction Vouchers

Governance

The Company adheres to the resource management philosophy of "legal compliance, clean production, energy conservation and efficiency improvement, and sustainable low-carbon development" and has developed a series of management measures, such as the *Energy Management Handbook*, the *Energy Management Operational Control Procedure*, the *Energy Design Control Procedure*, and the *Energy Conservation Management System*, covering all business aspects including energy procurement, energy management, facility maintenance, energy usage monitoring, and energy use assessments. The Company has built a complete energy management system and appointed a management representative to work with departments to ensure effective energy management.

In addition, the *Control Procedure for Energy Management Operation* clearly requires water resource use, and each unit should ensure the recycling and staged utilization of industrial water, which is actively implemented at each plant. For example, Liu Caopo Chemical Plant established a Water Conservation Management Office, and its industrial circulating water renovation project was selected as a provincial-level water-saving demonstration project in 2022.

As of the end of the Reporting Period, several subsidiaries have passed the energy management system certification. During the Reporting Period, the Company was included in the list of "Energy Efficiency Leaders" in key industries by the Ministry of Industry and Information Technology of China.

To improve energy management efficiency and ensure energy-saving and emission-reduction results, the Company signs the *Energy Management Target Accountability Statement* with each production unit at the beginning of every year, implementing the responsibility system at all levels. The Energy-saving Office conducts energy-saving and emission reduction assessments, which include evaluating the completion of the "dual control" targets for total energy consumption and intensity, energy-saving inspections, project energy-saving reviews, coal consumption reduction targets, and more. Advanced units and individuals in energy-saving management are rewarded.

Energy-saving Management Organization and Responsibilities

Investment and Development Department

Undertake energy-saving management, improve energy-saving management systems and related technical standards, supervise and inspect the implementation of energy-saving work, conduct energy-saving target assessments, and coordinate energy-saving management across departments.

Phosphorus and Sulfur Division, Mining System Chief Engineer's Office, Yichang Park Dispatch Center, and Yidu Park Dispatch Center

Supervise energy-saving management in all segments, and provide the business guidance, supervision, and evaluation for the energy-saving management in their respective units.

Functional Departments

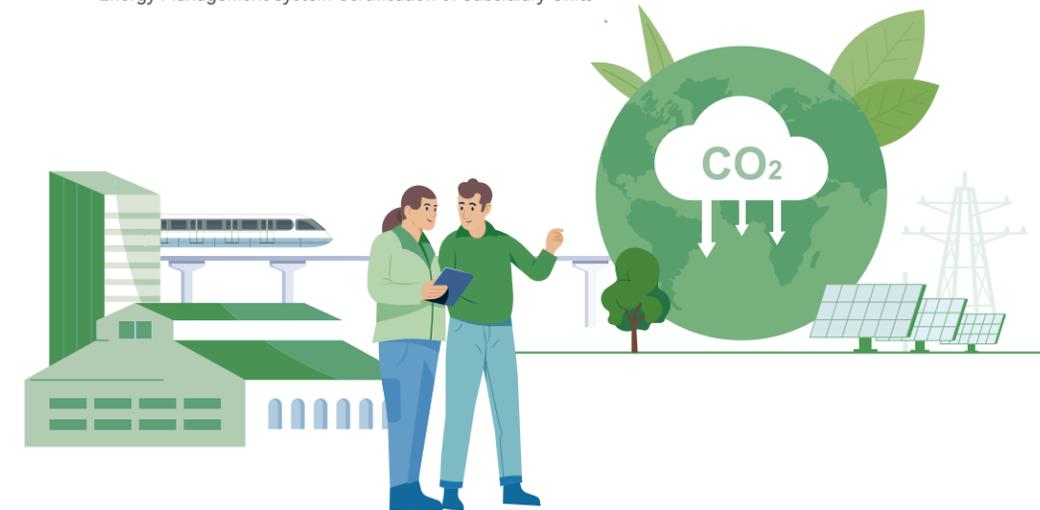
Establish energy-saving management responsibility lists for departments, and clarify energy-saving management responsibilities.

Production Units

Formulate and implement energy-saving plans and measures, and conduct internal energy audits and other measures, to ensure that energy-saving targets are achieved in their units.



Energy Management System Certification of Subsidiary Units



Training on Professional Capability

The Company focuses on the professional development of its staff, requiring personnel in relevant positions to have certain practical experience in energy management. The Company provides training on energy measurement, statistical management, and equipment operation for on-the-job employees, and conducts pre-job training for energy equipment operators. Additionally, the Company organizes internal auditor training for employees on the energy management system. As of the end of the Reporting Period, a total of 10 employees have obtained internal auditor qualifications.

▶ Training on Energy Management System Documentation and Internal Audit Knowledge Case Study

In 2024, the Company's key energy-consuming units organized energy management personnel to participate in energy management system documentation and internal audit knowledge training. The training covered various aspects such as the basic concepts of energy management systems, standard requirements, internal audit procedures, and techniques, etc. It emphasized the crucial role of energy management in the sustainable development of enterprises, enhanced the professional capabilities and management levels of the trainees, and injected new vitality into the Company's energy management efforts.



Strategy

Energy Utilization Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Policy Risk	Changes in energy-related policies, such as the <i>Measures of Hubei Province for Implementing the Energy Conservation Law of the People's Republic of China and the Catalog for Eliminating Outdated Production Capacity, Processes, and Products</i> (First, Second, Third, and Fourth Editions), indicate stricter energy conservation and emission reduction policies, raising energy consumption standards for the chemical industry and restricting production in high-energy-consuming enterprises.	Medium term	Operations	Increase in operating costs	<ul style="list-style-type: none"> Timely collect and understand national industry standards and legal requirements related to energy. Negotiate solutions with legal advisors to handle emergencies and regularly conduct compliance evaluations for compliant operations.
Technology Risks	The rapid updating of new energy utilization technologies may cause the Company's existing energy utilization technology to become outdated, leading to rising energy costs.	Long term	Operations	Increase in operating costs	Increase R&D investment, actively introduce and develop advanced energy utilization technologies, and collaborate with research institutions to maintain technological advancement.

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Financial Impact	Countermeasures
Market Risk	Energy price fluctuations, such as the rise in coal, natural gas, and other prices, increase the Company's energy procurement costs.	Short term	Upstream	Increase in operating costs	Establish an energy procurement risk management system to stabilize energy procurement prices through long-term contracts and other methods.
Management Risks	Energy raw materials that do not meet requirements can result in unstable product quality, or even defects; unreasonable production organization can cause energy waste and low production efficiency; insufficient capability of new employees or transferred personnel can lead to improper operations, causing equipment failures or safety accidents, thus affecting production progress.	Short term	Operations	Reduction in Operating Revenue	<ul style="list-style-type: none"> Strengthen inspection and testing, and strictly prohibit the acceptance of non-compliant energy raw materials. Organize production reasonably and make good use of the tiered power pricing policy. Strengthen training on the energy knowledge and operation of energy-using equipment, and only allow employees to work after passing exams.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Improvement of Management Efficiency	The digital energy management system (EMS) achieves real-time optimization and reduces overall energy consumption.	Long term	Operations	Decrease in operating costs	The Company has taken the lead in the industry by establishing an energy management center platform. The construction of this platform has realized unified scheduling of chemical and hydropower production, energy conservation, emission reduction, and workforce efficiency improvements, which can reduce sulfur dioxide, carbon dioxide, and dust emissions to some extent. After the project was implemented, it achieved good economic, environmental, and social benefits. The Company has become a benchmark enterprise for energy conservation, emission reduction, and the integration of information technology and industrialization (two-in-one), with its exemplary experience receiving high praise from the Ministry of Industry and Information Technology of China and being promoted nationwide.
Hydropower Business Opportunities	With the country's increasing focus on and support for clean energy, hydropower, as a renewable and non-polluting energy source, has broad development prospects. The Company can utilize local water resources for hydropower generation, increase investment in the hydropower business, and drive technological innovation to improve generation efficiency and stability, bringing stable energy revenue and a positive social image to the enterprise.	Long term	Operations	Reduction in operating costs	By 2024, Xingfa Group had owned 32 hydropower stations with a total installed capacity of 180,300 kW and an annual power generation of approximately 500 million kWh.

Water Resource Utilization Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Natural Disaster Risks	The areas where hydropower stations are located may face natural disasters such as floods and mudslides, which can damage the hydropower station facilities, affect power generation efficiency, and even lead to power outages, resulting in economic losses for the Company.	Short term	Operations	Increase in operating costs	Strengthen and protect hydropower station facilities to improve their disaster resistance; develop emergency response plans to quickly respond in case of disasters, reducing downtime; purchase relevant insurance to transfer part of the economic loss risk caused by natural disasters.
Water Price Fluctuation Risks	Water prices are affected by market supply and demand, policy adjustments, and other factors. If water prices rise, it will increase Xingfa Group's production costs, especially for chemical production processes that consume a lot of water, which may compress profit margins.	Long term	Operations	Increase in operating costs	Sign long-term stable water supply contracts with suppliers and agree on a reasonable price adjustment mechanism; implement water-saving projects to reduce water usage and minimize the cost increases caused by rising water prices; stay informed about policy developments and actively participate in relevant hearings on water price adjustments to express the Company's reasonable demands.
Water Quality Risks	The production of wet-process phosphoric acid purification and electronic chemicals requires a large amount of high-purity water, and wastewater contains pollutants such as phosphorus and fluorine. If purification processes fluctuate or wastewater treatment fails to meet standards, it may lead to environmental penalties or customer quality claims.	Medium term	Operations, downstream	Increase in operating costs and decrease in operating revenue.	Strengthen online water quality monitoring systems.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Innovation and Cooperation Opportunities	Through technological innovation and equipment upgrades, strengthen cooperation with universities and research institutions to carry out technological innovation and R&D work, improve the recycling rate of water resources, reduce the pollution risks to water resources, decrease dependence on fresh water, reduce production costs, and achieve sustainable development.	Long term	Operations	Reduction in Operating Costs	Actively promote the experience of efficient water recycling plants across the Company, accelerate the promotion of intelligent and digital construction for wastewater treatment, and comprehensively strengthen data governance for water resource utilization.

Energy Utilization

Impact, Risk, and Opportunity Management

To effectively identify energy utilization risks and opportunities in production and service processes, the Company enhances its risk resilience through strategies such as risk avoidance, risk acceptance, risk reduction, and risk sharing. The Company has formulated the *Risk and Opportunity Response Control Procedure*. The Phosphorus and Sulfur Division organizes departments (units) annually to identify, review, improve, and update the opportunities and risks in the energy management system, as well as prepare the *Risk and Opportunity Assessment Form*.



Each department (unit) should fully identify the risks and opportunities in the management activities within its jurisdiction and assess the identified risks.

The severity and frequency of the identified risks should be evaluated according to the risk severity evaluation criteria. The confirmation of the risk's severity and frequency is used to determine the risk coefficient, based on which appropriate measures are taken to address the risk.

At least one risk and opportunity review should be conducted annually to verify their effectiveness and prevent and reduce adverse impacts.

Each implementing department should assess the identified risks and take actions based on the evaluation results to reduce or eliminate risks. The methods of risk response include: risk acceptance, risk reduction, risk avoidance, and risk transfer.

Energy-saving Measures

The Company focuses on strengthening energy management, reducing consumption, minimizing losses and pollutant emissions, preventing waste, and effectively and reasonably utilizing energy, from energy production to consumption at every stage. The Company has established an energy-saving leading group, conducts energy audits according to relevant national energy-saving standards and specifications, and improves energy efficiency through energy-saving technological transformations, production process optimizations, energy-saving equipment replacements, and the use of renewable energy.

During the Reporting Period, the Hubei Energy Conservation and Carbon Reduction Center conducted a “look-back” special on-site inspection of the Company’s energy conservation. The Baishahe Chemical Plant eliminated 490 outdated motors, deactivated 3 motors, and replaced 2 with variable frequency motors. The Liucaopo Chemical Plant eliminated 288 outdated motors, deactivated and dismantled 3 motors, and replaced 1 with a 30kVA transformer. All rectifications were completed in accordance with energy conservation and carbon reduction requirements.

▶ Distributed Photovoltaic Power Station in the Wanli Chemical Park
📄 Case Study

In September 2024, the Company began the construction of the distributed photovoltaic power station project at the Yuan’an Wanli Chemical Park. By December, the full capacity grid-connected power generation was completed, with a cumulative installed capacity of 14.2 MW (8.2 MW connected to the grid).



▶ Replacement of Gas Waste Heat Evaporator at Liucaopo Chemical Plant
📄 Case Study

In January 2024, the Liucaopo Chemical Plant replaced severely aging gas waste heat evaporators and added steam-water separators to improve steam generation efficiency and reduce gas consumption. After the modification, overall sealing and heat exchange efficiency were enhanced, reducing gas consumption by 10%, saving approximately 485.76 tons of standard coal for the entire year.

Digital Energy-Carbon Control

To achieve refined energy management, the Company applies technologies such as the Internet of Things, big data, cloud computing, edge computing, and intelligent gateways. It continues to develop digital systems that can visualize energy consumption and carbon emissions, provide multi-dimensional and multi-scale dynamic energy efficiency evaluations, and track and quantify carbon emissions. The system is currently in the trial operation phase.



Digital System

Metrics and Targets

The Company adheres to goal orientation, sets energy-saving and emission-reduction targets at the beginning of each year, assigns responsibilities to each production unit, and conducts daily supervision to promote target achievement.

Energy-Saving Management Goals for 2020-2025

Energy Consumption "Dual Control" Target: The energy consumption per ten thousand yuan of output value will decrease by more than 13.5% compared to 2020, and the annual targets set by all levels of government will be completed.

Product Energy Efficiency Target: Achieving energy efficiency benchmark levels, industry-advanced values, and budget control targets according to different industries.

Carbon Emissions Management Target: Achieving carbon emission intensity control targets set by national and provincial/city governments.

Energy Management System Operational Target: The energy management system of key energy-consuming units will operate effectively and pass certification audits.



Type	Unit	Actual Energy Consumption in 2024
Total Direct Energy Consumption	10,000 tce	129.93
Coal	10,000 tce	123.24
Diesel	10,000 tce	0.33
Natural gas	10,000 m³	4,256.89
Electrode	10,000 tce	0.70
Total Indirect Energy Consumption	10,000 tce	73.71
Green Electricity Consumption	100 million kWh	10.02
Total Energy Consumption	10,000 tce	203.64
Energy Consumption Intensity	tce/10,000 yuan of revenue	0.72

Water Resource Utilization

Impact, Risk, and Opportunity Management

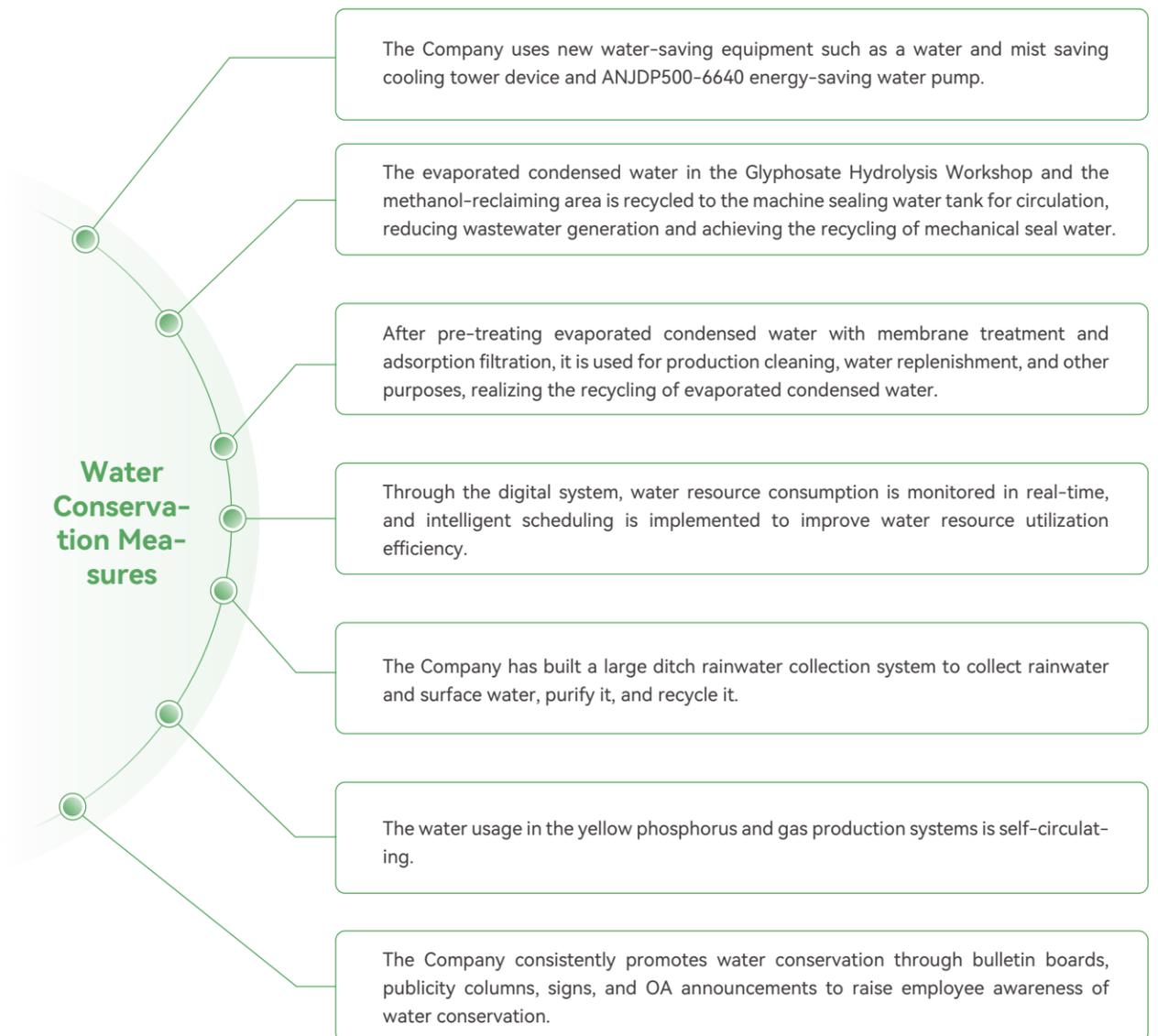
To strengthen its ability to respond to water resource risks, the Company continuously improves its water resource risk and opportunity management processes, comprehensively identifying the risks and opportunities faced in production and operation activities, implementing risk prevention and control measures, and adopting diversified response strategies to ensure the stability and sustainability of water resource management.

Risk and Opportunity Management Process



Water Conservation Measures

In accordance with the spirit of the Ministry of Industry and Information Technology and the National Water Conservation Office's *Notice on Deepening the Construction of Water-Saving Enterprises*, the Company implements relevant regulations such as the *Regulations on Water Conservation of Hubei Province* and the *Implementation Plan of Water Conservation Action in Hubei Province* and is committed to building water-saving enterprises.



Metrics and Targets

The Company continuously improves its water resource management indicators and, through various water-saving measures, efficiently utilizes every drop of water to achieve water resource recycling and minimize losses.

▶ Water Conservation Renovation Project of Inner Mongolia Xingfa

Case Study

In 2022, Inner Mongolia Xingfa, a subsidiary of the Company, invested RMB 55 million to complete the water-saving renovation project at its industrial park. After purification through a reclaimed water reuse system, the water is returned for use in the thermal power plant's water intake and circulating water replenishment, achieving zero liquid discharge and water conservation within the plant. Due to the successful implementation of its water-saving renovation project, Inner Mongolia Xingfa received a reward of RMB 5 million from the Department of Industry and Information Technology of the Inner Mongolia Autonomous Region.



Ecological Protection and Biodiversity

As one of the largest fine phosphorus chemical enterprises in China, Xingfa Group has consistently adhered to the concept of green development. It continues to leverage its resource advantages to foster and transform new green growth drivers, reducing its environmental impact while actively responding to national calls, fulfilling its commitment to ecological protection, and achieving a harmonious integration of ecological and economic benefits.

Setting an Industry Benchmark in the Yangtze River Protection Campaign

Xingfa Group always prioritizes ecological protection and fully promotes five major initiatives: shutdowns, transformation, relocation, pollution control, and restoration.

The Company was among the first chemical companies in the Yangtze River Economic Belt to implement facility relocations and shutdowns, dismantling a total of 32 riverfront units. All direct discharge outlets in the industrial park have been sealed, and sewage treatment facilities were upgraded to 1.5 times the actual demand. Through process improvements and enhanced environmental protection, the park has reduced emissions by 30%, cut annual water withdrawal by 50% on a comparable basis, and achieved a comprehensive utilization rate of over 95% for the “four wastes.” Discharged wastewater contains organophosphorus at levels below 0.2 mg/L, well below the national standard of 0.5 mg/L. Pollutant emissions have been reduced at the source, preventing the direct discharge of industrial wastewater and solid waste into the Yangtze River. An investment of RMB 112 million was made to restore and green 900 meters of vacated shoreline, constructing a high-standard riverside greenbelt and transforming industrial shorelines into ecological ones.

In addition, the Company actively participates in the development and activities of the Yangtze River Protection Education Base, helping raise public awareness and engagement in environmental protection.



Construction of Green Mines

With the support and guidance of the Ministry of Natural Resources and the Department of Natural Resources of Jiangsu Province, Xingfa Group earnestly implements General Secretary Xi Jinping's directive to "well-coordinated environmental protection instead of excessive development". The Company advances the philosophy of "ecological priority and green development," ensuring this concept takes root, blossoms, and bears fruit within the Company, and remains firmly committed to the path of ecological priority and green development.

The Company started the construction of green mines in 2012 and holds 6 phosphate mining rights (5 national-level green mines and 1 provincial-level green mine). It has established a garden-style green mining development demonstration area centered around the Shukongping mining area, characterized by green mountains, harmonious mining enterprises, resource conservation, and intelligent development. The Company has been recognized as a national demonstration base for the comprehensive utilization of low- and medium-grade phosphate mines.

The Company continuously increases its R&D investment, promoting technological breakthroughs, mechanization, digitalization, and intelligent transformation to achieve more scientific mining methods and more efficient resource utilization. This has led to the coordinated achievement of economic, ecological, and social benefits in resource development, forming a circular economic development model of "innovation in circulation, efficiency increase in circulation."

Xingfa Group has always adhered to the combination of mining operations with environmental governance, focusing on key and classified management. The Company actively explores new models for green mine construction and ecological restoration. With an investment of RMB 360 million, the Company has carried out filling of goaf areas and comprehensive geological disaster management across various mining areas, thoroughly eliminating safety hazards and centralizing the treatment of underground wastewater to achieve standard emissions, fundamentally improving the ecological environment of the mining area and restoring the original ecosystem. First, the Company invested more than RMB 63 million in land reclamation and vegetation restoration, turning the former waste stone yard into forests and gardens. Second, the Company invested over RMB 50 million in the comprehensive remediation of 20,000 mu of land that was inefficient or damaged by natural disasters, while assisting local residents in developing specialty planting and livestock farming. Third, the Company invested RMB 100 million to build new homes for residents and employees of the mining area. Fourth, extensive soil covering and greening actions were carried out in the mining area, completing the covering and greening on 300 mu of land, planting 15,000 trees such as camphor trees, magnolias, and osmanthus, and 24,000 shrubs such as climbing ivy and azaleas. The Company has achieved 100% greening of the potential greening area in mines.



Demonstration Area (Houping Phosphate Mine)



Houping Ore Dressing Plant



Shukongping Smart Center

03

Innovation and Quality Improvement

Driving Industrial Upgrades

SDGs Responded in this Chapter



Material ESG Topics Covered in this Chapter

- Innovation-Driven Development
- Safety and Quality of Products and Services
- Supply Chain Security
- Data Security and Customer Privacy Protection

Key Achievements in 2024

R&D Investment:
RMB **1,188**
billion

Total Number of
Authorized Patents:
1,421

High-tech Enterprises:
16
Specialized and Sophisticated Enterprise that Produces Novel and Unique Products:
6

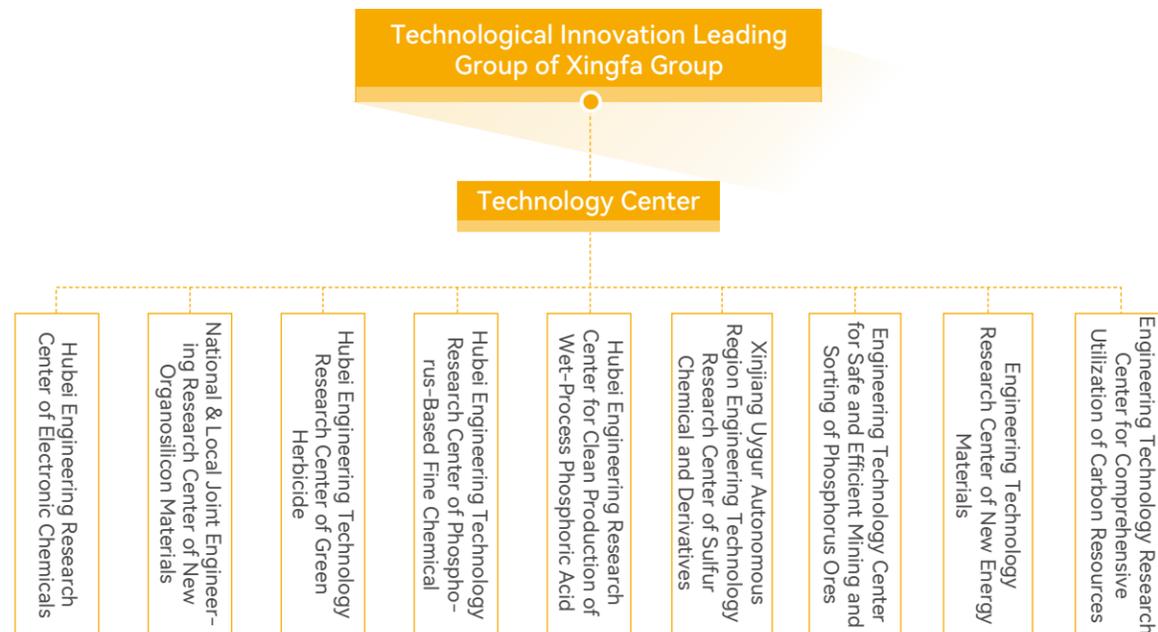
Innovation-Driven Development

Xingfa Group strictly complies with the *Law of the People's Republic of China on Science and Technology Progress* and adheres to an innovation-driven development strategy. The Company continuously increases R&D investment and strengthens the construction of its R&D team, achieving industry-leading innovation capabilities.

Governance

The Company has developed management systems such as the *Technical Innovation Management System*, the *Financial Management Measures for Research and Development Expenditure*, and the *Management Measures for R&D Technical Personnel*. The Technology Center, as the centralized management department for the Company's technological innovation, manages the entire process of technology innovation projects, including project initiation, implementation, modification, termination, project funding, acceptance evaluation, project achievement identification, patent applications, and implementation.

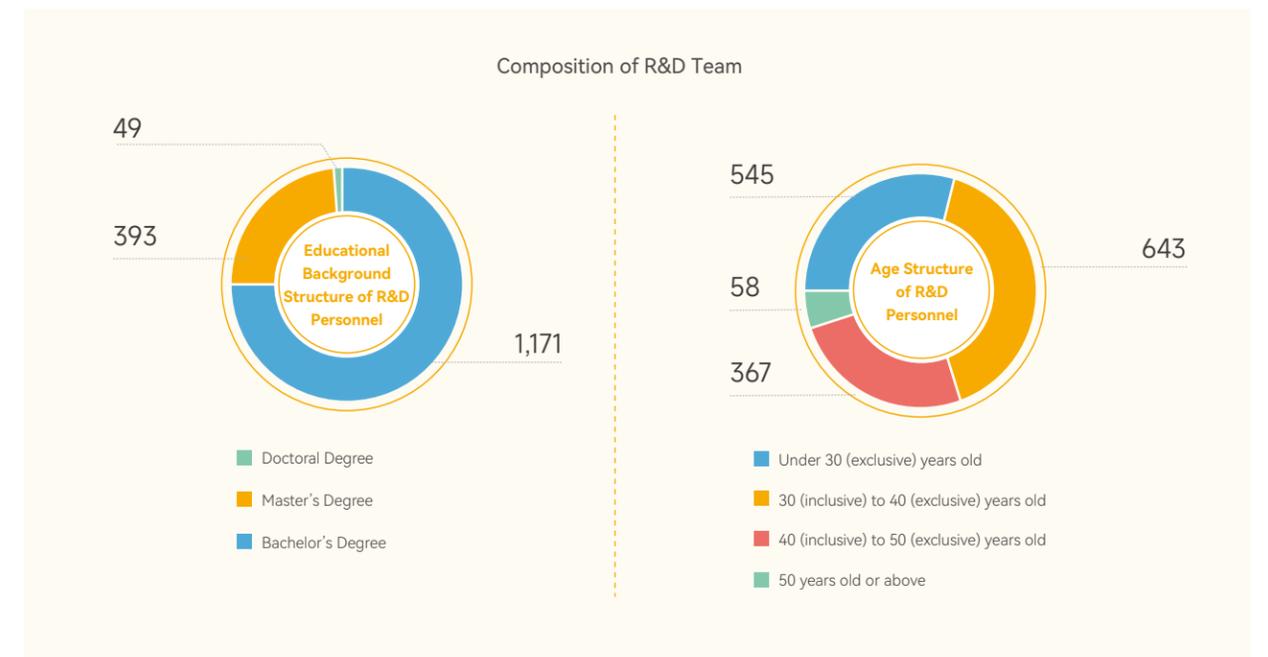
The Company has established an R&D innovation system coordinated by the Technology Innovation Leadership Team. R&D platforms have been set up according to the Company's industrial sectors, with each platform specifically responsible for the implementation of R&D projects, continuously tackling technical difficulties and promoting the Company's sustained high-quality development.



Xingfa Group R&D System Organizational Structure Diagram



Xingfa Group emphasizes R&D team building and talent development. According to the *Management Measures for R&D Technical Personnel*, the Company has made clear regulations regarding the professional background and abilities of R&D personnel, as well as the methods and procedures for selecting and appointing them. It encourages employees to participate in the professional technical title evaluations organized by relevant national departments related to the Company's R&D and strives to build a specialized R&D team that adapts to the Company's long-term development.



Key Performance

Number of R&D Team Members: **1,613** Persons;
 Proportion of R&D Personnel to Total Employees: **11.42%**

R&D Capability Certification

With its outstanding R&D strength, the Company and its subsidiaries have had 16 institutions certified as high-tech enterprises, and 6 companies have received the "Specialized, Refined, Special and Innovative 'Little Giant'" recognition. In addition, the Company participates in the Technical Committee of the Inorganic Chemical Branch of the National Chemical Standardization Technical Committee, the Sulfur and Sulfuric Acid Subcommittee, and the Chlor-Alkali Subcommittee, working with industry peers to promote technological progress and industrial upgrading.

R&D Project Evaluation

The Company implements group management for R&D projects and follows a combined quarterly and annual evaluation model. Each R&D platform is dynamically managed, and each R&D project must set quarterly evaluation goals. The Technology Center organizes an evaluation team to conduct quarterly assessments, scoring the projects based on the completion of quarterly goals. Projects are ranked according to annual scores, and the total amount of annual project rewards for R&D personnel is linked to the rankings.

R&D Incentives

To reward teams and individuals who have made outstanding contributions to the Company's technological innovation work and to stimulate the innovation enthusiasm of the Company's technical staff, the Company has established the *Scientific and Technological Achievement Award System*, setting up the Science and Technology Awards, Patent Awards, and Xingfa Group Science and Technology Cooperation Awards, incentivizing project teams and individuals through bonuses.

▶ 2023 Annual Commendation and Technological Innovation Conference 📄 Case Study

On February 19, 2024, Xingfa Group held the 2023 Annual Commendation and Technological Innovation Conference in Xingshan County. The conference comprehensively summarized the Company's work achievements in 2023 and recognized outstanding individuals and teams in various fields. During the conference, teams receiving the Science and Technology Progress Award were granted a total of RMB 14 million, with individual team bonuses reaching up to RMB 2 million. The conference also commended the recipients of the "Friendship Medal" 60 labor models and 811 outstanding employees of Xingfa Group.



Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Technology Risks	R&D projects face uncertainty, as new technologies may fail due to technical challenges or poor experimental results, leading to losses in preliminary investments. Rapid technological advancements mean that if the Company's R&D lags behind, existing technologies can become outdated, diminishing market competitiveness. Additionally, the risk of technology leaks could weaken the innovation advantage and lead to intellectual property disputes.	Long term	Operations	Increase in operating costs	Establish a diversified R&D team encompassing professionals from multiple fields, strengthen technical communication and collaboration, and enhance the ability to overcome challenges; set up a dedicated technical monitoring group to track industry technology trends and adjust R&D directions promptly; improve the intellectual property protection system strengthen the internal confidentiality system, sign strict confidentiality agreements with employees, encrypt key technologies, and offer regular intellectual property training to raise employee awareness of protection.
Market Risk	For new products developed through R&D, if the market acceptance is low or demand is insufficient, it may lead to unsold products, failing to achieve the expected economic benefits.	Long term	Operations, downstream	Increase in operating costs	Conduct a thorough market research in the early stages of product development to analyze the needs, preferences, and market trends of target customers, and provide a basis for product positioning and design; formulate precise marketing strategies, use both online and offline multi-channel promotion, organize product launch events, participate in industry exhibitions, and collaborate with industry media for publicity and reporting; establish a market feedback mechanism to promptly collect customer feedback and optimize product performance and functions based on the feedback.
Financial Risk	Insufficient funds or poor financing channels may disrupt R&D innovation. Furthermore, after R&D results are commercialized, if promotion is inadequate or sales channels are ineffective, it may be difficult to recover funds, affecting the Company's cash flow.	Long term	Operations	Increase in operating costs	Optimize corporate financial budget management, allocate funds reasonably, and ensure adequate funding for R&D projects; expand financing channels, establish long-term partnerships with banks and other financial institutions, seek preferential loan policies, and pay attention to the capital market, carrying out equity financing at appropriate times; strengthen the sales team, develop scientific sales strategies, explore diversified sales channels, cooperate with distributors and agents, increase product market share, and accelerate capital recovery.
Talent Risk	Talent loss and shortages constrain R&D innovation. If the Company cannot attract and retain high-quality professionals, it will affect the stability and innovation capacity of the R&D team, limiting the development of R&D and innovation work.	Long term	Operations, downstream	Increased Operating Costs, Declining Revenue	Develop a competitive compensation and benefits system, offer salaries above the industry average, provide comprehensive benefits, and performance-based incentives; create a positive corporate culture and working environment, focus on employee career development plans, offer abundant training and promotion opportunities, establish a talent pool, conduct regular talent assessments, and prepare for talent replenishment in advance.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Product Upgrade Opportunities	Increase R&D investment to upgrade existing products, develop higher-end, more value-added products, and expand into emerging fields such as new energy and electronic materials to create growth points.	Medium term	Downstream	Increase in operating income	Increase R&D investment, encourage internal innovation, and collaborate with research institutions to conduct cutting-edge technology research.
Industry Integration Opportunities	Strengthen integration with downstream industries such as electric vehicles, develop customized products, expand business areas, and achieve collaborative development.	Long term	Downstream	Increase in operating income	Strengthen cooperation and communication with downstream companies, establish industry alliances, and jointly carry out technological R&D and market promotion.

Impact, Risk, and Opportunity Management

The Company continuously optimizes the risk and opportunity management process for R&D innovation, controlling risks in all aspects of the R&D process. By improving process management and strengthening market demand analysis, the Company aims to reduce the risk possibilities, ensuring the continuity of technological innovation.

Risk and Opportunity Management Process



Metrics and Targets

Xingfa Group actively responds to the national innovation-driven development strategy, using technological innovation as the core driving force for achieving high-quality development, and has formulated a series of clear and ambitious technological innovation goals.



Technological Innovation Goals and Achievements

Talent Recruitment

The Company has hired Chen Fen'er, Academician of the Chinese Academy of Engineering, and Chi Ru'an, Academician of the Russian Academy of Engineering, as the Company's chief scientists. Now, we have 500 full-time R&D personnel, including 49 PhDs and 392 Masters.

Innovation System Construction and Innovation Projects

The innovation system has been continuously improved. By the end of the Reporting Period, the Company had established 3 national-level innovation platforms (a National Enterprise Technology Center, the National-Local Joint Engineering Research Center for Organosilicon New Materials, and a National Postdoctoral Research Workstation). It also possessed 12 provincial-level innovation platforms (Hubei Technology Research Institute of Phosphorus Chemical Industry, Hubei Engineering Technology Research Center of Phosphorus-Based Fine Chemical, Hubei Engineering Technology Research Center of Green Herbicide, Hubei Engineering Technology Research Center of Chlorosilane and Polymer, Hubei Phosphorus Chemical Technology Achievement Transformation and Pilot-Scale Test Base, Hubei Engineering Research Center of Electronic Chemicals, Xinjiang Uygur Autonomous Region Engineering Technology Research Center of Sulfur Chemical and Derivatives, Xinjiang Fine Sulfur Chemical Key Laboratory, Hubei Engineering Research Center for Clean Production of Wet-Process Phosphoric Acid, Hubei Engineering Research Center of Organosilicon New Materials, Hubei Provincial Enterprise Technology Center of Hubei Trisun Chemical Co., Ltd., Hubei Provincial Enterprise Technology Center of Hubei Sinophorus Electronic Materials Co., Ltd. Hubei Provincial Enterprise Technology Center of Hubei Sinophorus Electronic Materials Co., Ltd.). Additionally, the Company led the establishment of one provincial-level innovation platform (Hubei Three Gorges Laboratory). During the Reporting Period, 86 technological innovation projects were implemented, resulting in the development of 68 new products and 37 new technologies.

Patents

As of the end of the Reporting Period, the Company holds 1,421 authorized patents, including 483 invention patents and 938 utility model patents.

Science and Technology Awards

During the Reporting Period, the Company received 3 awards from the Petrochemical Federation and provincial-level science and technology awards.

full-time R&D personnel

500

PhDs

49

Masters

392

technological innovation projects were implemented

86

new products

68

new technologies

37

authorized patents

1,421

invention patents

483

utility model patents

938

Petrochemical Federation and provincial-level science and technology awards

3

Long-term R&D Goals

- ✓ By the end of 2025, the total number of full-time R&D personnel will exceed **700**, including more than **90** PhD holders.
- ✓ From 2024 to 2025, based on the continuation of existing projects, more than **40** new technological innovation projects will be initiated, more than **30** new products and **20** new technologies will be added. The Company strives to establish **2-3** provincial innovation platforms and **1** national innovation platform during the 15th Five-Year Plan period.
- ✓ The Company strives to have **1,600** authorized patents by 2025, **2,500** by 2028, and **3,200** by 2030.
- ✓ The Company will receive **2-3** science and technology awards from provincial authorities and China Petroleum and Chemical Industry Association by 2025; from 2026 to 2030, we will strive to receive **5-10** science and technology awards from China Petroleum and Chemical Industry Association and at least 1 national science and technology award from provincial authorities.

Key Performance

The R&D investment of the Company was RMB **1.188** billion, accounting for **4.18%** of the main business income.

Technical Cooperation

Xingfa Group follows the principle of “mutual benefit, complementary advantages, cooperative innovation, and joint development”, actively engages in technical exchanges and strategic cooperation with universities, research institutions, and industry partners. The Company collaborates with universities which have top domestic research institutes to build R&D centers, carry out joint talent cultivation, form technical research teams, and focus on major original innovations, critical core technologies, and key technologies for industrial strategic development. This involves research cooperation aimed at short-term, medium-term, and long-term goals: solving current challenges, pre-research for future goals, and exploratory research.

Cooperation Partners	Directions of Cooperation Projects
Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences	A total of 16 cooperative projects have been carried out. The two parties jointly established the “Black Phosphorus Joint Laboratory”, and conducted a series of industrialization application research focusing on silicone materials, new energy materials, black phosphorus, and other areas.
Institute of Process Engineering, Chinese Academy of Sciences	A total of 37 cooperative projects have been carried out. The two parties jointly built the “Xingfa Green Manufacturing Joint R&D Center”, and conducted technical research focusing on the technological upgrading of traditional industries such as energy conservation and consumption reduction, process intensification, and process greening.
Dalian Institute of Chemical Physics, Chinese Academy of Sciences	2 cooperative projects have been carried out, and mainly focus on the technical research of bio-based materials and fluorosilicon materials.
Tsinghua University	6 cooperative projects have been carried out, and mainly focus on optimizing the process of organosilicon and glyphosate products.
Wuhan Institute of Technology	18 cooperative projects, focusing on smart mining construction and beneficiation methods.
Quzhou Research Institute of Zhejiang University	2 cooperative projects, jointly establishing the “Quzhou Research Institute of Zhejiang University - Xingfa Group Joint R&D Center”. Currently, technical research has been conducted in areas such as new silicone materials and wet process phosphoric acid.



▶ Signing of a Comprehensive Cooperation Framework Agreement with Huawei Case Study

On September 19, 2024, the 9th Huawei Connect Conference (HUAWEI CONNECT 2024) was held in Shanghai with the theme "Win-Win Industry Intelligence". During the conference, the Company signed a comprehensive cooperation framework agreement with Huawei Technologies Co., Ltd. (hereinafter referred to as "Huawei"). The Company and Huawei established comprehensive cooperation in areas such as enterprise digital transformation planning and consulting, artificial intelligence large models, intelligent manufacturing, smart mining, smart parks, talent training, and information infrastructure, working together to promote the deep integration of the chemical industry's business and digital technologies, accelerating the industrial digital and intelligent transformation and upgrading.



Innovation Achievements

Major Technological Innovation Achievements

In 2024, Xingfa Group achieved three major technological innovation results: "Key Technologies and Applications for Ultra-Pure Electronic-Grade Sulfuric Acid Production for Integrated Circuits" passed the technological achievement appraisal organized by the China Petroleum and Chemical Industry Federation, with the overall technology reaching international advanced levels. Among them, the directional conversion technology for trace low valence sulfides is at the international leading level. The Project titled "Industrialization of Continuous Catalytic Synthesis of Glyphosate and New Technology for Separation-Recovery of Glyphosine" passed the technological achievement evaluation organized by the Hubei Technology Exchange, with the project technology reaching international advanced levels, with some parts at the international leading level. The project titled "Key Technologies for Infrared Early Warning and Prevention of Rockburst in Deep Phosphate Mines" passed the technological achievement evaluation organized by the Hubei Technology Exchange, with the overall technology reaching international advanced levels, and the infrared rockburst monitoring and early warning technology at the international leading level.

Xingfa Group achieved **3** major technological innovation results



Major Technological Innovation Awards

Project Name	Awards Received	Certificate
Development of Advanced Reaction Crystallization Systems for Li-ion Battery Precursors and Intelligent Manufacturing Solutions for Premium Cathode Materials	2023 Second Prize of the National Science and Technology Progress Award Awarding Authorities: the CPC Central Committee and the State Council	
Key Technologies and Industrialization for Ultra-High Purity Electronic Grade Sulfuric Acid Production in Integrated Circuit Applications	2024 First Prize of the Science and Technology Progress Award Awarding Authorities: China Petroleum and Chemical Industry Federation	
Industrialization of Continuous Catalytic Synthesis of Glyphosate and New Technology for Separation-recovery of Glyphosine	2024 Second Prize of Hubei Provincial Science and Technology Progress Award Awarding Authorities: People's Government of Hubei Province	
Key Technologies for the Production of Methyl Vinyl Silicone Rubber based on the Molar Amount of Vinyl Groups	2024 Third Prize of Hubei Provincial Science and Technology Progress Award Awarding Authorities: People's Government of Hubei Province	

Standards Development

The Company actively participates in the formulation of various standards, committed to promoting industry development. It has led or participated in the development of 108 standards, including 2 international standards, 36 national standards, 41 industry standards, 28 group standards, and 1 local standard.

Standards Developed During the Reporting Period

Name	Number	Effective Date
Industrial Potassium Pyrophosphate	HG/T 3591-2023	2024.02.01
General Method for Determination of Water-Insoluble Matter in Inorganic Chemical Products	GB/T 23948-2023	2024.06.01
Industrial Sodium Hypophosphite	HG/T 3253-2023	2024.07.01
Determination of Lithium Carbonate Content in Lithium Carbonate-Potentiometric Titration	T/CI 313-2024	2024.03.28
Determination of Magnetic Substance Content in Lithium Carbonate	T/CI 314-2024	2024.03.28
High Iron Phosphorus Ratio Iron Phosphate	T/CI 315-2024	2024.03.28
Nano Iron Phosphate	T/CI 316-2024	2024.03.28
Dimethoxymethane (Industrial Grade)	T/CASME 1525-2024	2024.06.20
Modified Attapulgite Phosphorus Removal Agent for Glyphosate Waste Salt	T/CI 433-2024	2024.08.01
Requirements for Assessment of Green Factory in the Phosphoric Acid Industry	HG-T 6179-2023	2024.07.01
Requirements for Assessment of Green Factory in the Phosphate Industry	HG-T 6172-2023	2024.07.01
Nano Calcium Carbonate	GB/T 19590-2023	2024.04.01
Green Design Product Technical Specifications Monoammonium Phosphate, Diammonium Phosphate	HG-T 6293-2024	2024.10.01

Protection of Intellectual Property Rights

To further regulate and strengthen the management of patents and technical papers, protect the Company's intellectual property, and prevent technology leaks, the Company has formulated the *Detailed Rules for Confidentiality* in Technological Innovation and the *Notice on Standardizing the Patent Application and Technical Paper Publication Process*. The Technology Center is responsible for the Company's patent application and management work. The Company strictly follows the regulations for patent applications. No paper may be published before the patent application is filed for any technological innovation achievements eligible for patent protection. This ensures proper confidentiality of scientific and technological achievements and protects the Company's R&D outcomes and intellectual property.

Key Performance

Total Number of Software Copyrights: **26**

Total Number of Registered Trademarks: **179**

Safety and Quality of Products and Services

Xingfa Group follows the relevant legal regulations such as the *Law of the People's Republic of China on Product Quality* and has established a complete quality management system that covers the entire product lifecycle, ensuring that each link meets national and industry standards.

During the Reporting Period, the Company did not experience any significant responsibility-related quality incidents.



Governance

Quality Policy

Striving for Excellence
Honesty and Integrity

Customer First
Quality First

Innovation Driven
Personalized Service

Pursuing Excellent Development
Building a Century-Old Brand

To improve the quality management level, the Company has formulated management systems such as the *Quality Management System* and the *Operation Guidelines for the Management of Batch Numbers*, which control the entire process and all aspects of raw materials, product quality, and system operation management. With IoT technology and integrating systems such as SAP, WMS, and TMS, the Company combines production equipment data with production process data to establish a "one product, one code" product quality traceability system, ensuring product traceability.

The Quality Management Department, as the department responsible for quality management, organizes and implements national policies and guidelines related to quality, improves system construction, supervises and manages quality issues, collaborates with relevant departments to carry out comprehensive quality control, and strengthens the quality safety defense line.

At the beginning of each year, the Company signs the *Quality Management Target Accountability Statement* with each responsible unit, implementing a hierarchical responsibility system and strictly conducting assessments.

The Company actively carries out system certification and has passed ISO9001 Quality Management System Certification, ISO22000 Food Safety Management System Certification, IATF16949 Automotive Quality Management System Certification, REACH, BRC, MUI-HALA, and 13 other international product certifications. During the Reporting Period, the Company conducted internal audits of the quality management system, with a total of 6 rounds of rolling internal audits conducted from January to December. 841 non-conformities and improvements were identified and rectified, effectively identifying quality risks and management gaps.



Quality Management System Certification



Food Safety Management System Certification

Strategy

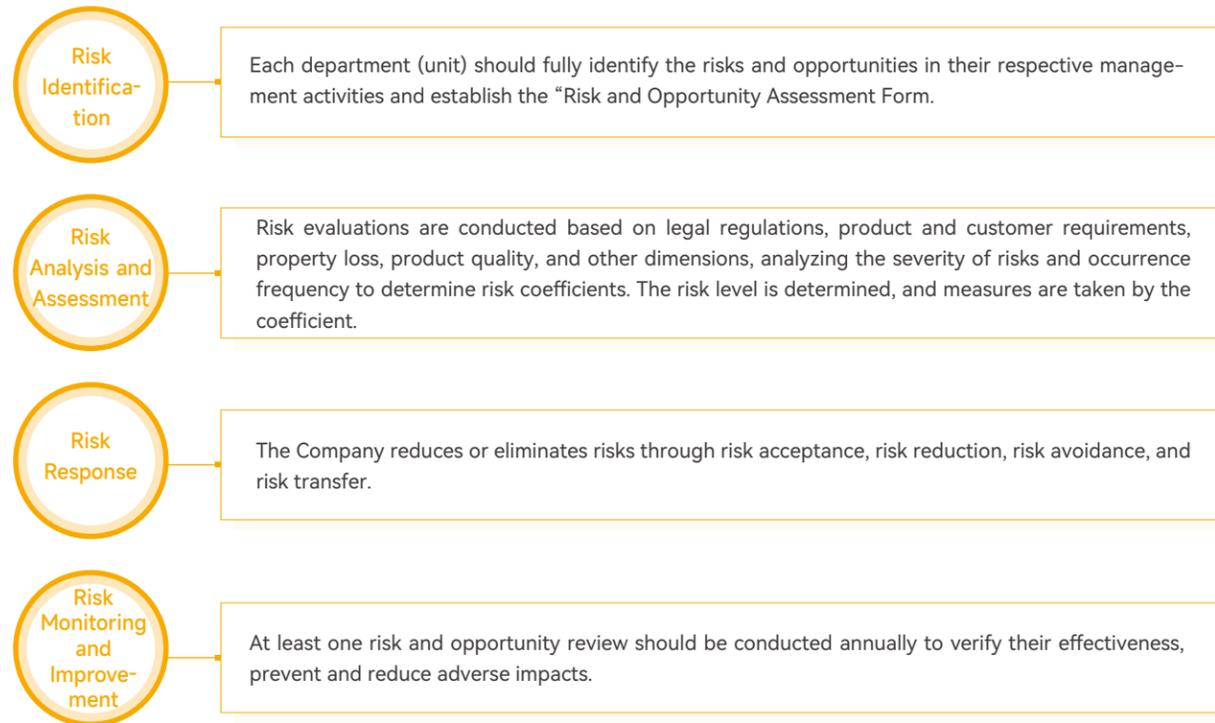
Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Technology Risks	Quality non-conformities could lead to administrative penalties, causing severe negative impacts.	Short term	Operations	Increase in operating costs	Strictly control the quality of outbound products to ensure they meet national standards.
	Foreign objects are found in products, leading to customer complaints or even claims.	Short term	Operations, downstream	Increase in operating costs and decrease in operating revenue	Strict control of foreign objects during the production process.
	Unstable product quality, with some products failing to meet customer requirements.	Medium term	Operations	Reduction in Operating Revenue	<ul style="list-style-type: none"> Formulate post operation procedures; Strictly implement the process ratios.
Supplier Risks	Damage to external packaging during transportation, leading to customer complaints or claims.	Short term	Upstream, Operations, Downstream	Increase in operating costs and decrease in operating revenue	Strengthen daily inspections of outsourced parties.
	Non-conforming materials are causing product quality issues.	Short term	Upstream and operations	Increase in operating costs and decrease in operating revenue	Strictly control the inspection of raw materials upon entry.
Market Risk	Inaccurate market forecast leading to unsold and overstocked products.	Short term	Operations	Reduction in Operating Revenue	Make accurate product market forecasts and actively develop new products.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Technological Opportunities	As one of the largest phosphorus-based fine chemical enterprises in China, the Company leads and participates in the formulation of multiple national and industry standards. In the process of standard-setting, the Company fully reflects its technical advantages and quality requirements, guiding the improvement of product quality in the industry. This also provides clearer directions and norms for the Company's product production and quality control, helping to further enhance product quality and stability.	Medium term	Operations	Increase in operating income	Make good market forecasts for products and actively develop new products.
Market Opportunities	The Company has laid out its new energy materials industry in line with the development trend of the new energy market, which has high demands for product quality and performance. The Company can use this opportunity to enhance its production technology and quality control capabilities, create high-quality new energy material products, and further increase its market share and brand influence in the new energy sector.	Long term	Upstream, Operations, Downstream	Increase in operating income	Follow market laws, accelerate product iteration speed, actively introduce the 3.5th generation products to the market, and prepare for the R&D of the 4th and 5th generation products.
Reputation Opportunities	Strict quality control helps the Company attract more high-quality customers, promote continuous improvements in product and service quality, and create a positive cycle where brand and quality mutually promote each other.	Long term	Operations	Increase in operating income	Strengthen the responsibility for quality management goals in production units, ensuring full coverage of the <i>Quality Management Target Accountability Statement</i> ; establish a customer service system covering multiple channels such as customer service hotlines, websites, WeChat official accounts, and emails.

Impact, Risk, and Opportunity Management

In accordance with the “Risk and Opportunity Control Procedure”, the Company comprehensively identifies, reviews, improves, and updates activities within the scope of quality management and food safety systems. Production units prepare their “Risk and Opportunity Assessment Reports” based on the review results.

Risk and Opportunity Management Process



Metrics and Targets

The Company always adheres to the concept of excellent quality, combining market trends and actual conditions to formulate and strictly implement quality management goals. Under the guidance of quality management goals, the Company continuously optimizes production processes and strengthens quality control.

During the Reporting Period, the Company’s quality management goals have been achieved.

Key Performance

Product Qualification Rate: Over **98.0%**

Quality Management Goals

- ✓ **First Pass Yield:** Differentiated first-time pass rate targets are set for various types of products.
- ✓ **Quality Incidents:** No incidents of Category IV or above, fewer than 2 incidents of Category V.
- ✓ **Food Safety Incidents:** Zero food safety incidents.
- ✓ **Annual Key Work:** Complete the annual key tasks on time and with quality.
- ✓ **System Operation:** Ensure the management system operates effectively and is continuously improved.

Product Quality Management Measures

Quality Training

The Company regularly conducts quality training through various training formats to raise the quality awareness of all employees, creating a good atmosphere of striving for excellent quality across the entire company, laying a solid foundation for the Company’s sustainable development and enhanced market competitiveness.

▶ Training on Quality Management Team

Case Study

From April 25 to 26, 2024, the Company organized the training on quality management team at the Training Center, to enhance employees’ quality awareness and improve practical quality management skills.

This training focused on aspects such as quality management systems, quality control methods, and quality improvement tools. The employees gain a deep understanding of the core concepts and practical techniques of quality management, improving their quality awareness and skill levels by theoretical explanations, case analysis, group discussions, and hands-on practice.



▶ Training on Quality Trustworthy Group

Case Study

From August 5 to 6, 2024, to further promote the building of quality trustworthy group and improve product quality, Xingfa Group organized training on a Quality Trustworthy Groups at the Training Center. The training included interpreting the requirements of the “Criteria for Building Quality Trustworthy Group” (T/CAQ 10204-2017) and providing guidance on Quality Trustworthy Group construction. By combining excellent case studies, the training helped employees fully understand the importance of building this group and promoted team development within the Company.



Key Performance

Participants in Quality Training: **451** Person-times
 Total Duration of Quality Training: **28** Days (Closed Training).
 Training on Quality: **9** Sessions

Quality Inspection

To further improve product quality and establish a better reputation in the market, Xingfa Group has developed the “Inspection Management System” and the “Verification and Certification Product Consistency Control Procedure”, to standardize the inspection of raw materials, semi-finished products, and finished products, and the management of inspection personnel. Through the development of the Laboratory Information Management System (LIMS) project, the Company centralizes and digitizes the management of master data such as test items, test methods, and test standards, and enhances the efficiency of testing and data accuracy. During the Reporting Period, the Company’s product quality and food safety internal inspections were all qualified.

The Company strengthened its cooperation with inspection agencies and hired professional third-party organizations to conduct quality sampling inspections on the Company’s products, the purchased raw and auxiliary materials and issue test reports. During the Reporting Period, all entrusted inspections were qualified.

Key Performance

Spot Inspections by Entrusted Third-Party Agencies: **239** Times

Product Recall

To ensure that non-compliant products and unqualified services during transportation are effectively identified and controlled, the Company has developed the “Non-conformance Control Procedure” to manage non-compliant raw materials, intermediate products, and final products, preventing quality incidents.

The Company has established a Product Recall Leading Group as a temporary organization to handle product complaints and product recall matters. Upon receiving and confirming complaint feedback, the Company handles it according to regulations in a timely manner to minimize the harm caused. The Recall Leading Group organizes relevant department personnel to carry out simulated exercises of the product recall plan in each year; evaluates the recall process, and makes improvements to address identified issues, then ensuring the effectiveness of the procedure.

Recall Process

Information Acceptance

After receiving and confirming complaint feedback from distributors or customers, the information is reported to the recall team leader and the Quality Management Department, analyzed for causes, and investigated and processed.

Investigation and Analysis

The relevant product production process information is comprehensively analyzed; and promptly reportand the production quantity of the complained product, as well as the quantity entering the sales process.

Product Recall

When there is sufficient reason or evidence to indicate that the Company’s sold products have defects or serious food safety issues, an emergency recall must be initiated to prevent harm or to control the consequences of any already occurred harm.

Product Treatment

Disposal methods are formulated based on the issues identified in the product. The production unit’s warehouse must store the recalled products from market in a designated storage area, separately isolated, clearly marked with prominent non-conforming labels, and managed by designated personnel to prevent contamination of other qualified products or the environment. If, after evaluation, the products can be reworked within the production system, the production unit must organize the rework process. If rework is not feasible after evaluation, the products shall be down-graded or scrapped in accordance with established procedure, with relevant records properly maintained.



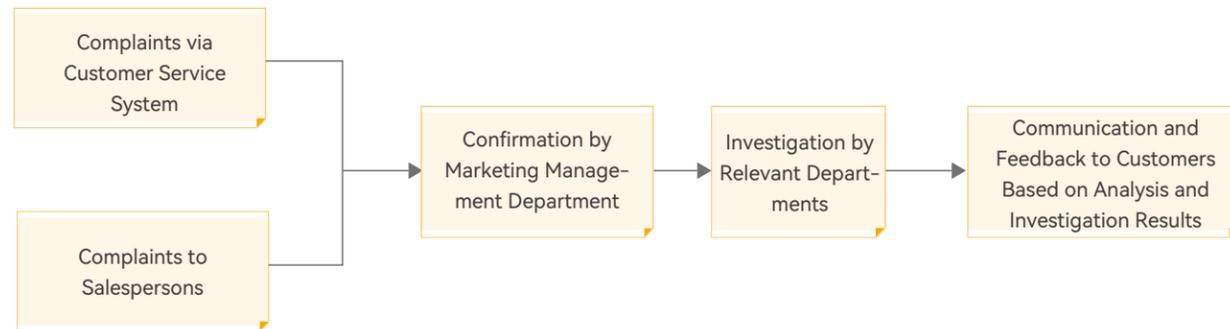
Protection of Customers' Rights And Interests

Customer Service Management

In accordance with the "Basic Standard for Enterprise Internal Control", the "Articles of Association" and other applicable laws and regulations, the Company has formulated the "Customer Management System" to fully control the entire process of customer management, including customer information, sales activities, customer service, customer evaluation, and statistical analysis.

The Marketing Department, as the department is mainly responsible for customer management, is also related to formulating and improving various management systems. Also, supervise and inspect the customer management work of each business department, and lead the annual evaluation, customer satisfaction survey, and other activities.

To improve customer satisfaction and standardize complaint handling, the Company has developed the "Customer Satisfaction Monitoring and Measurement Control Procedure" and the "Customer-Related Process Control Procedure" to better understand and meet customer needs, as well as improve service quality and operational efficiency.



Customer Complaint Handling Process



Customer Privacy Protection

The Company has implemented digitalization and intelligence in the customer service process, integrating CRM Customer Master Data with the OA system. Standardize personnel usage permissions, to ensure that important customer information can only be viewed after strict approval. This improves management efficiency while safeguarding customer privacy. During the Reporting Period, no customer information leakage incidents occurred in the Company.

Sustainable Supply Chains

Xingfa Group continues to deepen its sustainable supply chain development, working closely with suppliers and prioritizing environmentally compliant and socially responsible partners to ensure a green and stable supply of raw materials. The Company actively adopts environmentally friendly transportation methods, increases loading rates to reduce carbon emissions, and builds a sustainable supply chain with resilience and green characteristics, promoting the simultaneous development of economy and ecology.

Governance

To standardize supplier and customer management, in accordance with relevant national laws and regulations and the "Articles of Association", the Company has formulated management systems such as the "Procurement Management System", the "Supplier and Customer Management System and the Measures for Supplier Evaluation" which clarify supplier admission standards, cooperation processes and risk management measures, to achieve supplier lifecycle management through digital management tools. The Procurement Department is in charge of procurement management-related work, and is responsible for the procurement of chemical raw and auxiliary materials and packaging.

To strengthen procurement process management, the Company holds procurement personnel accountable. For personnel involved in non-compliant operations or who fail to implement responsibilities during the procurement process, salary deductions are applied based on the circumstances.

During the Reporting Period, the Procurement Department continuously strengthened employee training, focusing on improving awareness of laws and regulations, responsibility, and business capabilities, building a high-quality and professional procurement team.



Strategy

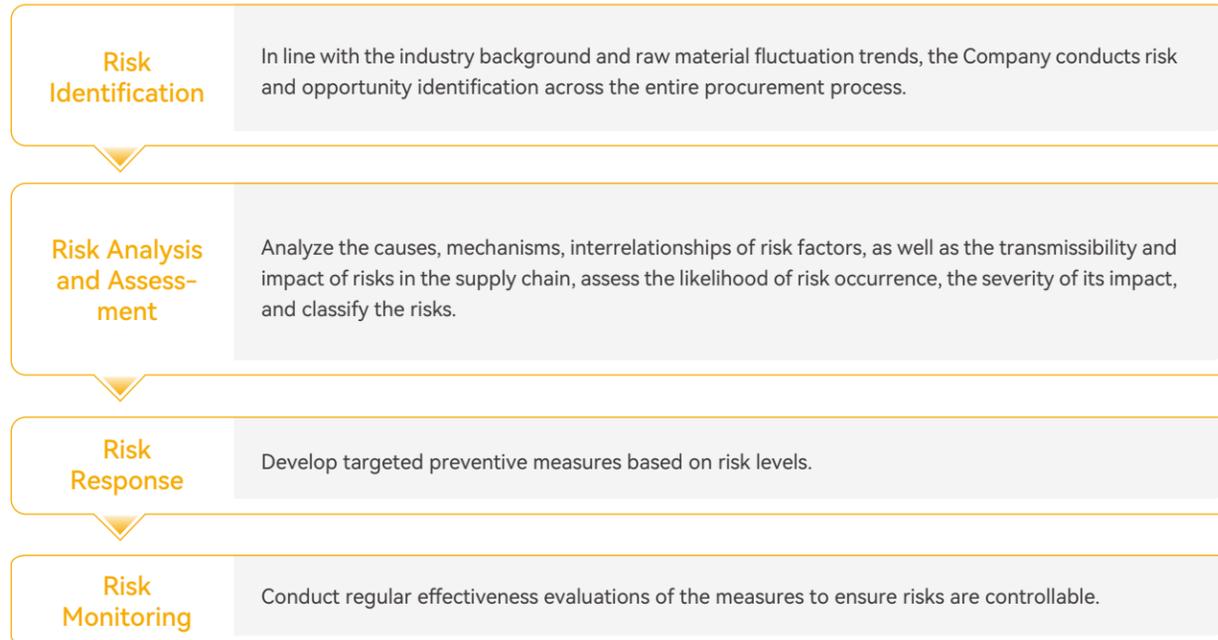
Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Supplier Risks	Some important raw materials experienced supply disruptions due to unforeseen events such as safety accidents and environmental production restrictions, which directly affect the continuity of the group's production and may lead to order delivery delays.	Short term	Upstream	Increase in operating costs	Establish corresponding safety stock based on the monthly demand for raw materials, and expand procurement channels with a multi-point layout to avoid single-channel procurement.
Transportation Risk	The transportation of chemical products and raw materials is easily affected by factors such as weather, traffic congestion, and road conditions, leading to transportation delays. Additionally, some hazardous chemicals exist safety risks such as leakage and explosions during transportation. In the event of an accident, it could result in cargo loss, environmental pollution, or even casualties, causing significant economic and reputational losses for the Company.	Short term	Upstream	Increase in operating costs	<ul style="list-style-type: none"> Adopt a combination of multiple transportation methods, such as shipping, trucking, and rail, stipulate the terms of goods transportation in procurement contracts, and supervise logistics providers to implement hazardous chemical transportation regulations, and track contract execution; Cooperate with the Company's logistics management departments to strengthen the supervision of hazardous chemical transportation safety, conduct regular safety inspections of logistics partners, urge logistics companies to conduct vehicle safety checks and personnel safety training, and further implement safety responsibility to eliminate potential hazards at the early stage and ensure that no major safety or environmental accidents occur throughout the year.
Market Risk	Global economic conditions, industry competition patterns, and other factors are constantly changing, leading to unstable market demand for chemical products. If market demand changes can not be accurately and promptly grasped, the unsold products or supply shortages will happen, which will impact the Company's sales performance and profitability.	Long term	Upstream	Increase in operating costs	Strengthen upstream and downstream market analysis of required raw materials, grasp procurement opportunities by analyzing market trends and combining industry patterns, and expand channels and methods for obtaining market information, such as effective communication with senior companies in the industry, participating in various forms of industry meetings, association meetings, etc.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Opportunities for Industrial Chain Extension	The Company can leverage its rich mineral, green power resources, and a well-established fine chemicals industrial chain to achieve efficient resource utilization and enhance product added value, thereby increasing corporate profitability and promoting the coordinated development of various business sectors within the group. This will reduce procurement costs and improve the operational efficiency of the entire supply chain.	Long term	Upstream and operations	Reduction in operating costs	The Company has built and put into production iron phosphate and lithium iron phosphate, actively developing the lithium battery materials industry.
Strategic Cooperation Opportunities	Deepen long-term stable strategic cooperation with high-quality suppliers to jointly resist market fluctuations and risks, ensuring stable raw material supply and quality improvement, while reducing procurement costs through collaboration. Strengthen cooperation with downstream customers to jointly develop and customize products, improving customer satisfaction and loyalty, stabilizing sales channels, and achieving coordinated development across the entire supply chain.	Long term	Upstream and operations	Reduction in operating costs	Strategic partnerships have been established with some bulk material suppliers, and in the future, the Company plans to partner with more high-quality collaborators.
Opportunities for Digital Supply Chain Transformation	Strengthen digital technologies to enable real-time data sharing and collaboration across all processes of the supply chain, thereby responding promptly to market changes and risks, accurately forecasting market demand and raw material supply conditions, optimizing inventory management, effectively reducing inventory costs and capital occupancy, and improving the operational efficiency of the supply chain and capital turnover speed.	Long term	Upstream and operations	Reduction in operating costs	The Company has broken down the barriers between the Alibaba Procurement Cloud Platform, SAP, OA, and WMS systems according to the business process sequence, enabling online integration and traceability of various documents; as well as full-process digital handling, improving the standardization of procurement process management and work efficiency.

Impact, Risk, and Opportunity Management

To prevent and control supply chain risks and avoid major risks such as supply chain disruptions, the Company continuously improves the supply chain risk and opportunity management process, formulates diversified response strategies, and enhances its risk management level.

Risk and Opportunity Management Process



Metrics and Targets

During the Reporting Period, the Procurement Department focused on the Company's production and operation goals, actively responding to market fluctuations, continuously optimizing procurement management, and concentrating on achieving annual goals to ensure the stability of the supply chain.

Supply Chain Management Goals and Achievements

- Stable growth in procurement scale. A total of **8.8739** million tons of raw and auxiliary materials were procured throughout the year, involving **158** varieties, with a total procurement amount of RMB **12.254** billion.
- There is a significant increase in direct procurement from manufacturers. By strengthening the source supply and optimizing procurement channels, the direct procurement rate from manufacturers reached **76.49%** for the year, an increase of **13.79** percentage points compared to 2023. The number of traders in 2024 was **80**, a reduction of **53** compared to 2023, significantly reducing intermediary costs and improving supply chain efficiency.

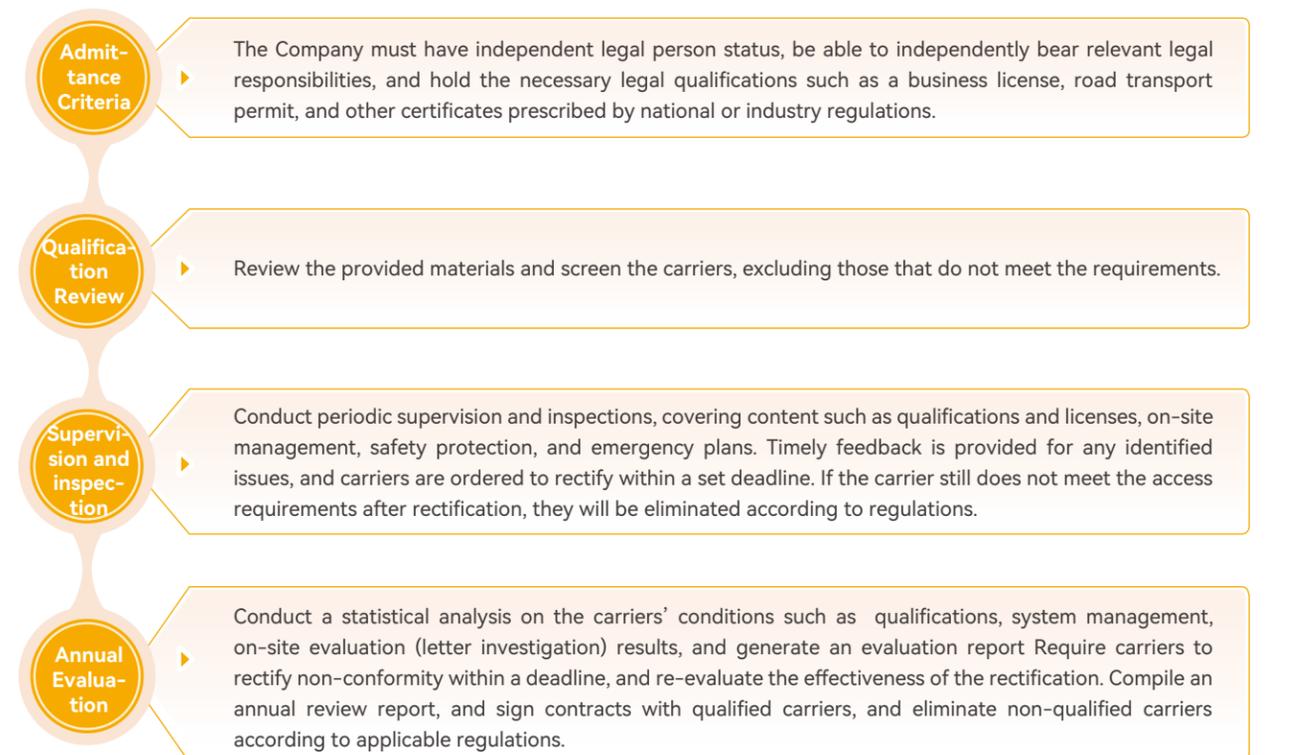
Note: The statistical scope is limited to bulk raw and auxiliary materials directly purchased by the head office of the joint-stock company.

Management Measures for Supply Chain

Supplier Management

For suppliers of purchased raw materials and packaging, the Company conducts annual evaluations and assessments, implementing a tiered management system. Scoring is based on dimensions such as qualification level, evaluation results, winning bid prices, product quality, and after-sales service, with four levels: A (Excellent), B (Qualified), C (General), D (Eliminated). Additionally, safety, environmental protection, and integrity requirements are imposed on suppliers during daily procurement activities, and procurement personnel are required to operate with integrity. This promotes greener, more compliant, and transparent procurement practices.

For logistics carriers, the Company has developed a comprehensive management process to ensure supply chain safety and sustainability.



Key Performance

- Total Number of Suppliers: **269** Number of Suppliers Passing the Quality Management System Certification: **64**
- Number of Suppliers Passing the Environmental Management System Certification: **44**
- Number of Suppliers Passing the Occupational Health and Safety Management System Certification: **43**
- Signing Rate of Integrity Agreement by Supplier: **100%**
- Number of Incidents with Significant Risks and Impacts in the Supply Chain: **0**

Notes: The statistical scope is limited to the head office of the joint-stock company, Yichang Park, and Yidu Park.

Digitalization

To ensure the efficient operation of the entire procurement process, the company has integrated the 1688 Procurement Cloud Platform, SAP, OA system, and WMS system in alignment with the business workflow. By breaking down system barriers, documents such as requisition forms, price comparison sheets, purchase orders and contracts, warehouse receipts, and invoices can be digitally integrated and tracked online. This enables end-to-end digital management of orders, acceptance, and settlement, thereby enhancing the standardization and efficiency of procurement process management.



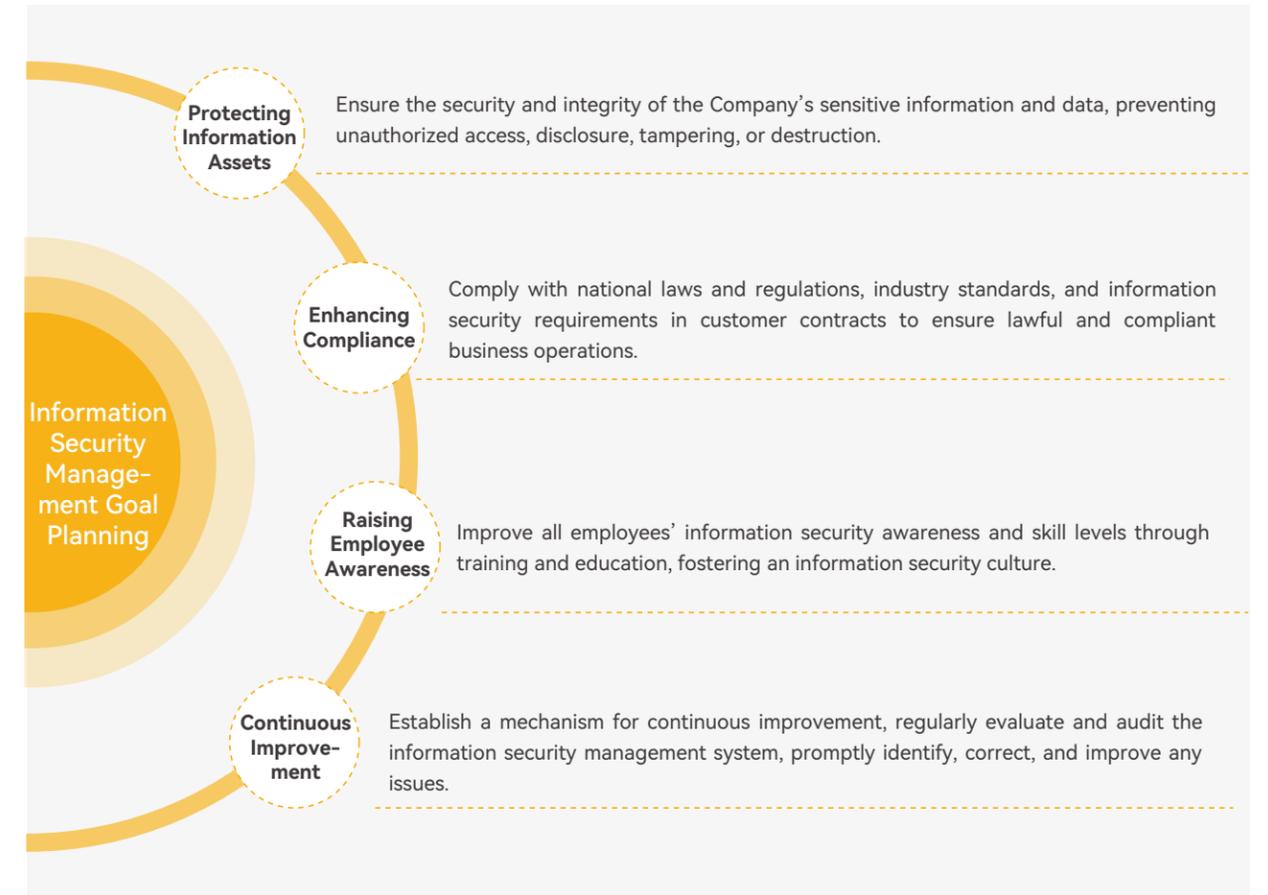
Procurement Cloud Platform

Information Security and Privacy Protection

Xingfa Group strictly complies with laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. The Company has established and improved an information security management system, continuously strengthening information security infrastructure, and using advanced technological means to ensure the safety of the Company's information assets.

During the Reporting Period, the Company experienced no data security incidents.

Information Security Management System



The Company adheres to the information security management philosophy of "full participation, prevention first, continuous improvement, and compliant operation." It has established the *Information Security Management System*, the *Operating Guidelines for Information Security*, and other management measures. Through classification of information, access control, password management, system security, network security, physical security, and other management practices, the Company has built a solid data security defense.

The Information Center, as the department in charge of information security, is fully responsible for managing information security. It assesses and responds to information security and privacy risks and continues to improve the information security management system. By the end of the Reporting Period, both the Company's OA system and official website had passed the Cybersecurity Classified Protection (Level II) certification.



Cybersecurity Classified Protection Certification

Information Security Management Measures

- Classification and Management**

> Classify and manage data according to classification standards. Take different protective measures for different classifications of data, and safeguard important data through access control, encrypted storage, secure transmission, etc.
- Behavior Control**

>

 - Apply new technologies to build data platforms and deploy multi-layered network defense systems, such as firewalls, intrusion detection/prevention systems (IDS/IPS), and antivirus software, to prevent unauthorized access and attacks
 - Implement strict access control policies, and perform refined management of employee access permissions to ensure that only authorized personnel can access sensitive information and systems.
 - Set up access control systems, surveillance cameras, etc. Encrypt important equipment to prevent data from being illegally accessed if the equipment is lost or stolen.
- Risk Assessment and Response**

> Regularly conduct risk assessments of the Company's information system, identify potential security threats and vulnerabilities, and implement corresponding corrective measures for any issues.
- Security Auditing and Monitoring**

> Establish a security auditing and monitoring system to monitor and audit employees' operational behaviors, system operation, and network traffic in real-time, and promptly identify and address security issues.
- Backup and Emergency Management**

>

 - Regularly back up key data to ensure rapid recovery in the event of data damage or loss.
 - Regularly test key data hardware equipment and systems.
 - Develop emergency response plans and recovery procedures, conduct regular emergency drills and offer training sessions during the Reporting Period to ensure a swift response and business operation recovery in case of information security incidents.
- Technical Cooperation**

> Engage in security trend and technology sharing, case analysis, and experience exchange activities with information and data security vendors such as IPGuard and Sangfor; sign related contracts with IPGuard to jointly promote the enhancement of information and data security.
- Awareness Enhancement**

> Require all employees to participate in online education and offline training courses, and tie the training results with performance assessment of employees

▶ Training on Information Security Awareness 📄 Case Study

On February 20, 2024, the Company organized relevant personnel to participate in the training on information security awareness, which thoroughly analyzed the four aspects of basic understanding of information security, the importance of information security, correct understanding of information security, and awareness enhancement, effectively raising employees' information security awareness.

▶ OA Emergency Drill 📄 Case Study

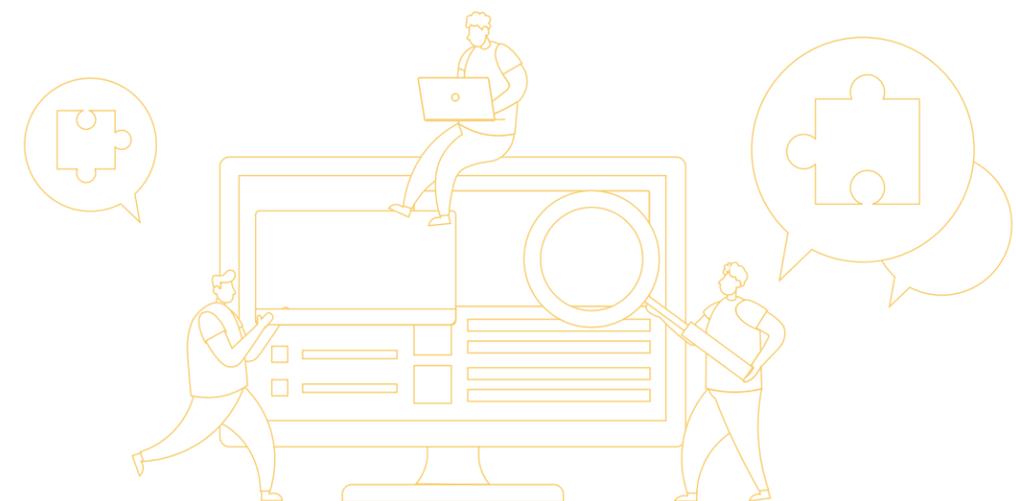
On March 25, 2024, Xingfa Group conducted an emergency drill to ensure the security and stability of the OA system and prevent information system risks, based on actual needs. The drill included shutting down one application server and one database of the OA production system without interrupting operations, verifying the system's operating status, operational continuity, and data integrity, restoring backup data to a test database, and pointing the OA test system's data source to the restored database to verify related situations, etc.

📄 Key Performance

Participants in Training on Data Security | Customer Privacy Protection: **12,756** Person-times

Coverage Rate of Training on Data Security | Customer Privacy Protection: **85%**

Per Capita Training Duration of Training on Data Security | Customer Privacy Protection: **1** Hour



04

Social Responsibility Fulfillment

Co-creating a Better Future

SDGs Responded in this Chapter



Material ESG Topics Covered in this Chapter

- ✓ Protection of Employees' Legal Rights and Interests
- ✓ Employee Training and Development
- ✓ Occupational Health and Safety
- ✓ Rural Revitalization
- ✓ Social Contribution

Key Achievements in 2024



Protection of Employees' Rights and Interests

Xingfa Group strictly complies with the *Labor Law of the People's Republic of China* and other laws and regulations. By establishing a comprehensive system, the Company provides full welfare protection such as career development plans, health benefits, and salary incentives, safeguards employees' legal rights, enhances their sense of belonging and work motivation, and regularly carries out various training activities to actively reserve high-quality talent for the Company's development. In terms of social responsibility, the Company vigorously supports the rural revitalization strategy, actively participates in social charity activities, and demonstrates a strong sense of social responsibility and commitment.

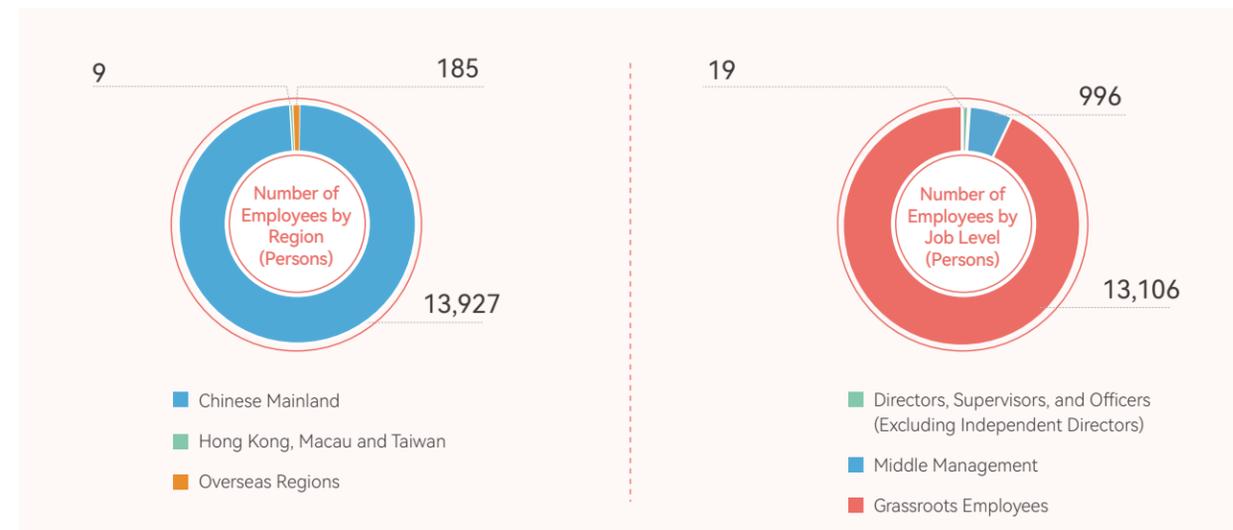
Employee Recruitment and Employment

The Company adheres to the principles of openness, fairness, and justice, upholds an equal employment philosophy, and has developed the *Human Resources Management System* and the *Statement of Recruitment and Hiring Procedures Compliance and Fairness Transparency* to regulate the employee recruitment process in accordance with applicable laws and regulations. The Human Resources Department, as the department responsible for recruitment management, is mainly responsible for personnel demand analysis, publishing recruitment information, resume screening, interview arrangements, background checks, and onboarding arrangements.

Key Performance

Total Number of Employees **14,121**

Signing Rate of Employment Contracts **100%**



Xingfa Group has a diversified recruitment channel, covering online recruitment platforms, campus recruitment, social media recruitment, and more, ensuring it can attract and select outstanding talent from various backgrounds, injecting continuous fresh blood and vitality into the Company's sustained development.

The Company actively responds to national policies, upholding an equal and inclusive recruitment philosophy, prioritizing the recruitment of qualified veterans, and providing employment opportunities for people with disabilities.

Recruitment Channels

Social Recruitment

Online Recruitment: BOSS Zhipin, 51Job, yingjiesheng (www.yingjiesheng.com)

On-site Recruitment: Career Fairs, Industry Exchange Meetings

Campus Recruitment

University Cooperation: Establishing university-enterprise cooperation relationships with several well-known domestic universities, including comprehensive universities, and institutions of science and technology.

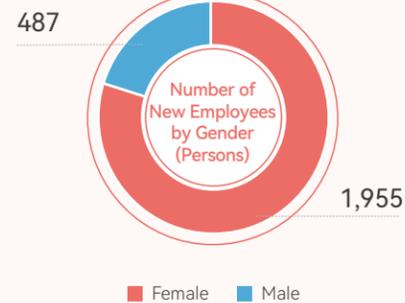
Job Fairs: Participating in career fairs organized by universities, directly promoting the corporate culture and recruitment needs to student groups.

Online Recruitment: Utilizing multiple online recruitment platforms, such as 51Job, yingjiesheng (www.yingjiesheng.com), etc.

Campus Presentation

Case Study

Xingfa Group actively conducts campus recruitment, widely attracting talented individuals. In 2024, the Company recruited 470 talents with a bachelor's degree or above through campus recruitment from 148 domestic and international universities such as Fudan University, Wuhan University, University of Beijing Aeronautics and Astronautics, Huazhong University of Science and Technology.



Division of New Employees

Key Performance

Number of New Employees: **2,442**

Diversity, Equality, and Inclusion

The Company, in accordance with the national *Labor Law of the People's Republic of China*, the *Regulations on Prohibiting the Use of Child Labor* and the *Provisions on Special Protection for Juvenile Workers*, ensures that the age of applicants complies with the national legal labor age standards, avoiding the hiring of child labor. The recruitment team undergoes regular anti-discrimination training, and any form of employment discrimination is strictly prohibited. To ensure that the Company culture, policy orientation, and employee behavior align with human rights standards, the Company continues to strengthen its ability to respect differences and promote inclusiveness, striving to create a fair, harmonious, and inclusive working environment.

During the Reporting Period, no labor discrimination incidents occurred within the Company.

Key Performance

Number of Employees with Disabilities: **40**

Number of Employees of Minority Nationalities: **778**

There are **74** ethnic minority employees in the management team.

Accessible Facilities

The Company has set up accessible pathways and elevators, and other facilities to meet the needs of special groups, demonstrating the Company's active practice of the principles of equality and inclusion.



Accessible Elevator



Accessible Ramps

Remuneration and Benefits

Xingfa Group has established a fair and reasonable compensation and benefits system, as well as a scientific performance assessment mechanism. In the Company's compensation system, employee salaries mainly consist of base salary and performance-based pay. The Human Resources Department uses the "271" assessment principle to evaluate employees, based on their performance in areas such as work attitude, work quality, and team building. This approach fully stimulates employee enthusiasm and innovation, promotes personal growth, and supports the achievement of the Company's strategic and operational goals.

Key Performance

Proportion of Employees Receiving Regular Performance and Career Development Assessment: **100%**

Employee Benefits

Xingfa Group consistently adheres to the concept of collaborative development between employees and the Company, placing equal emphasis on improving employee benefits and enhancing business performance. The Company strictly follows national regulations, ensuring full payment of "five insurances and one fund" for employees, thus solidifying the social security foundation for employees. We also have established a series of diversified welfare policies covering health care, career development support, living subsidies, and other aspects to enhance employees' sense of belonging and loyalty to the Company.

National Requirement	Policy-Based Welfare	Details
National Mandatory Welfare (22 items)	Social Security (6 items)	Basic Pension Insurance, Basic Medical Insurance, Work-related Injury Insurance, Maternity Insurance, Unemployment Insurance, Provident Fund
	Allowance and Subsidy (12 items)	Health Allowance, Underground Allowance, Duty Allowance, Car Reform Allowance, Heatstroke Prevention Subsidy, Only Child Allowance, Review Lecture Subsidy, Phone Subsidy, Construction Site Allowance, Team Leader Allowance (Safety Responsibility Allowance), Relocation Allowance, Second Child Incentive Allowance
	Benefits (4 items)	Nursing Care Allowance During Work-related Injury Hospitalization, One-Time Disability Employment Subsidy, Employee Recuperation, Holiday Supplies
National Encouraging Welfare (14 items)	Social Security (2 items)	Pension, Supplementary Medical Insurance
	Allowance and Subsidy (7 items)	Night Shift Allowance, Director and Supervisor Allowance, Mentor-Mentee Allowance, Skill Allowance, Meal Allowance, Transport Subsidy, Blood Donation Subsidy
	Benefits (5 items)	Major Illness Assistance, Subsidies for Workers in Difficulty, Heatstroke Prevention Supplies, Health Checkups, Work Clothes (Non-PPE Clothes)
Company Self-Defined Welfare (6 items)	Allowance and Subsidy (6 items)	Medical Subsidy, Operation and Maintenance Subsidy, Internal Auditor Subsidy, Housing Subsidy, Subsidy for Children Going to University, Talent Allowance

Employee Benefits

Key Performance

Social Insurance Coverage Rate: **100%**

Employee Stock Ownership Plan

During the Reporting Period, the Company implemented an employee stock ownership plan to unleash employees' potential, strengthen the talent base, and enhance employees' sense of belonging and responsibility, providing momentum for the Company's stable development.

Number of Employees	Total Number of Shares Held	Percentage of Total Share Capital of the Listed Company
1,257	18,068,253 Shares	1.64%

Employee Working Hours

The Company implements the standard working hours system according to the *Labor Law of the People's Republic of China*. Due to seasonal influences and the uneven nature of peak and off-peak seasons in power generation and phosphate mining units, some employees are unable to apply the standard working hours system, and a comprehensive working hours system is implemented.

By adopting a diversified working hours system, the Company ensures the legal rights of employees, enhances job satisfaction and production efficiency, and promotes long-term development in a stable and orderly rhythm, building more harmonious and sustainable labor relations.

Democratic Governance

The Company takes a highly responsible attitude toward employees' rights and diligently fulfills the responsibilities of the employee representative assembly. It actively builds a democratic management system centered around the employee representative assembly. Through the continuous and steady establishment of key democratic management platforms, such as the representative assembly and trade unions, the Company promotes democratic management towards standardization, institutionalization, and rule of law, comprehensively safeguarding employees' legal rights.

The Company organizes the employee representative assembly in an orderly manner, seriously handles and addresses representatives' proposals, with a proposal response rate of 100% and a satisfaction rate of over 95%. The employee representative assembly approved important projects such as the Ten Safety and Environmental Protection Bans of Xingfa Group, corporate pensions and supplementary medical insurance, employee handbook, employee employment contracts, and collective employment contracts, fully demonstrating the key role of democratic management in corporate governance.

Key Performance

Projects Reviewed and Approved at the Employee Congress: **3** Items

Projects Reviewed and Approved by the Trade Union: **6** Items

Proportion of Trade Labor Members to In-Service Employees: **100%**

Employee Communication Channels

The Company attaches great importance to communication and interaction with employees. Through employee forums, the employee representative assembly, Xingfa Group News, radio broadcasts, bulletin boards, and the OA office system, information is transmitted in a timely manner, and employees' demands are widely collected. The Company's management regularly conducts in-depth research on the production frontlines, holding on-site meetings multiple times to analyze and resolve production and operational difficulties, as well as challenges employees face in their work and daily lives. This approach effectively resolves employees' concerns, fully stimulates their enthusiasm for work, and fosters a positive corporate atmosphere.

Resolution of Labor Disputes

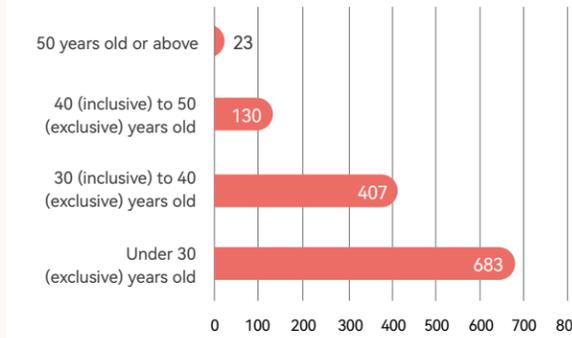
The Company has established the *Rules of Work of People's Mediation Committee* and set up the People's Mediation Committee of Xingfa Group to define responsibilities, work principles, the rights and obligations of mediation applicants, and the mediation process. In the event of a labor dispute that has not yet been submitted for arbitration, the Company prioritizes negotiation with the employee, striving to continue fulfilling the employment contract or mutually agreeing to terminate the contract. If no agreement can be reached, and the Company is required by law to terminate the employment contract, except when the employee has seriously violated rules and regulations or other statutory situations, the Company will notify the union in writing and obtain its written consent. The Company will notify the employee in writing 30 days in advance and proceed with the employee's departure procedures within the prescribed time, providing a resignation certificate. During the Reporting Period, the Company and its subsidiaries had 19 labor dispute cases, 18 of which have been resolved, mainly through mediation.



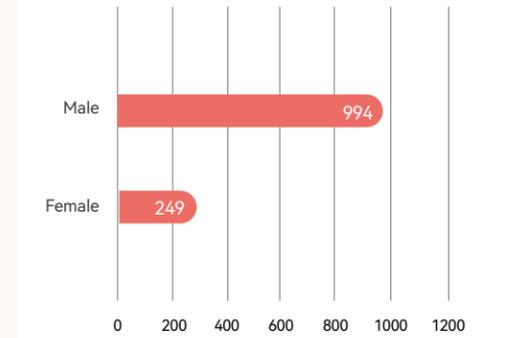
Resignation Management

Xingfa Group has established the *Measures for Handling the Performance of Employment Contracts*, clearly outlining various scenarios and strategies for dealing with employment contract performance, safeguarding the legitimate rights of both parties, and ensuring strict contract compliance. The Company has launched the *Explanation to Employee Resignation/Termination Procedure*, which outlines the complete process for an employee's normal resignation or dismissal due to special circumstances. The procedures, from application and approval to subsequent formalities, are clearly defined and standardized, ensuring that all operations are legal, compliant, fair, and just, maintaining a good relationship between the Company and its employees, and supporting the Company's stable operations.

Number of Retired Employees by Age (Persons)

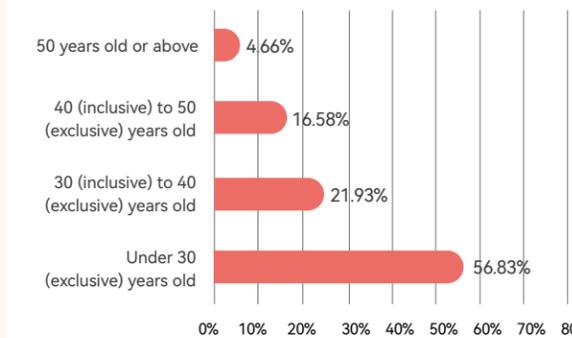


Number of Retired Employees by Gender (Persons)

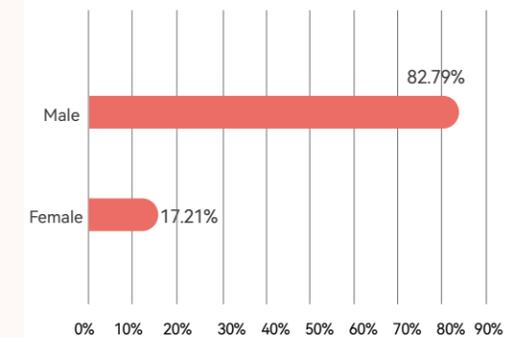


Number of Employees Resigned

Employee Turnover Rate by Age



Employee Turnover Rate by Gender



Employee Turnover Rate



Key Performance

Employee Resignations: **1,243** Persons

Overall Employee Turnover Rate: **8.8%**, a decrease for 3 consecutive years

Care for Employee

The Company places high importance on employee care. On the one hand, it proactively visits and offers support to employees in difficulty, providing warmth and assistance. On the other hand, it actively organizes a variety of employee activities to enhance mutual understanding and trust, offering employees a good platform to relieve work stress and refresh their minds and bodies, fostering a positive, vibrant working environment.

▶ Employee Sports Meeting

Case Study

On May 12, 2024, the “2024 Xingfa Group Employee Sports Meeting” opening ceremony was held at the Minzu Sports Hall in Yuyangguan Town of Wufeng County. The sports meeting included 8 categories and 22 individual events, such as basketball and badminton. During the competition, athletes faced challenges and fought hard, referees upheld fairness and justice, staff performed their duties with dedication and attentive service, and cheerleaders provided polite encouragement. The event, being “well-themed, civilized and wonderful, safe and successful”, displayed excellent sportsmanship and ethical conduct, and realized both sporting success and spiritual civilization.



▶ Visit to Frontline Marketing Personnel

Case Study

On January 31, 2024, a member of the Xingfa Group Party Committee, the Vice President of the Company, the Party Secretary, and the Chairperson of the Trade Union, along with the relevant staff from the Trade Union and the Party Committee, visited and extended their care to marketing representatives who fearlessly took risks and bravely went abroad to explore new markets during the pandemic. During the visit, the team listened attentively to the marketing representatives’ work experiences and difficulties overseas, highly praised their outstanding contributions to the development of the Company, and conveyed the Company’s care and respect.



Protection of Women's Rights and Interests

The Company places great emphasis on the protection of women’s rights and actively builds and improves a comprehensive system for safeguarding women’s rights. In terms of system construction, the Company has formulated the *Notice on Maternity Leave and Benefits for Female Employees* and the *Notice on Proper Internal Retirement Work for Female Employees*. Additionally, to safeguard women’s rights, the Company has implemented various welfare policies, organized diverse activities for female employees, and is committed to ensuring that every female employee deeply feels cared for and respected, achieving a beautiful blend of personal value and company development.

Measures for Female Welfare

Through employee representative meetings, seminars, and exchange sessions, the Company listens to female employees’ proposals and discusses and implements the adopted proposals after the meetings.

Health insurance is purchased for all female employees, and assistance is provided to employees who are ill to help them with claims.

A gynecological health check-up is conducted for female employees every two years.

Policies related to the second and third child births are introduced, and employees giving birth to a second or third child are given a one-time reward. Female employees are entitled to 1 year of maternity leave per child.

▶ International Women’s Day Event

Case Study

To further enhance the combat effectiveness, creativity, and cohesion of grassroots women’s organizations, and to fully utilize the role of grassroots women’s organizations, the Company organizes a series of celebratory activities for International Women’s Day.



Key Performance

Proportion of Female Employees in Management: **10%**

Employees on Maternity Leave: **156**

Return Rate: **100%**

Assistance for Employees in Difficulty

To ensure the effective execution of the annual visit and care for employees in difficulty, the trade union has developed a detailed plan for visiting employees' homes and delivering warmth. It has established a long-term mechanism for caring and helping employees in difficulty, further deepening and solidifying the "delivery of warmth" program to ensure no employee is left behind.

▶ Assistance for Employees in Difficulty

Case Study

On December 23, 2024, the group party committee held a special meeting to hear the report from the group union regarding assistance for employees in difficulty. The committee decided to allocate special funds to help employees who are facing difficulties due to illness or natural disasters. The union organizations at all levels were required to further strengthen their responsibilities, enhance humanistic care for employees, and ensure that the warmth of the party committee and the concern of the union reach the hearts of the employees, allowing them to work with peace of mind, live happily, and enjoy a joyful and peaceful holiday season.

Assistance Expenditures in 2024

- ✓ The Company contributed RMB **1.195** million to provide assistance to **241** employees facing difficulties.
- ✓ The Company secured RMB **191,000** to assist **11** registered poverty-stricken households, and RMB **235,000** to carry out warmth-giving activities for **109** employees.
- ✓ The Company secured RMB **76,000** to provide educational assistance to the children of **34** employees.
- ✓ The Company contributed RMB **11.9553** million to distribute rice, oil, oranges, tea, and other welfare benefits to all members.
- ✓ The Company organized **84** person-times of model workers to travel to Qingdao and Shennongjia for therapeutic rest and relaxation.

Training and Development

To further standardize the Company's employee training management and enhance employee quality and capability, the Company adheres to the training principles of "full participation, classification and grading, evaluation and assessment, with promotion and training linked" in accordance with relevant laws, regulations, and the *Human Resources Management System* in order to create a scientific, systematic, and efficient training system that supports the personal career growth of employees.

Employee Training

To further standardize employee training management, and in line with relevant laws, regulations, policy documents, and the *Human Resources Management System*, Xingfa Group has formulated the *Management Measures for Employee Training* based on the actual training management practices of the Company. A training management system has been established, consisting of company-level and unit-level training. The human resources department serves as the core management entity for employee training, overseeing all training activities. The training center is responsible for organizing and implementing company-level training, while the employing units are the responsible parties for training their respective employees.

The Company designs training course evaluation indicators according to the principles of "objective, fair, and operational," and develops improvement plans based on evaluation results. The Company-level training program clearly defines assessment standards and strictly enforces them; unit-level employee training is conducted according to the training management requirements of each employing unit.

Main Responsibilities of the Human Resources Department

- ✓ Responsible for organizing the formulation and improvement of employee training management-related rules and regulations.
- ✓ Responsible for organizing the preparation of the Company's annual training plan and budget.
- ✓ Responsible for guiding, supervising, inspecting, and evaluating all levels of training.

Main Responsibilities of the Training Center

- ✓ Undertake the construction and management of company-level training projects and course systems.
- ✓ Take charge of the construction and management of the Company's trainer team.
- ✓ Organize the formulation of specific implementation plans for company-level training projects.
- ✓ Coordinate with employing units to organize implementation and evaluate training situations.
- ✓ Collect and archive company-level employee training records.
- ✓ Collect, organize, and submit employee training information, and provide guidance and supervision for unit-level training.
- ✓ Provide management and service related to vocational skills certification.
- ✓ Coordinate the acquisition of government subsidies and honors related to company training.
- ✓ Coordinate the construction and management of the Company's training information system.

Main Responsibilities of the Employing Unit

- ✓ Organize the preparation of annual training plans and budgets for the employees under their jurisdiction.
- ✓ Designate a person to cooperate with the implementation of company-level training tasks, build teaching material libraries, and develop the trainer team.
- ✓ Manage the training course system and instructor team at the unit level, implementing training according to the plan, and archiving employee training records.

Company-level employee training focuses on the construction of five categories of general training projects: "safety specialization, chemical skills, intelligent specialization, business specialization, and management capability." It establishes responsibility systems for training projects and course leaders, and implements corresponding advanced, intermediate, and beginner training course systems.

▶ Onboarding Training on College Graduate from Campus Recruitment

Case Study

On July 9, 2024, Xingfa Group held the 2024 Opening Ceremony of the Onboarding Training for New Hires from Campus Recruitment in Xingshan. The training invited company executives and university lecturers to teach personally. Customized training courses such as the *Growth and Development of Xingfa* and the *Self-Cultivation and Role Transformation at Workplace* were provided to lead the trainees into Xingfa, understand the Company culture, grasp the corporate spirit, and enhance personal qualities.



Key Performance

Investment in Employee Training: RMB **21,024,700**

Total Training Sessions: **100** Sessions

Total Number of Trainees: **11,350** Persons

Total Training Duration: **608,246.5** Hours

Average Annual Training Duration Per Employee: **53.59** Hours

Coverage Rate of Employee Training: **100%**

Training Platform and Instructor Team

To standardize the management of the Company's trainer team and build a high-quality trainer team, the Company adheres to the principle of "balancing internal and external efforts" and has formulated the *Measures for Trainer Management*. The Training Center is responsible for the construction and daily management of the trainer team, including the selection, evaluation, and other aspects; aiming to build a high-quality, professional trainer team to provide solid support for the Company's training work.

The Company established Xingfa Vocational School and has initially developed a structured curriculum system, advancing course development through both management rotation training and skills-based practical training. This system covers three levels - grass-roots, middle, and senior - to meet the learning needs of employees at different stages. It aims to enhance both managerial competence and professional skills. Skill training is organized by job type through dedicated professional platforms, with a platform director responsibility system in place. Each platform director is responsible for the overall planning, construction, and operational management of their respective training platform.

▶ Training for Primary Management 📄 Case Study

The Company offers the 6-day training in a full-time format. Employees from different units must complete at least one week of online video learning before the course and pass a pre-course exam. During the course, the Company will use a combination of various teaching methods for concentrated instruction. After the course, specialized problem-solving and post-course tutoring will be provided to ensure that the training content is effectively implemented.



Training on Information Technology

The Company's employee training adopts a combination of online and offline methods. The Training Center, based on Xingfa Group's Online Training Academy and SAP system, gradually builds a sound information-based training platform to accelerate the informatization of the entire training management process. Employees can view training courses, participate in online learning, complete assignments and exams through the platform, and get certificates after completing the required course hours and passing the exams.

University-Enterprise Cooperation

The Company actively engages in university-enterprise cooperation, establishing close connections with 2 undergraduate universities, 5 vocational colleges, and 5 secondary vocational schools, with a total of 2,857 individuals trained.

▶ Signing of University-Enterprise Cooperation Agreement 📄 Case Study

On November 22, 2024, the signing ceremony for the university-enterprise cooperation between Xingfa Group, Hubei Land Resources Vocational College, and Xingshan County Vocational Education Center was grandly held at Hubei Land Resources Vocational College. According to the agreement, the three parties will carry out a "3+2" segmented training program (3 years of study at Xingshan County Vocational Education Center, followed by 2 years of study in a Special Class of Xingfa Group at Hubei Land Resources Vocational College after graduation from the secondary vocational school). The three parties will deepen cooperation in employee training, the construction of high-quality industry-academia-research platforms, and graduate employment cooperation.



Employee Promotion

The Company places great importance on talent development and utilization. On the one hand, it establishes four major career development paths in management, including technology, marketing, and skills; providing growth paths and platforms for different types of talent to showcase their abilities. On the other hand, in terms of talent utilization, the Company focuses on selecting outstanding talents from recruited university graduates, and through layers of recommendation and assessment, internal open recruitment, and public recruitment, selects excellent middle and grassroots-level management and technical personnel, thereby stimulating team vitality.

Internal Transfers

Xingfa Group has formulated the Employee Position Change and Work Handover Management Guidelines in accordance with the *Company Law of the People's Republic of China*, the *Labor Law of the People's Republic of China*, and other relevant national laws and regulations, as well as the *Articles of Association* and the *Human Resources Management System*. These guidelines aim to standardize the work handover process during employee position changes. The human resources department, responsible for managing both position changes and work handover, oversees the entire process whenever an employee changes roles.

📄 Key Performance

Number of Employees from Successful Internal Transfers or Internal Job Application: **1,021** Persons

Percentage of Employees from Successful Internal Transfers or Internal Job Application: **7.23%**

Occupational Health and Safety

Xingfa Group has established a comprehensive safety system and framework by strictly adhering to the *Work Safety Law of the People's Republic of China* and the *Occupational Disease Prevention and Control Law of the People's Republic of China*, as well as other relevant laws and regulations. Through emergency drills and hazard inspections, the Company ensures operational safety and employee well-being, thereby building a strong safety foundation for talent development and the stable operation of the business. During the Reporting Period, no major safety accidents have occurred in the Company.

Governance

Xingfa Group has developed the *Safety Management System* and other relevant regulations based on national laws and regulations such as the *Work Safety Law of the People's Republic of China*, the *Mining Safety Law of the People's Republic of China*, the *Occupational Disease Prevention and Control Law of the People's Republic of China*, and the *Regulations on the Reporting and Investigation of Production Safety Accidents*, as well as the *Basic Norms for Internal Control* and the *Articles of Association*. The Safety Production Committee is responsible for overseeing safety management and strengthening processes to effectively prevent and minimize accidents. To further enhance safety management, we sign safety responsibility agreements with employees, ensuring that safety measures are fully implemented at every stage of the process.

Responsible for the formulation of the Company's safety production regulations, management standards, and safety production policies.

Responsible for regularly holding safety production meetings, analyzing the Company's safety production situation, and addressing major safety production issues.

Responsible for overseeing the enforcement of safety production laws, regulations, and rules across units, and ensuring that management at all levels fulfills their safety production responsibilities.

Responsible for organizing safety awareness and education activities, as well as the training and assessment of the Company's safety management personnel.

Responsible for supervising and inspecting each unit's monitoring of major hazard sources and the rectification of significant accident hazards.

Responsible for conducting annual safety goal assessments for each unit and holding individuals accountable for accidents resulting from failure to meet safety production standards.

Responsible for organizing and coordinating the investigation and handling of safety production accidents within the Company's scope of management.

Responsible for regularly organizing specialized teams to conduct targeted inspections of safety management performance at each unit and level, identify issues, and ensure timely rectification.

Responsibility of Safety Production Committee

During the Reporting Period, the Company passed the certification of the ISO 45001 Occupational Health and Safety Management System.



Occupational Health and Safety Management System Certification

Safety Production Responsibility Assessment

To fulfill the primary responsibility for safety, environmental protection, and internal security, and strengthen management, each subsidiary has prepared the *2024 Safety, Environmental Protection, and Internal Security Target Management Responsibility Statement* in line with national laws, government directives, and company policies. Xingfa Group has established a safety responsibility system for all employees, featuring clear accountability assessments, well-defined evaluation criteria, publicly displayed results, and corresponding rewards and penalties.

Key Performance

Safety production responsibility agreement signing rate **100%**

Safety Management Trainings

Xingfa Group has developed the *2024 Training Plan*, and has actively conducted comprehensive, multi-level safety training activities. The training program covers a wide range of topics, including safety and environmental laws and regulations, safety leadership, instrumentation safety, and other specialized areas. The goal is to strengthen employees' understanding of key safety aspects in the production process and enhance both their safety awareness and professional skills.

The First Lesson about Work Safety in 2024

Case Study

On February 21, 2024, Xingfa Group invited leaders from the relevant authorities to give the First Lesson about Work Safety in 2024 to safety managers of the Company through video conference. The training aimed to reinforce the importance of prioritizing safety in production and strengthen the core responsibility for safety management.



▶ Enhancing Employee Health Literacy Through Comprehensive Occupational Disease Prevention Campaigns 📄 Case Study

To promote the *Occupational Disease Prevention and Control Law of the People's Republic of China*, the Safety and Environmental Protection Department of Hubei Xingrui, a subsidiary of Xingfa Group, displayed banners and posters at the workplace. During Occupational Health Awareness Week, SMS messages on occupational health were sent to employees every day. In addition, regular training sessions were conducted, covering topics such as the *Occupational Disease Prevention and Control Law of the People's Republic of China*, dust hazard prevention, and occupational health literacy. These initiatives aimed to strengthen employees' awareness of occupational disease prevention, promote knowledge of preventive measures, and enhance their emergency response capabilities.



📄 Key Performance

Safety Education Budget: RMB **13,239,400** Participants in Training on Safety: **200,122** Person-times
 Coverage Rate of Training on Security Education: **100%** Coverage Rate of Training on Safety Risk Prevention: **100%**

Strategy

Risk Type	Description of Risk	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Health risk	Employees who are exposed to chemical materials for extended periods may develop occupational diseases such as respiratory illnesses, poisoning, and other health issues.	Medium term	Operations	Increase in operating costs	Enhance the provision and management of personal protective equipment; regularly organize occupational health check-ups for employees; and optimize production processes to reduce exposure to harmful substances.
Safety risk	The operation of chemical production equipment is complex and may result in accidents such as mechanical injuries, electric shocks, and other hazards.	Short term	Operations	Increase in operating costs	Refine safety operating procedures and strengthen safety training for employees; regularly maintain and service equipment; also, install safety protective devices.
Management Risks	The occupational health and safety management system is incomplete, with ineffective implementation.	Long term	Operations	Increase in operating costs	Establish and improve the occupational health and safety management system; and strengthen internal supervision and assessment to ensure effective implementation of the system.

Opportunity Type	Description of Opportunity	Duration of Impact	Impact on Value Chain	Potential Financial Impact	Countermeasures
Technological Opportunities	Intelligent technologies can be used for remote equipment monitoring and automated operations, reducing on-site operational risks for employees. Green chemistry technologies can minimize the use of harmful chemicals, improving the work environment from the source.	Medium term	Operations	Reduction in operating costs	Increase investment in research and development, collaborate with research institutions, introduce and independently develop intelligent and green chemistry technologies; conduct training for employees on these technologies.
Policy Opportunities	The government is tightening its supervision of occupational health and safety in enterprises, urging them to upgrade their standards.	Long term	Operations	Reduction in operating costs	Respond actively to policies and take proactive actions to improve the occupational health and safety management level.
Talent development opportunity	A favorable occupational health and safety environment helps attract top talent.	Long term	Operations	Increase in operating income	Consistently improve the occupational health and safety environment while enhancing publicity and promotion.
Opportunity for improving social image	Outstanding performance in occupational health and safety enhances the Company's social image.	Long term	Upstream and downstream	Increase in operating income	Strengthen the publicity of occupational health and safety achievements to establish a positive corporate image.

Impact, Risk, and Opportunity Management

To ensure the implementation of management measures and strengthen risk management, the Company follows the *Notice on Strengthening the Company's Risk Grading and Control Measures* formulated by Yichang Xingfa Group, reinforcing primary responsibility and the frequency of tiered inspections.

Identification of hidden hazards

We place high importance on safety production and take active steps in hazard inspections. All subsidiaries strictly adhere to the requirements of the relevant authorities and the Company's *Three-Year Action Plan for Root Cause Elimination (2024-2026)*, actively engaging in safety hazard inspections. During the Reporting Period, the main leaders of each subsidiary led specialized groups to conduct self-inspections and corrections in accordance with the *20 Criteria for Identifying Major Safety Hazards in Hazardous Chemical Production and Operations*, there are no significant safety hazards identified.

📄 Key Performance

Rectification Rate for Identified Hazards Within the Designated Timeframe: **100%**

Contingency Plans and Drills

To effectively implement the *Emergency Response Law of the People's Republic of China* and the *Production Safety Law of the People's Republic of China*, and to ensure efficient rescue operations in the event of a production safety accident, protecting both employee safety and company property, each production unit has developed an *Emergency Response Plan for Production Safety Accidents* to guide emergency rescue actions and regular training and drills.

To improve emergency response capabilities, Xingfa Group regularly holds safety drills, safeguarding the stable operation of core business activities and reducing potential risks and losses.

▶ Reinforcing the Safety Defense Line with the Firefighting Team Framework 📄 Case Study

Each unit has formed a part-time firefighting team comprising employees, while full-time firefighting teams have been established in the Yichang, Yidu, and Inner Mongolia campuses. These teams carry out daily patrols and regularly conduct joint emergency drills with production units. They not only ensure internal emergency response but also collaborate with neighboring businesses and communities to handle emergencies, boosting the Company's social presence.



📄 Key Performance

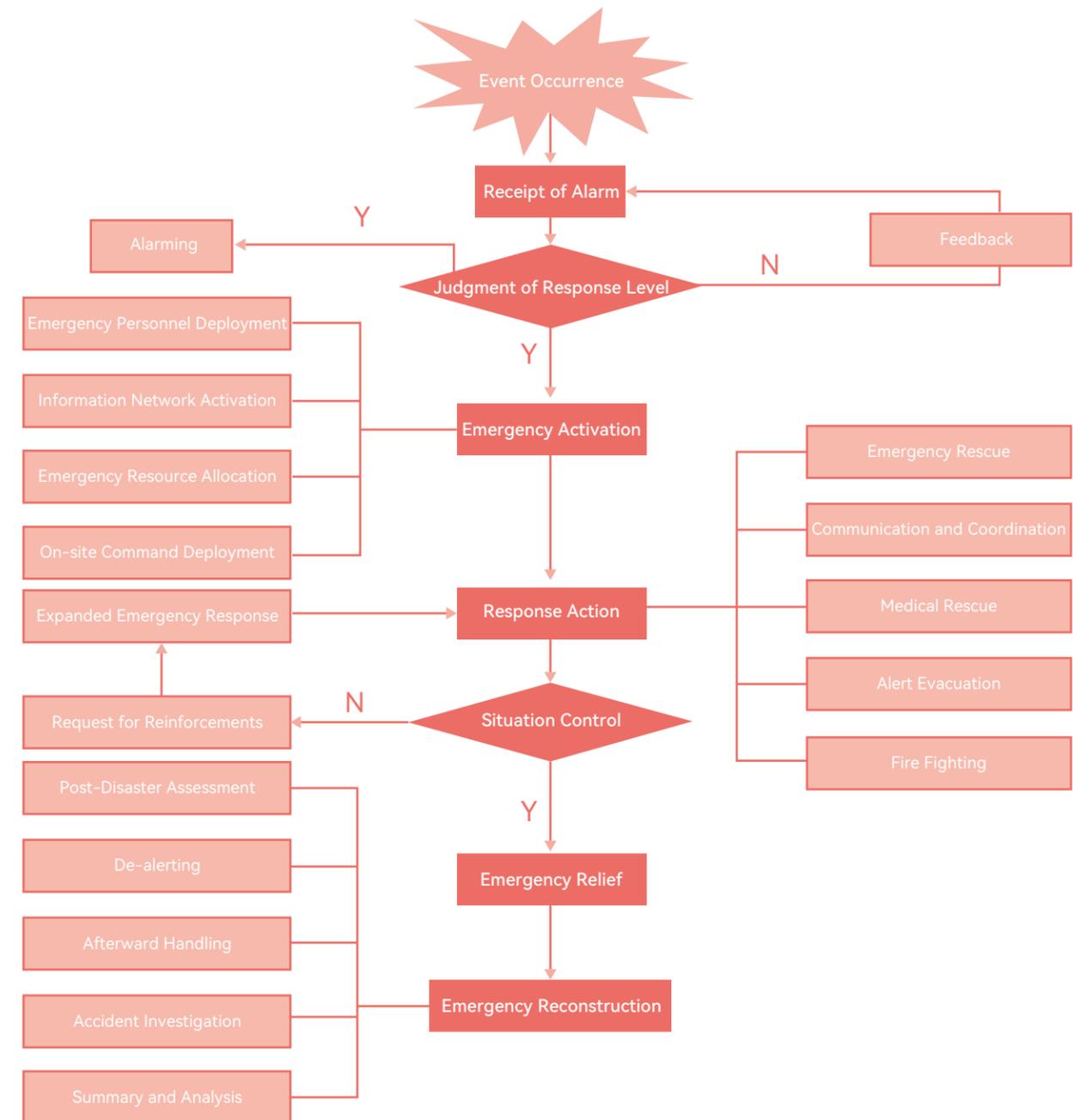
Number of Safety Emergency Drills: **1,699** Investment in Safety Production: RMB **209,204,800**

Number of Participants or Observers in the Drills: **32,563** Person-times

Response to Emergencies

Safety production has always been a top priority in our production operations. In the event of a production safety accident, personnel at all levels respond quickly, and all departments and teams collaborate closely to efficiently implement a series of emergency measures, prioritizing employee safety and minimizing accident-related losses.

Emergency Response Process for Production Safety Accidents



Metrics and Targets

Xingfa Group has developed a set of comprehensive and forward-thinking occupational health and safety goals, aligning with industry characteristics and regulatory requirements, to establish a solid foundation for a safe and healthy work environment.

Occupational Health and Safety

Accident control goal

Zero accidents of category 6 and above.

Site management goals

100% safety ticket usage rate, **100%** employee qualification rate for their positions, **100%** hazard rectification rate, and **100%** protective equipment usage rate. **100%** compliance rate for tail gas and wastewater emissions, and **100%** rate for comprehensive utilization and safe disposal of various solid waste and hazardous waste. Rigorous investigation and handling of the “three violations”, with **zero** major hazards identified in external inspections.

Public security management goals

100% legal education rate, no criminal or public security cases (including loss of hazardous chemicals and explosives).

Basic management goals

Well-organized and complete basic records, effective provision of protective equipment and emergency tools, **100%** operational rate for safety and environmental protection systems, **100%** pass rate for three-level safety education, **100%** qualification rate for three types of personnel, and synchronization of safety, environmental protection, fire safety, and occupational health procedures with production facilities for newly constructed, renovated, and expanded projects.

Occupational Health Management Measures

To effectively implement the decisions and plans for occupational disease prevention, Xingfa Group has taken proactive actions with a multi-faceted approach, including the provision of comprehensive occupational disease protection facilities, and the placement of prominent warning signs in the workplace to ensure employee safety during operations. Moreover, the Company has established a personal occupational health file for each employee to track their health status in real-time, providing all-around protection for their occupational health.

Occupational Hazard Detection and Health Check-up

Xingfa Group always prioritizes employees’ occupational health and strictly follows the requirements of the *Occupational Disease Prevention and Control Law of the People’s Republic of China*. We have formulated the *Management Measures for Occupational Disease Diagnosis, Identification, and Benefits Implementation* to safeguard employees’ rights and interests at the institutional level. The Company arranges regular occupational health monitoring and thorough physical check-ups to identify occupational injuries as early as possible. Additionally, regular detection of hazard factors in the workplace is conducted to ensure all-around protection of employees’ health. During the Reporting Period, the Company engaged a third-party testing agency to assess occupational hazards and issue a report on the detection of these hazards.

During the Reporting Period, the Company arranged occupational health check-ups for employees.

Key Performance

Coverage Rate for Employee Health Checkups: **100%**

Occupational Hazard Detection Rate: **100%**

Pass Rate for Occupational Hazard Monitoring: **100%**

Number of New Occupational Diseases: **0**

HSE Safety Management Information Platform

HSE is an information platform centered around the Hubei Province “12345” safety management model. It covers safety management elements such as organizational structure and responsibilities, hazard (safety risk) management, laws and regulations and corporate policies, hazardous operation management, emergency management, accident handling, individual records, education and training with certification, and more. Additionally, the platform provides management functions such as statistical reports and a mobile app, aligning with the safety production management characteristics of Xingfa Group.

Institutionalized Management

Xingfa Group has identified the laws, safety management practices, and operating procedures required for compliance, forming a comprehensive regulatory framework.

Dual Safety Prevention

Our dual safety prevention efforts cover registration of major hazard sources, the announcement of the responsibility system, safety classification and control, and inspection of potential hazards. The integration of hazard inspections with the EAM system has been implemented in selected workshops at Trisun Chemical and Hubei Xingrui.

Safety Production Responsibilities

Xingfa Group conducts safety performance evaluations for both units and individuals, leveraging online statistics to track the effectiveness of safety management implementation.

Education and Training

It includes five submodules: training needs assessment, training planning, training record management, position safety awareness cards, and contractor management.

On-site Management

It includes five submodules: position risk forecasting, management of non-routine tasks, handling of special operations, equipment health record maintenance, and change management.

General Management

It includes seven submodules: personnel qualification management, process safety management, hazardous chemicals management, emergency and incident management, safety production cost management, safety news, and announcements.

Occupational Health

It includes four submodules: occupational hazard management, occupational health monitoring records, protective equipment management, and occupational hazard detection and evaluation.

Environmental management

It includes six submodules: environmental planning management, environmental regulation management, environmental factors management, environmental facility management, pollutant emission management, and hazardous waste management, with all core environmental management tasks being managed online.

One File for One Employee

One file is created for each employee, containing employee basic information, health archives, training and educational records, as well as operational task logs.



Contractor Management

Xingfa Group has formulated the *Contractor Management System* to strengthen the management of contractors, provide safety training, improve safety awareness and service quality, protect employees' lives and property, and prevent accidents and incidents at the source.

Active Response to National Initiatives

Xingfa Group actively participates in the Belt and Road Initiative by promoting our chemical industry technologies and expertise in the countries/regions along the Belt and Road.

▶ Xingfa Group's Journey in the Belt and Road Initiative

Case Study

In 2023, the Company expanded internationally by acquiring the Indonesian company PT. Adil Makmur Fajar (AMCO), which is our first overseas production base. In 2024, to establish AMOC as a leader in Indonesia's agricultural chemical sector, Xingfa Group deployed a team of management and technical experts to AMOC. We provided comprehensive support across multiple areas, including governance structure, financial systems, technology, and production processes. This effort aimed to unlock AMOC's potential and actively contribute to providing more green crop protection services for the agriculture industry in Indonesia and Southeast Asia, supporting sustainable economic growth and benefiting local farmers.

Following the acquisition of AMOC in Indonesia, the Company successfully acquired Banagro in Ghana in 2024. This acquisition also marked the first platform for Xingfa Group in Africa. To enhance employee competitiveness, we organized a 6-month training program at the headquarters for foreign employees and provided financial support of USD 10,000 to help employees struggling with health issues.

Rural Revitalization

With a strong commitment to social responsibility, Xingfa Group continues to focus on contributing to rural revitalization. Focusing on key poverty-stricken areas such as Shukongping and Maocaoping villages in Xingshan County, Xingfa Group strategically invests in industry support, infrastructure development, and talent cultivation, making significant contributions to the economic growth and improvement of livelihoods in these villages, thereby solidifying the achievements of poverty alleviation.

Maocaoping Village

Livelihood Support

Xingfa Group built a new water supply station for Maocaoping Village.

Industry Support

Xingfa Group assisted in the sale of pork, vegetables, and other agricultural products, with a total value of RMB **750,000**.

Medical Support

Xingfa Group incorporated four households affected by illness or accidents, leading to poverty or a return to poverty, into the monitoring program, with support measures including social aid and medical insurance provided.

Employment Support

Xingfa Group provided over **20** job opportunities, with more than **100** local villagers employed at places like the mines and canteens of Xingfa Group. The average annual income per person is approximately RMB **50,000**, significantly expanding employment prospects for the villagers.

Ecological Conservation

Xingfa Group collaborated with the village committees to achieve the "Harmonious and Beautiful Village" goal. The Company organizes a "Clean Village Day" every Friday, encouraging villagers to participate in waste sorting, which helps enhance the overall environment of the village. Additionally, we continue our efforts in building a "Safe Village".

The village work team requested materials, including steel and cement, worth approximately RMB **150,000** from Xingfa Group, while the Houping Phosphate Mine provided RMB **3** million for the overall environmental renovation of the Lugou area.

Shukongping Village

Livelihood Support

- ✓ As part of the “Warm Winter Campaign”, **412** sets of Spring Festival relief supplies were distributed to those in need.
- ✓ Xingfa Group completed the construction of squares for Jiangjiawan and Dingjiahe villages, as well as the parking lot in Luziping Village and the village committee building.
- ✓ In 2024, Xingfa Group supported a total of **11** individuals through the Spring Rain Dew Program, with a total funding of RMB **16,500**.
- ✓ In 2024, Xingfa Group provided temporary aids to a total of **6** individuals through the special hardship relief program, with a total funding of RMB **16,800**.
- ✓ Home visits were made to elderly people living alone, senior citizens, and children in need as part of the “Knock on Doors” initiative.
- ✓ Xingfa Group upgraded the drinking water systems for **41** households in the village to ensure safe and high-quality water supply.
- ✓ Xingfa Group purchased social security insurance for poverty-stricken households, low-income families, and households receiving basic living allowances.
- ✓ Xingfa Group invested more than RMB **200,000** in the maintenance of the Dachong-Tongzu road, and allocated over RMB **400,000** for the improvement of Yujiayuanzi’s farmland drainage system. Additionally, Shukongping Phosphate Mine provided approximately RMB **20,000** worth of materials, including I-beams and iron plates.
- ✓ Xingfa Group actively sought funds from higher-level authorities to construct a **1,538**-meter-long road connecting village industries to households, which has now been completed and is in use.

Industry Support

Xingfa Group leased 15 mu of land to support the growth of the village collective economy, where sweet corn was planted.

Employment Support

Xingfa Group prioritized local villagers for employment at Shukongping Phosphate Mine.

Ecological Conservation

In 2024, the Company organized **12** environmental governance and Village Cleanliness Day activities, along with **4** events for rewarding participation in the rural civility points system. Additionally, **12** campaigns were conducted to promote environmental and cultural reform policies, and **46** posts were shared in the village WeChat group to publicize these policies.

Key Performance

Investment in Rural Revitalization: RMB **60.2** million

Number of People Benefited from the Rural Revitalization Initiative: Over **40,000** Persons

Xingfa Group donated RMB **1,238,800** to Gufu Town for the construction of the Xianshui River and the Mantianxing Infrastructure Project.

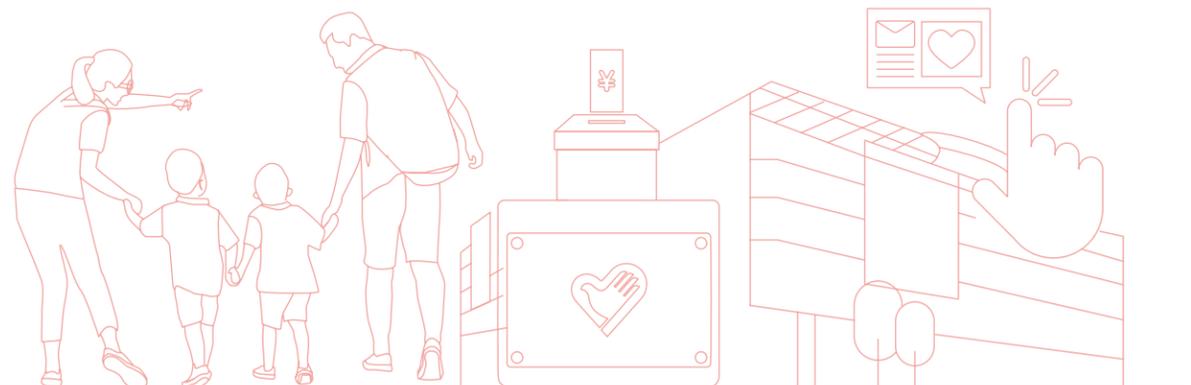
Xingfa Group allocated RMB **250,000** for the water quality improvement and ecological restoration project at Gudongkou Reservoir.

Social Welfare

Xingfa Group also actively supports various charitable initiatives, focuses on addressing the real needs of women and children, and works closely with many nonprofit organizations. Through concrete actions, we deeply integrate into social welfare activities and consistently contribute to the advancement of public welfare.

Key Performance

External Donation: RMB **107,310,200**



Appendix

ESG Performance Overview

Indicator Name		Unit	2024
Governance Dimension Performance			
Economic Performance			
Total Assets		RMB billion	47.776
Operating Income		RMB billion	28.396
Net Profits		RMB billion	1.619
Net Profit Attributable to Shareholders of the Parent Company		RMB billion	1.601
Governance through the General Meeting of Shareholders, Board of Directors, and Supervisory Board			
General Meetings of Shareholders Convened		Sessions	4
Proposals Reviewed and Approved at the General Meeting of Shareholders		Items	18
Meetings of the Board of Directors Convened		Sessions	9
Proposals Reviewed and Approved at the Meetings of the Board of Directors		Items	56
Average Attendance Rate of Members of Board Members		%	100
Number of Members of the Board of Directors		Persons	13
By Gender	Male	Persons	12
	Female	Persons	1
By Position	Independent Directors	Persons	7
	Non-Independent Directors	Persons	6
By Age	40 (inclusive) to 50 (exclusive) years old	Persons	2
	50 (inclusive) to 60 (exclusive) years old	Persons	6
	60 years old or above	Persons	5
By Ethnicity	Han Nationality	Persons	10
	Miao Nationality	Persons	2
	Tujia Nationality	Persons	1

Indicator Name		Unit	2024
Governance Dimension Performance			
Meetings of the Supervisory Board Convened		Times	8
Proposals Reviewed and Approved at the Meetings of the Supervisory Board		Items	26
Average Attendance Rate of Members of the Supervisory Board		%	100
Compliant operations			
Training on Laws and Regulations (Session)		Times	22
Duration of Training on Laws and Regulations		Hours	64
Number of Participants in Training on Laws and Regulations		Person-times	2,265
Number of Legal Personnel Participating in Training		Persons	19
Information Disclosure			
Regular Reports for Public Disclosure		Copies	4
Provisional Reports for Public Disclosure		Copies	81
Penalties for Violations in Information Disclosure		Times	0
Protection of shareholders' rights and interests			
Number of On-Site Investor Surveys Received		Times	18
Participants in On-Site Investor Surveys Received		Person-times	100
Total Performance Briefings Convened		Times	4
Number of Investor Questions Answered		Pieces	114
Risk Control			
Financial Audit Report		Copies	44
Project Settlement Audit Report		Copies	523
Anti-Commercial Bribery and Anti-Corruption			
Signing Rate of Integrity Agreement		%	100

Indicator Name	Unit	2024
Environmental Dimension		
Response to Climate Change		
Total GHG Emissions	t CO ₂ e	6,432,033
Including: Scope 1 GHG Emissions	t CO ₂ e	3,863,177
Scope 2 GHG Emissions	t CO ₂ e	2,568,856
GHG Emission Intensity	t CO ₂ e/Ton of Product	0.339
Environmental Compliance Management		
Total Investment in Environmental Protection	RMB 10,000	37,601.17
Training on Environmental Protection	Times	58
Number of Participants in Training on Environmental Protection	Person-times	1,539
Duration of Training on Environmental Protection	Hours	1,965
Pollutant Emissions		
Wastewater Discharges	10,000 tons	1,042.25
Wastewater Discharge Intensity	Tons / 10,000 yuan of revenue	3.67
Chemical Oxygen Demand (COD) Emissions	Tons	433.79
Ammonia Nitrogen (NH ₃ -N) Emissions	Tons	24.72
Sulfur Dioxide (SO ₂) Emissions	Tons	1,271.14
Nitrogen Oxides (NO _x) Emissions	Tons	1,019.32
Waste Disposal		
Volume of Non-Hazardous Waste Generated	10,000 tons	534.88
Volume of Non-Hazardous Waste Disposed Of	10,000 tons	534.88
Generation Intensity of Non-Hazardous Waste	Tons / 10,000 yuan of revenue	1.88
Volume of Hazardous Waste Generated	10,000 tons	5.15
Volume of Hazardous Waste Disposal	10,000 tons	5.15
Generation Intensity of Hazardous Waste	Tons / 10,000 yuan of revenue	0.02
Total Waste Produced	10,000 tons	540.03
Waste Production Intensity	Tons / 10,000 yuan of revenue	1.90

Indicator Name	Unit	2024
Environmental Dimension		
Energy Utilization		
Total Direct Energy Consumption	10,000 tce	129.93
Coal	10,000 tce	123.24
Diesel	10,000 tce	0.33
Electrode	10,000 tce	0.70
Natural gas	10,000 m ³	4,256.89
Total Indirect Energy Consumption	10,000 tce	73.71
Green Electricity Consumption	100 million kWh	10.02
Total Energy Consumption	10,000 tce	203.64
Energy Consumption Intensity	tce/10,000 yuan of revenue	0.72

Indicator Name	Unit	2024
Industry Value Dimension		
Innovation-driven Development		
Total Number of R&D Team Members	Persons	1,613
Proportion of R&D Personnel to Total Employees	%	11.42
Number of Full-Time R&D Personnel	Persons	500
Technological Innovation Projects	Units	86
Total Number of Authorized Patents	Items	1,421
Total Number of Authorized Invention Patents	Items	483
Total Authorized Utility Model Patents	Items	938
R&D Investment	RMB billion	1.188
Percentage of R&D Investment in Main Business Revenue	%	4.18

Indicator Name	Unit	2024
Industry Value Dimension		
Innovation-driven Development		
Number of New Product Development Projects	Units	68
Number of New Technology Development	Units	37
Number of Science and Technology Awards Received from China Petroleum and Chemical Industry Federation and Provincial Authorities	Items	3
Number of Major Innovation Achievements	Items	3
Total Number of Software Copyrights	Items	26
Total Number of Trademarks	Items	179
Specialized and Sophisticated Enterprise that Produces Novel and Unique Products	Units	6
National High-tech Enterprise	Units	16
National Enterprise Technology Center	Units	1
Postdoctoral Workstations	Units	1
Safety and Quality of Products and Services		
Number of Sampling Inspections by Third-Party Organizations	Times	239
Training on Quality	Times	9
Total Duration of Training on Quality	Days	28
Number of Participants in Training on Quality	Person-times	451
Data Security and Customer Privacy Protection		
Number of Participants in Training on Data Security and Customer Privacy Protection	Person-times	12,756
Coverage Rate of Training on Data Security and Customer Privacy Protection	%	85
Average Duration of Training on Data Security and Customer Privacy Protection	Hours	1
Number of Information Security and Customer Privacy Protection Violations During the Reporting Period	Times	0.00
Supply Chain Security*		
Total Number of Suppliers	Units	269
Suppliers with Quality Management System Certification	Units	64
Suppliers with Occupational Health And Safety Management System Certification	Units	43
Signing Rate of Supplier Link Agreement	%	100
Number of Incidents with Major Risk and Impact in the Supply Chain	Cases	0

Note: The statistical scope of supply chain security only covers the headquarters of the Company, Yichang Park, and Yidu Park

Indicator Name	Unit	2024	
Human Resources and Social Dimension			
Health and Safety			
Signing Rate of Production Safety Accountability Statement	%	100	
Safety Education Budget	RMB 10,000	1,323.94	
Number of Participants in Safety Training	Person-times	200,122	
Coverage Rate of Training on Security Education	%	100	
Coverage Rate of Training on Safety Risk Prevention	%	100	
Rectification Rate for Identified Hazards within the Designated Timeframe	%	100	
Number of Security Emergency Drills	Sessions	1,699	
Investment in Safety Production	RMB 10,000	20,920.48	
Number of Participants or Observers of Drills	Person-times	32,563	
Coverage Rate of Health Checkups Among Employees	%	100	
Detection Rate of Occupational Hazard Factors	%	100	
Qualification Rate in Detection of Occupational Hazard Factors	%	100	
Number of New Occupational Diseases	Cases	0	
Labor Relations Management			
Number of Employees	Persons	14,121	
By Gender	Male	Persons	10,230
	Female	Persons	3,891
By Job Level	Directors, Supervisors, and Officers (Excluding Independent Directors)	Persons	19
	Middle Management Personnel	Persons	996
	Grassroots employees	Persons	13,106
By Specialty	Manufacturing	Persons	11,162
	Sales	Persons	710
	Technology	Persons	1,782
	Finance	Persons	83
	Administration	Persons	384

Indicator Name		Unit	2024
Human Resources and Social Dimension			
By Age	Under 30 (exclusive) years old	Persons	3,137
	30 (inclusive) to 40 (exclusive) years old	Persons	5,499
	40 (inclusive) to 50 (exclusive) years old	Persons	3,771
	50 years old or above	Persons	1,714
By Educational Background	College Degree and Below	Persons	9,888
	Bachelor's Degree	Persons	3,576
	Master's Degree	Persons	606
	Doctoral Degree	Persons	51
By Region	Chinese Mainland	Persons	13,927
	Hong Kong, Macau and Taiwan	Persons	9
	Overseas Regions	Persons	185
Number of New Employees		Persons	2,442
By Gender	Male	Persons	487
	Female	Persons	1,955
By Recruitment Channel	Social Recruitment	Persons	1,854
	Campus Recruitment	Persons	588
Employment Contract Signing Rate		%	100
Number of Employees with Disabilities		Persons	40
Number of Employees of Minority Nationalities		Persons	778
Number of Ethnic Minority Employees in Management		Persons	74
Social Insurance Coverage Rate		%	100
Proportion of Employees Regularly Assessed for Performance and Career Development		%	100
Number of Projects Approved by the Employee Congress		Items	3
Number of Projects Approved by the Trade Union		Items	6
Proportion of Trade Labor Members in Existing Employees		%	100
Number of Employees Resigned		Persons	1,243

Indicator Name		Unit	2024
Human Resources and Social Dimension			
By Age	Under 30 (exclusive) years old	Persons	683
	30 (inclusive) to 40 (exclusive) years old	Persons	407
	40 (inclusive) to 50 (exclusive) years old	Persons	130
	50 years old or above	Persons	23
By Gender	Male	Persons	994
	Female	Persons	249
Employee Turnover Rate		%	8.80
By Age	Under 30 (exclusive) years old	%	56.83
	30 (inclusive) to 40 (exclusive) years old	%	21.93
	40 (inclusive) to 50 (exclusive) years old	%	16.58
	50 years old or above	%	4.66
By Gender	Male	%	82.79
	Female	%	17.21
Proportion of Female Employees in Management		%	10
Number of Employees on Maternity Leave		Persons	156
Return Rate of Employees on Maternity Leave		%	100
Development and Training			
Investment in Employee Training		RMB 10,000	2,102.47
Total Number of Training Sessions		Sessions	100
Total Number of Trainees		Persons	11,350
Total Training Duration		Hours	608,245.5
Average Training Duration per Employee per Year		Hours	53.59
Coverage of Employee Training		%	100
Number of Employees from Successful Internal Transfers or Internal Job Application		Persons	1,021
Percentage of Employees from Successful Internal Transfers or Internal Job Application		%	7.23
Rural Revitalization			
Rural Revitalization Investment Amount		RMB 10,000	6,020
Contribution to Society			
External Donations		RMB 10,000	10,731.02

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Feedback Form

Dear Readers,

Thank you for reading this report. We highly value and look forward to hearing your feedback on this report. Your opinions and suggestions are crucial for us to continuously improve our ESG information disclosure, management and practices. We sincerely welcome and thank you for your valuable feedback!

You can contact us through the following methods:



Address: Xingfa Building, No. 188-9, Yanjiang Avenue, Wujiagang District, Yichang City, Hubei Province, China



Tel.: 0717-6760939



Email: dmb@xingfagroup.com



1. Your overall assessment of Xingfa Group' s ESG performance:

Very Good Good Average Below Average Poor

2. Your overall assessment of this report:

Very Good Good Average Below Average Poor

3. How do you think Xingfa Group has performed in terms of communications with stakeholders?

Very Good Good Average Below Average Poor

4. How do you think Xingfa Group has performed in terms of corporate governance?

Very Good Good Average Below Average Poor

5. How do you think Xingfa Group has performed in terms of environment protection, safety and occupational health?

Very Good Good Average Below Average Poor

6. How do you think Xingfa Group has performed in terms of the protection of employees' rights and interests?

Very Good Good Average Below Average Poor

7. How do you think Xingfa Group has performed in terms of ESG?

Very Good Good Average Below Average Poor

8. What are your opinions and suggestions on Xingfa Group' s ESG performance and this report?
