Climate change has become an important challenge to human society. The latest report of the United Nations Intergovernmental Panel on Climate Change (IPCC) points out that the impacts of climate change on human beings and ecosystems have far exceeded expectations, and it is urgent for all countries to take action to combat climate change. LINGYI iTECH is actively responding to the goals of the national dual-carbon strategy, continuously focusing on the risks and opportunities brought about by climate change, and fulžlling our responsibilities and commitments at a determined pace.

Governance

In accordance with the Management Procedures for Greenhouse Gas Inventory, our General Manager of Operations is responsible for establishing and improving the Company's energy conservation, emission reduction and GHG management system, and is in charge of the overall promotion and implementation of GHG inventory and energy conservation and emission reduction to ensure that carbon emission reduction targets are reached.

GHG Management Responsibilities

General Manager Operations	EHS, Administration and Facilities Department	Heads of Relevant Departments
³ Responsible for the organization and implementation of GHG inventory and carbon emission reduction target achievement. ³ Responsible for the overall promotion and implementation of GHG inventory and energy saving and emission reduction. ³ According to the risks and data identižed and investigated, responsible for the arrangement and use of special funds for energy-saving technology renewal, technological transformation and other projects, investment plans and related programs of the Company.	³ Identify the needs and risk points related to carbon emission reduction, provide GHG inventory data, and follow up the progress of carbon emission reduction. ³ Responsible for GHG inventory work and analysis of inventory data, carbon emission reduction risk point identižcation and assessment. Identify and evaluate the risk points of carbon emission reduction. ³ Supervise and check the inventory and emission reduction work of each basic unit of the Company.	³ Responsible for preparing and providing GHG inventory information related to the work of the department. ³ Propose feasible energy saving and emission reduction projects after identifying and assessing carbon emission reduction risk points. ³ Supervise and check the energy saving and emission reduction work, and co-operate with the checking of the Company's energy metering work.

Strategy

The Company has made reference to disclosure recommendations of the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 3 - Preparation of Sustainable Development Reports, the IFRS S2 Climate-related Disclosures and Task Force on Climate-related Financial Disclosures (TCFD) to identify climate risks and opportunities with potential impacts, taking into account the external environment, industry and our business characteristics. The Company has identižed the climate risks and opportunities that have potential impact on the Company in light of the external environment, the industry and its own business characteristics, and has initially formulated corresponding response initiatives.

Physical Risk and Scenario Analysis

In order to assess and measure the impact of extreme weather events caused by climate change on businesses, we conduct regional climate scenario analysis on identižed physical risks, and carry out žnancial impact assessments on physical risks with high-risk exposure.

We have chosen the Shared Socioeconomic Pathways (SSP) from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6), which includes the low-emission scenario SSP1-2.6 and the high-emission scenario SSP5-8.5. We have set two timeframes, the mid-term (2030) and long-term (2050), to qualitatively assess the expected žnancial losses resulting from changes in physical risks compared to the base year (2024) under diƀerent scenarios.[1]

[1]The assessment of the potential žnancial impacts of climate-related risks on LINGYI iTECH constitutes a forward-looking statement. In view of the limitations of the analytical methods and numerous uncertain factors in the external environment, the

Physical risk		
Scenarios	Shared Socioeconomic Pathway SSP1-2.6	Shared Socioeconomic Pathway SSP5-8.5
Description	Assuming that countries will reduce greenhouse gas emissions in accordance with the Paris Agreement to control global warming this century to no more than 2.0℃ above pre-industrial levels (1850), achieving sustainable development.	Assuming that countries do not implement measures to reduce greenhouse gas emissions, carbon emissions in 2100 will be three times that of 2015, leading to a global temperature rise of 4.4℃ above pre-industrial levels by the end of this century. Countries will need to implement climate adaptation and mitigation measures.
Temperature Increase	No more than 2.0ue	Approaching or exceeding 4.4ue
Key assumption	Assuming factors such as business operations, asset size, and asset location remain constant, only the physical risks faced by assets are analyzed. When assessing the potential impact of physical risks on the Company's žnances, only žnancial expected losses are used as a measure.	

Physical Risk	**Risk Variation Relative to the Baseline Year**			
	SSP1-2.6		SSP5-8.5	
	2030	2050	2030	2050
Heatwave				
Flood				
Earthquake				
Typhoon				
Mosquito Breeding				
Sea Level Rise				

Risk Level: Low Risk Medium Risk High Risk

Based on the scenario analysis results, we have assessed that heatwave, ƒood, typhoon and sea level rise have signižcant potential žnancial impacts. We have preliminarily formulated corresponding response measures, as shown in the table below.

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Physical Risk	Typhoon	Acute Operational Risk	Medium to short term	Company-wide	High	The Company manufacturing plants located in the South China region are situated in an area prone to typhoons. An increase in typhoon frequency could lead to business closures and/or employees being unable to work due to property or equipment damage, directly resulting in revenue losses.	³ Reinforce factory buildings, doors, windows, and roofs to enhance wind resistance; equip important equipment with protective devices or relocate them to safer areas, such as setting up protective shelters or dedicated storage rooms. Regularly inspect factory buildings and equipment to promptly identify and repair potential safety hazards. ³ Plan response procedures for typhoons; establish backup sites or equipment for critical production processes. ³ Consider ſexible working arrangements like remote work to ensure employees can continue some tasks if they cannot come to the oƀce. ³ Communicate proactively with customers about potential impacts of typhoons and negotiate adjustments to delivery schedules to minimize customer loss.
	Sea Level Rise	Chronic Operational Risk	Long term	Company-wide	High	The majority of the manufacturing plants are located in low-lying coastal cities, making them susceptible to direct ſooding risks as sea levels rise. Flooding at production bases could result in immediate shutdowns or reduced output from production departments, leading directly to revenue losses.	³ Equip key areas such as warehouses and production workshops with waterproof barriers, sandbags, etc., raise important equipment and raw materials or set up dedicated waterproof storage areas. Regularly check drainage systems and ſood prevention facilities, clear drainage pipes in time to ensure smooth drainage, and promptly repair damaged facilities. ³ Develop comprehensive ſood emergency plans, clearly dežning departmental responsibilities and response procedures; establish connections with meteorological and water conservancy departments to obtain accurate weather and ſood warnings in a timely manner, prepare in advance. Install water level monitoring equipment within production bases to monitor water levels in real-time. ³ During ſoods, swiftly organize rescue eƀorts to save trapped personnel and important materials, allocate emergency supplies in a timely manner to meet basic living needs and support subsequent production recovery. ³ Communicate promptly with customers about ſood situations and estimated production recovery times, negotiate adjustments to order deliveries, quantities, etc., to gain customer understanding and support, minimizing customer loss.
	Heatwave	Acute Operational Risk	Medium to short term	Company-wide	High	During heatwaves, employees may be unable to work due to severe heat-related health issues such as heat exhaustion or heatstroke. Production machinery may also face overheating problems that could halt operations, thereby increasing operational costs.	³ Adjust working hours to avoid outdoor or high-temperature environment operations during peak temperature periods such as midday. Implement ſexible work systems or reduce working hours. ³ Regularly maintain and service production machines, check if cooling systems are functioning properly, clean dust and debris in time. Upgrade old equipment to improve heat dissipation performance; equip key production machines with dedicated cooling devices. Adjust production plans reasonably based on machine0.1 (ater)7ter 5lng 6ing ati 5ln - ³

Physical Risk	Flood	Acute Operational Risk	Medium to short term	Company-wide	High	An increase in flood frequency during rainy seasons could similarly lead to business interruptions and employee absenteeism due to property or equipment damage. This would also directly contribute to revenue losses.	³ Conduct thorough inspections of drainage systems, building structures, and equipment operation status, promptly clean drainage pipes, repair building leaks, and maintain equipment. ³ Stockpile sufficient sandbags, water pumps, waterproof covers, and other emergency supplies to ensure rapid implementation of protective measures during floods. ³ Closely monitor weather forecasts, issue timely flood warnings to employees, provide travel safety guidance, and help employees plan routes in advance. ³ Clearly define flood emergency procedures, including evacuation, equipment shutdowns, material transfers, etc., ensuring that all departments and positions have clear responsibilities.

Transition Risk and Scenario Analysis

In order to assess and measure the transition risks triggered by climate change, such as the impact of policy, technology, market, and reputational changes on businesses, we conduct a comprehensive climate scenario analysis across the entire group for identified transition risks. Subsequently, we carry out financial impact assessments for high-risk transition risks with significant exposure.

Climate scenarios and key assumptions

We conducted a scenario analysis based on the orderly scenario and hot house world scenario proposed by the Central Banks and Supervisors Network for Greening the Financial System (NGFS). We set two time frames, the medium-term (2030) and long-term (2050), to qualitatively assess the expected financial loss changes resulting from transition risks compared to the base year (2024)[2].

Transition Risk		
Scenarios	Orderly Scenario	Hot House World Scenario
Description	By strictly enforcing climate policies and fostering innovation, global warming is kept within 1.5 °C, achieving net-zero carbon emissions around 2050.	Implementation of only current policies, or even the targets of the Nationally Determined Contributions (NDCs) without effective policy support, will lead to high physical risks.
Temperature Rise	No more than 1.5°C	Above 3°C
Key Assumption	Assuming factors such as business operations, asset size, and location remain unchanged, the analysis will focus solely on the transition risks faced by the assets in each scenario.	

[2]The assessment of the potential financial impacts of climate-related risks on LINGYI iTECH constitutes a forward-looking statement. In view of the limitations of the analytical methods and numerous uncertain factors in the external environment, the actual future development may differ from the forecasts in this report.

Transition Risk	Risk Variation Relative to the Baseline Year			
	Net Zero 2050 Scenario		Hot House World Scenario	
	2030	2050	2030	2050
Energy Stress				
Water Stress				
New Policies for Low-CarbonEconomic Transition				
Energy Transition Policies				
Carbon Market Price Fluctuations				
Regulatory Mandatory Disclosure				
Enhanced Environmental Standards				

Based on the scenario analysis results, we have assessed energy stress, new policies for low-carbon economic transition, energy transition policies, carbon market price ſuctuations, enhanced environmental standards have signižcant potential žnancial impacts. We have preliminarily formulated corresponding response measures, as shown in the table below.

	Energy Stress	Policy and Legal Risks	Short term		High	Due to local government power rationing policies, production departments may face direct shutdowns or reduced output. Power rationing also impacts upstream supply chains, increasing production costs and directly leading to revenue losses.	Closely monitor the release and updates of government power rationing policies. Flexibly adjust production plans based on the timing and intensity of power rationing. Reasonably schedule production tasks, prioritizing high-value-added and urgent orders. Schedule non-urgent production tasks during periods without power rationing to minimize the impact of shutdowns or reduced output on production schedules. Invest resources in energy-saving upgrades for production equipment by adopting advanced energy-saving technologies and devices to improve energy e'Bciency and reduce energy consumption per unit product. Equip appropriate capacity backup power sources based on the Company's production scale and electricity demand. Establish partnerships with more suppliers to increase supplier diversity eas40oy

Transition Risk	New Policiesfor Low-Carbon Economic Transition	Market and Technology Risks	Medium to short term	Company-wide	High	China has committed to the 3060 carbon goals. New policies supporting low-carbon transitions are being introduced by the government. High-emission economic activities will come under pressure, increasing the costs associated with research and development for green production.	³ Set emission reduction targets, make low-carbon commitments, and establish related internal policies. ³ Increase the greening rate of subsidiaries. ³ Expand the use of low-carbon energy to replace fossil fuels, such as using electric vehicles instead of fuel vehicles. ³ Develop low-carbon, low-emission processes.
	Energy Transition Policies	Market and Technology Risks	Long to medium term	Company-wide	High	With the introduction of stricter emission reduction policies, companies need to replace existing high-emission energy sources with lower-emission green energy. This increases the cost of transitioning to lower-emission technologies.	³ Establish a certain scale of green energy reserves to address potential energy supply ³ shortages or signižcant price ƒuctuations. Research and develop autonomous renewable energy systems (such as photovoltaic systems and energy storage systems) to reduce dependence on externally purchased electricity. Actively purchase external green energy.
	Carbon Market Price Fluctuations	Market and Reputation Risks	Long to medium term	Company-wide	High	Stricter carbon emission policies from the government mean that Company cash ƒows could be abected by ƒuctuations in carbon market prices.	³ Form relevant teams or appoint external experts to regularly report on carbon markets and national carbon trading policies, assessing the latest policy impacts on the Company's žnances.
	Enhanced Environmental Standards	Market and Reputation Risks	Long term	Company-wide	High	Due to more stringent environmental protection policies, companies must improve their production processes to meet legal requirements for energy e'Bciency and low emissions. This may require new investments in research and development to upgrade production equipment or implement additional energy-saving and environmental protection measures.	³ Form relevant teams or appoint external experts to regularly report on the latest local government environmental protection policies, avoiding increased operational costs due to environmental laws and regulations.

Opportunities Related to Climate Change

Leveraging our own strengths, we are actively implementing a series of measures to address climate change. At the same time, we are keenly seizing new opportunities that climate change may bring, promoting the development of green and low-carbon industries.

Opportunities	Plans and Measures
Fossil Fuel Reserves and Consumption Reduction	Given the increasing awareness of sustainable development and green energy, we are comprehensively implementing clean production practices. We utilize idle rooftops to install solar panels and actively procure clean electricity, thereby reducing our dependence on externally purchased energy and traditional fossil fuels. We have established a robust management process to minimize the negative environmental impact of our operations and are vigorously promoting the application of green manufacturing technologies. This continuous eɒort supports the development of green and low-carbon industries.
National 3060 Carbon Strategic Goals	The national 3060 carbon goals, proposed by China in 2020, has been elevated to a strategic level. Numerous policies have been introduced to encourage enterprises to reduce emissions. We believe that through clean production strategies, waste management, and eɒorts to reduce the carbon footprint of our products, we can build a positive environmental brand image. This will attract more business opportunities, such as tax reductions for environmental protection to lower operational costs, and increase external investor conždence, thereby securing more žnancing opportunities.
Cost Reduction through Green Production Technology	Due to the increase in compliance costs such as emission fees resulting from stricter climate-related policies, we believe that enhancing R&D capabilities can promote clean production, thereby reducing compliance costs and increasing prožts. In 2019, we successfully improved our mold technology, signižcantly reducing the generation of plastic waste and lowering the cost of handling plastic waste.
Increasing Demand for Clean Energy	With the reduction of fossil fuels and the rise in environmental awareness, clean energy sources such as solar, geothermal, and wind power are developing rapidly and will become primary energy sources in the future. Among these, solar energy is widely regarded as one of the most promising clean energy sources due to its low cost and convenience. Soft ferrite materials and amorphous magnetic materials, known for their superior physical properties, are the main raw materials for various magnetic components in solar inverters. We believe that with the development of the global photovoltaic industry, our magnetic materials are well-positioned to meet the substantial market demand.
Booming New Energy Vehicle Market	Encouraged by government policies in various countries, the new energy vehicle (NEV) market is entering a period of rapid growth. In the future, performance optimization and reduced production costs of NEVs, along with increased environmental awareness and acceptance of NEVs, will continue to drive market expansion. The annual supply and sales volume of global NEVs are continuously growing, which will successively boost the demand for functional and structural components. We aim to seize new project business opportunities and align with the developmental needs of the NEV market.

Risk Management

In order to identify potential risks related to our carbon emissions in a timely manner and to ensure the successful achievement of carbon emission reduction targets, we have formulated the Management Procedures for GHG Inventory, which sets out the principles of risk identižcation, evaluation and management, and the risk identižcation covers the activities, products and services of all divisions and departments of the Company.

Each department comprehensively identižes carbon emission risk factors that can be controlled and inƒuenced based on energy use in departmental activities, products, and services, and summarizes the identižed risks in the Carbon Emission Risk Source Identižcation and Evaluation Form. The identižcation and evaluation of carbon emission factors is conducted once a year. For the identižed risks, we will evaluate them in four aspects, namely, frequency of occurrence, duration of impact, scope of impact, and severity of impact, and risk factors that reach a certain threshold are considered as important risk source factors and are subject to key control, and at the same time, based on the results of the risk evaluation, we will adopt diɒerent risk management strategies to optimize the energy structure, reduce carbon emissions, and mitigate the risks of concern.

Process	Specižc Contents
Risk Identižcation	³ Conduct a comprehensive compendium of the geographic location of the project assets as a basis for risk identižcation ³ Refer to relevant risks recommended by the TCFD and IFRS S2 Climate-related Disclosures ³ Review industry trends and information published by peers ³ Conduct interviews and communication with internal business and management personnel within the Company ³ Compile a risk inventory

Risk Assessment	³ Conduct interviews and research with relevant departments based on scenario analysis to evaluate risk exposure. Additionally, external expert advice is sought to identify and žnalize the main risk list. ³ The Company's senior executives and relevant departments rank climate change risks based on two dimensions: the likelihood of occurrence and the impact on business objectives after they occur.
Risk Management	³ Based on the results of risk assessment, identify the department or individual responsible for risk management, and develop risk management strategies and response plans in accordance with the internal and external environment. ³ Each department under centralized management shall prepare corresponding risk management plans based on the results of risk assessment.

Indicators and Objectives

The Company's GHG emissions are mainly from direct emissions from natural gas, diesel and petrol consumed in production, freight transport and oƁces (Scope 1) and indirect emissions from the use of purchased electricity (Scope 2).

GHG Emissions Indicators	2024	Unit
Scope 1 GHG Emissions	13,978.77	tCOʃe
Scope 2 GHG Emissions	557,916.08	tCOʃe
Total GHG Emissions	571,894.85 (excluding Scope 3 and without Green Certižcate Obset)	tCOʃe
GHG Emissions Intensity	0.159	tCOʃe per 10,000 yuan output value

Exploring Opportunities in Clean Tech

LINGYI iTECH, as an industry-leading precision manufacturing solutions provider, actively explores the opportunities of the world's third energy restructuring, continues to innovate and develop in the želd of clean technology, and is committed to promoting industrial upgrading through advanced technology and green production concepts.

Our key strategies focus on improving resource eƁciency, reducing environmental impact and promoting sustainable development. Firstly, we have increased our investment in R&D to fully explore new energy business opportunities, and we continue to invest in carbon-neutral products to develop more eƁcient and energy-saving production processes to reduce energy consumption and waste generation. Secondly, we are actively promoting the application of environmentally friendly materials and chemical management to ensure that every aspect of our products, from design to production, meets or exceeds international environmental standards. In addition, we also focus on co-operating with leading global technology partners to explore new boundaries in clean technology, with the aim of providing customers with high-quality products and services that combine economic eƁciency with environmental value. Through these eƀorts, LINGYI iTECH not only helps our customers achieve their business goals, but also contributes to the protection of our planet.

In 2024, the Company's revenue from renewable energy-related and energy eƁciency-related products is RMB 3,028 million and R&D investment in renewable energy-related and energy eƁciency-related products is RMB 51.7195 million.