

# **Tiandi Science & Technology Co., Ltd**

## **Action Plan of “Improve Quality and Efficiency and Safeguard Returns” in 2024**

Seeking guidance from the gist of the 20th National Congress of the CPC, the 3rd Plenary Session of the 20th National Congress of the CPC, and the annual Central Financial Work Conference, Tiandi Science & Technology Co., Ltd (herein after referred to as “TDTEC” or the "Company") faithfully fulfills the requirements that the PRC State Council and the Shanghai Stock Exchange put forward in the "Opinions on Further Improving the Quality of Listed Companies" and the "Initiative on Launching Special Actions to Improve Quality and Efficiency and Ensure Returns for Listed Companies on the Shanghai Stock Exchange," respectively. To this end, TDTEC has formulated its "Action Plan of ‘Improve Quality and Efficiency and Safeguard Returns’ in 2024", which is reviewed and approved at the 14th meeting of its 7th Board of Directors. The contents of the Plan are as follows.

### **1. A Strong Core Business to Constantly Promote High-Quality Development**

The Company has established Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as guidance for its

action to implement relevant work arrangements made by the State-owned Assets Supervision and Administration Commission (SASAC) of the PRC State Council and relevant decisions adopted at the 20th National Congress of the CPC, the 3rd Plenary Session of the 20th National Congress of the CPC, and the annual Central Financial Work Conference. It has put into practice the "1245" development idea and has steadily increased its composite strength and gained significant momentum in pursuing high-quality development. Since entering into the 14th Five-Year Plan period (2021–2025 period), the Company has achieved continued strong operating performance: The average annual growth rate of its operating revenue is 13.4%; that of its net income attributable to the parent, 20%. Its profitability and operating efficiency have been remarkably improved: The return on equity ratio has been increased to 10.9% from 7.8%; the receivables turnover ratio, to 3x from 2.2x. In 1H 2024, the operating revenue reaches RMB14.89 billion, up 2.3% year-on-year; the net income attributable to the parent totals RMB1.53 billion, up 10.5% year-on-year.

The Company will continue focusing on its core business and advancing actions to create value and enhance its value-creation capacity. It will make unremitting efforts to pursue reasonable improvement in both quality and quantity. With the above-mentioned improvements and enhanced ability to judge the macro environment and industry trends, it will be able to timely

optimize its business strategy and achieve better performance in terms of efficiency, gross income, net income, net income attributable to the parent, return on net assets, total labor productivity, operating cash flow, R&D investment intensity, sci-tech output efficiency, and asset-liability ratio. By continuously expanding the increment and tapping the potential, it will maximize its performance and step up its management, esp. marketing management, cash flow management, brokerage fee management, accounts receivable management, and inventory management. It will reduce its cost and expenditure and increase its asset turnover ratio through fine management methods. It will drive value creation via strengthened budget management, business-finance integration, and total cost management.

## **2. Strengthened Sci-Tech Innovation to Maintain Leading Position in Industrial Technology**

To fulfill the entrusted mission of safeguarding China's energy security and promoting innovation in coal science and technology, the Company takes sci-tech innovation as its core development ideology and makes solid progress in building itself into a leading high-tech enterprise, an original technology source, and a sci-tech force of national strategic significance, striving to actualize high-level self-reliance in science and technology. Since 2021, the Company has worked hard to ensure that its top-level design

achieves its intended goals. It has formulated and implemented its "Top-Level Design for Sci-Tech Innovation" and accelerated the construction of an innovation system with a clear division of labor and orderly integration of elements. Its R&D intensity has grown from 7.2% to 8%, and continuous breakthroughs have been made in the fields of advanced technology and high-end equipment. New equipment, materials, and software have been adopted and timely updated, constantly setting new records with improved performance. Relevant application effects have remained positive, which has remarkably improved efficiency. At present, the Company boasts 122 provincial- and ministerial-level laboratories, engineering research centers, technical research centers, and inspection and testing platforms. It has set up a scientific research and innovation platform system of national importance, which is headed by State Key Laboratories, national-level engineering research centers, enterprise technology centers, etc. In 1H 2024, the Company obtains 1,021 patents, including 697 invention patents, and two of its scientific and technological achievements win the State Science and Technology Awards. A transparent analytical technique for analysis of stress field in rock mass in deep energy exploitation and its application, a research project completed with the participation of CCTEG China Coal Research Institute, wins the first prize of the National Technological Invention Award. The complete set of highly-efficient intelligent deep-set coal

mining technology and its application, a project accomplished with the participation of CCTEG Beijing Tianma Intelligent Control Technology Co., Ltd. and CCTEG Coal Mining Research Institute, wins the second prize of the National Science & Technology Progress Award. With breakthroughs in more than 40 key core technologies such as transparent mine, driving and bolting integration for efficient mining, and preparation of high-value new material from coal tar, the Company's sci-tech contribution to the industry has significantly grown.

The innovation ideology that the Company adheres to entails the pursuit of truth, the search into the unknown, the courage to innovate, and the feeling of commitment to the nation. Under its guidance, the Company will profoundly reform its sci-tech innovation systems and mechanisms and see that its research management system conforms to the laws of scientific research and technology development, creating a new paradigm for scientific research in the coal industry. It will continue setting its sights on the world's scientific and technological frontiers and keeping up with the economic trends, working arduously to satisfy the primary needs of the country and safeguard people's lives and health. On this basis, it will solidly promote continuous sci-tech innovation and basic research and strive to solve crucial common technical problems in critical fields. It will push forward the in-depth integration of sci-tech and industrial innovations and make greater

efforts to capitalize on its intellectual properties, exploring a practical path that utilizes scientific and technological achievements to empower reform and practice. TDTEC strengthens its scientific research capabilities and optimize its professional talent team building. By developing a high-level sci-tech innovation team, it will accomplish its assigned tasks such as highlighting the central role of sci-tech innovation and accelerating the development of strategic emerging industries and the upgrading of traditional industries.

### **3. Standardized Operations to Continuously Optimize Management**

To continuously improve the governance system, the Company has built a corporate governance structure comprised of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and corporate managers, which features clearly defined rights and responsibilities, coordinated operation, and robust checks and balances. The structure ensures that the personnel of the listed Company is independent from its controlling shareholders. The Company has actively fulfilled the requirements to reform the independent director system: It has revised 11 corporate regulations and rules such as the "Work Rules for Independent Directors" to support and facilitate independent directors' participation in decision-making activities of the Board of Directors and enhance their role in conducting supervision,

ensuring checks and balances, and providing professional consultation. To protect the legitimate interests of investors, the Company strictly keeps inside information confidential via a rigorous registration and management system that prevents inside information disclosure.

The Company plans to actively organize internal training sessions that publicize laws and regulations such as the amended Company Law of the PRC and the "Opinions of the PRC State Council on Strengthening Regulation, Forestalling Risks, and Promoting the High-Quality Development of the Capital Market." It will continue perfecting its modern corporate system with Chinese characteristics and sending its directors, supervisors, and senior managers and advisers to training sessions held by the China Securities Regulatory Commission and the Shanghai Stock Exchange. Its independent directors and audit committee shall give full play to their roles, and its "key minority," i.e. directors, supervisors, senior managers, and controlling shareholders shall have a stronger sense of responsibility. Solid work shall be done to ensure operational compliance and prevent major risks and hidden dangers. Concrete progress shall be made in the drive to improve corporate governance and governance efficiency.

#### **4. Enhanced Investor Relations to Effectively Communicate Corporate Values**

The Company strictly complies with the laws, regulations, and normative documents related to information disclosure of listed companies: It works ceaselessly to enhance its information disclosure mechanism; It earnestly fulfills its information disclosure obligations on truthful, accurate, complete, timely, and fair bases. It has been rated "A" in the SSE annual evaluation of the information disclosure work of listed companies. The Company keeps improving its ESG performance, with its first-ever ESG report released in March 2024 in response to the concerns and expectations of various stakeholders. The Company attaches great importance to the management of investor relations and conducts multi-level communication with investors through channels such as roadshows, reverse roadshows, performance briefings, calls from investors, the reception of visiting investors, the Shareholders' General Meeting, and the SSE E-Interaction. It communicates with more than 600 investors on average annually, effectively conveying the Company's pursuit of high-quality development and high-tech value and enhancing investors' confidence in the Company's development. At the end of June 2024, the total number of shareholders in the Company stood at 37,000, a decrease of 27,000 from the same period five years ago.

The Company will conscientiously implement the PRC State Council's "Opinions on Further Improving the Quality of Listed

Companies" and continuously optimize relevant systems and mechanisms to meet its quality improvement requirements for listed companies owned by state-owned enterprises. To satisfy investor needs, the Company will disclose information through multiple channels, platforms, and methods and enhance the value and readability of its publicly released reports. It will actively and voluntarily disclose information within the scope of practice permitted under relevant laws and regulations. Guided by the principle that highlights novel forms and effective communication, the Company will further strengthen its management of investor relations. It will fully integrate internal and external resources of the industry and utilize visual technology and digital technology to communicate with investors, paying close attention to their opinions and timely responding to their demands, which will be conducive to the Company's market value recognition and realization.

## **5. Safeguarded Shareholder Returns to Share High-Quality Development Benefits**

The Company safeguards investor returns. Since the listing, it has distributed a total of RMB5.34 billion in cash dividends (tax inclusive). The cash dividends (tax inclusive) distributed in the recent five years have amounted to RMB3.77 billion, accounting for 70% of the total amount distributed since listing, and the annual dividend rate has increased from 3.1% to 5.2% over the years. The

annual dividend (tax inclusive) for 2023 is RMB2.8 per 10 shares. For the year, the Company has distributed RMB1.16 billion (tax inclusive) in cash dividends, accounting for 49.1% of the net profit attributable to shareholders in the 2023 consolidated financial statements. The dividend payout ratio has increased by 6.7 percentage points compared with the previous year.

In the future, the Company will insist on actively benefiting its shareholders and further strengthening its awareness of rewarding shareholders. Based on strict compliance with relevant laws and supervisory regulations and upon comprehensive consideration of its strategy, development goals, business planning, profitability, cash flow status, and external environment, the Company will strive to provide shareholders with sustainable, stable, and reasonable investment returns and share with them the fruits of its high-quality development.

The Company will evaluate specific implementation measures for this Plan and fulfill its information disclosure obligations in a timely manner. In the future, it will stick to the "1245" development idea, esp. the two strategies emphasizing innovation-driven development and focus on main businesses, respectively. It will remain dedicated to enhancing its core competitiveness, profitability, and risk management capabilities. With better performance, more standardized corporate governance, and higher investor returns, it will earnestly fulfill the responsibilities and obligations of listed

companies and contribute to the drive that develops new quality productive forces, maintains market stability, and boosts investor confidence.

Forward-looking statements such as those regarding development strategies and work plans in this Plan do not constitute the Company's substantive commitment to investors. Investors are advised to pay attention to relevant risks.