



QI Automotive Co., Ltd. 2024 Sustainability Report

Stock Name: QI Automotive Stock Code: 837242

QI Automotive
Professional Auto Parts

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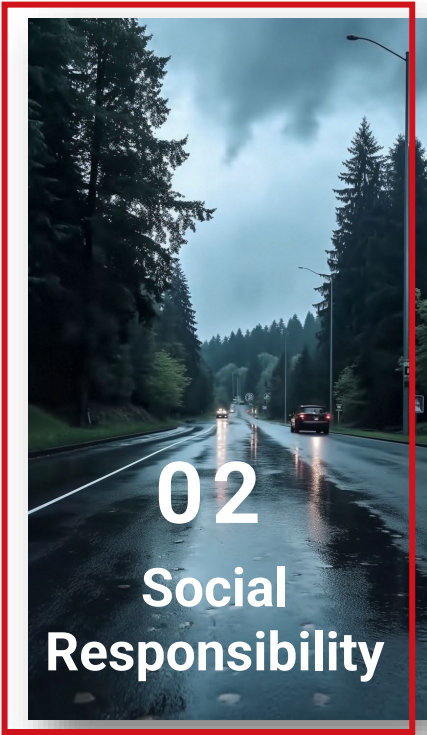
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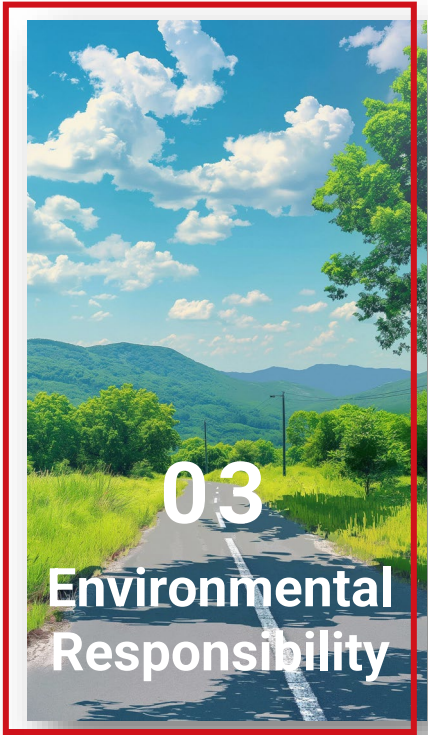


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Introduction

Report Scope

This report is compiled with QI Automotive Co., Ltd. (hereinafter referred to as "QI Automotive," "we," "the Company," or "our Company") as the primary entity, covering all our subsidiaries. Unless otherwise specified, the scope of this report aligns with the Company's annual report. It outlines QI Automotive's strategies, management, and practices in environmental, social, and governance (ESG) domains.

Reference Standards

Reference Standards: This report follows the *Beijing Stock Exchange Listed Companies Sustainable Development Reporting Guideline No. 11 (Trial)* and the *Beijing Stock Exchange Listed Companies Sustainable Development Report Preparation Guidelines*. Meanwhile, it also references authoritative frameworks such as the Global Reporting Initiative (GRI) *Sustainability Reporting Standards* and the United Nations Sustainable Development Goals (SDGs).

Report Approval and Access

This report was approved by the Board of Directors on April 28, 2025. It is available online in both Chinese and English. In case of discrepancies, the Chinese version shall prevail. The report can be accessed or downloaded via the Beijing Stock Exchange website (<https://www.bse.cn>) and QI Automotive's official website (<https://www.qi-auto.com/>).

Disclaimer

Certain content in this report contains forward-looking statements, including plans and objectives for future development. These statements are based on management's current expectations and may differ materially from actual results due to uncertainties. The Company assumes no obligation to update such forward-looking statements.

Time Scope

The report covers the period from January 1, 2024, to December 31, 2024 (hereinafter referred to as the "Reporting Period," "the Year," or "2024"). To enhance comparability and foresight, some content includes retrospective data from prior years or forward-looking statements.

Data Sources

The data in this report are mainly derived from official internal company documents, statistical reports, and publicly disclosed materials such as quarterly and annual reports. Unless otherwise specified, all monetary values disclosed in this report are denominated in CNY.





Chairman's Statement

2024 marked the 20th anniversary of QI Automotive. Over two decades of perseverance, we have adhered to long-termism and been steadfast in our belief that "small daily strides accumulate into monumental achievements." In 2024, the Company achieved a net profit exceeding CNY 100 million for the first time, made breakthroughs in OEM business, commenced construction of a casting parts factory in Thailand, and released our inaugural bilingual ESG report. This year also saw the integration of "sustainability as daily practice" into our corporate development philosophy.

Nowadays, amid accelerating globalization and climate challenges, sustainability has become an inescapable responsibility and a strategic opportunity. We embrace the "new situation, new normal" and firmly pursue sustainable development.

Zhong Yongduo
Chairman of the Board
QI Automotive Co., Ltd.

Standardized Governance: The Foundation of Sustainability

Strong governance is pivotal to sustainable growth. Only through effective mechanisms and rules can long-term strategies materialize. In 2024, we revised our Articles of Association three times, introduced one new governance policy, and amended two others to refine our governance framework. Throughout the year, we convened 12 board of directors meetings, 11 board of supervisors meetings, 5 general meetings, and issued 125 announcements. We proactively fulfilled our information disclosure obligations and safeguarded the legitimate rights and interests of all investors.

People-Centricity: The Core of Sustainability

We adhere to a people-oriented corporate culture and prioritize our employees as the driving force of sustainability. Guided by our mission to "pursue the material and spiritual well-being of all employees, creating cost-effective products to help our customers grow and save money for all car owners globally.", we advocate "no unnecessary overtime" (except for critical roles) and ensure rest rights. The Company has established a regionally competitive compensation system for all employees, particularly R&D talent, and demonstrates our commitment to long-term development through equity incentives and other measures.

Technological Innovation: The Engine of Sustainability

We firmly believe that "technological innovation" is the driving force behind sustainable corporate development. In 2024, we continuously promoted product iteration and upgrades, launching over 2,000 new products into the market. Fostering an open R&D environment, we value knowledge and talent. By the end of 2024, we had 70 R&D personnel, accounting for 21.28% of the total workforce. During the year, our R&D expenditure increased by 19.52%, resulting in 9 new patents (including 2 invention patents and 7 utility model patents, covering those obtained by subsidiaries) and 49 software copyrights, laying a stronger foundation for sustainable growth.

Financial Health: The Safeguard of Sustainability

We believe financial transparency and compliance are fundamental principles for sustainable corporate development. A sound financial condition provides stable capital support, ensuring sufficient resilience to navigate market fluctuations. In 2024, we achieved a 34.71% increase in operating revenue and a 52.91% growth in net profit attributable to shareholders. By the end of 2024, we maintained a cash reserve of CNY 269 million and a debt-to-asset ratio of 29.23%, reflecting a robust financial position. Adhering to our "Reservoir Management Principle" philosophy, we ensure that strong financial health serves as a solid foundation for sustainable growth.

Green Practices: The Guidance of Sustainability

We champion low-carbon initiatives, offering free vegetarian meals, biodegradable packaging, recycled office furniture, and energy-saving practices. By advancing automotive parts remanufacturing, we contribute to the circular economy and global carbon neutrality. In 2024, we passed our first SAQ Audit, issued sustainability guidelines to suppliers, and collaborated with partners on green initiatives.

The global carbon neutrality goals and ESG investment trends are accelerating industry transformation. We recognize that only by integrating sustainability into our strategic core and translating it into daily operations can we achieve enduring success. All employees will continue to uphold green development principles, working hand-in-hand with partners to explore pathways for innovative development and circular economy. On behalf of the Board of Directors and the management team, I would like to express our deepest gratitude and highest respect to all employees for their dedication and hard work, as well as to our investors, partners, government agencies, and friends from all sectors of society for their long-standing support and commitment to the Company's growth.

In 2025, under the "new situation, new normal," we embark anew. Steering with responsibility and innovation, QI Automotive will sail boldly toward sustainable development, contributing to automobile industry.

Company Profile

Corporate Overview

QI Automotive Co., Ltd. (Stock Code: 837242), as one of the first batch of listed companies on the Beijing Stock Exchange, has been consistently dedicated to the design, development, and sales of automotive aftermarket hard-to-find parts worldwide since our establishment. Additionally, we provide customers with comprehensive supply chain management services.

With deep expertise in the automotive aftermarket, our portfolio spans automotive hard-to-find parts, ATV/UTV, motorcycles, yachts, and industrial machinery. We excel in resource recycling and remanufacturing. Our offerings cover automotive transmission system, electric and electronic system, steering system, brake system and engine system with over 30,000 SKUs and annual expansions.

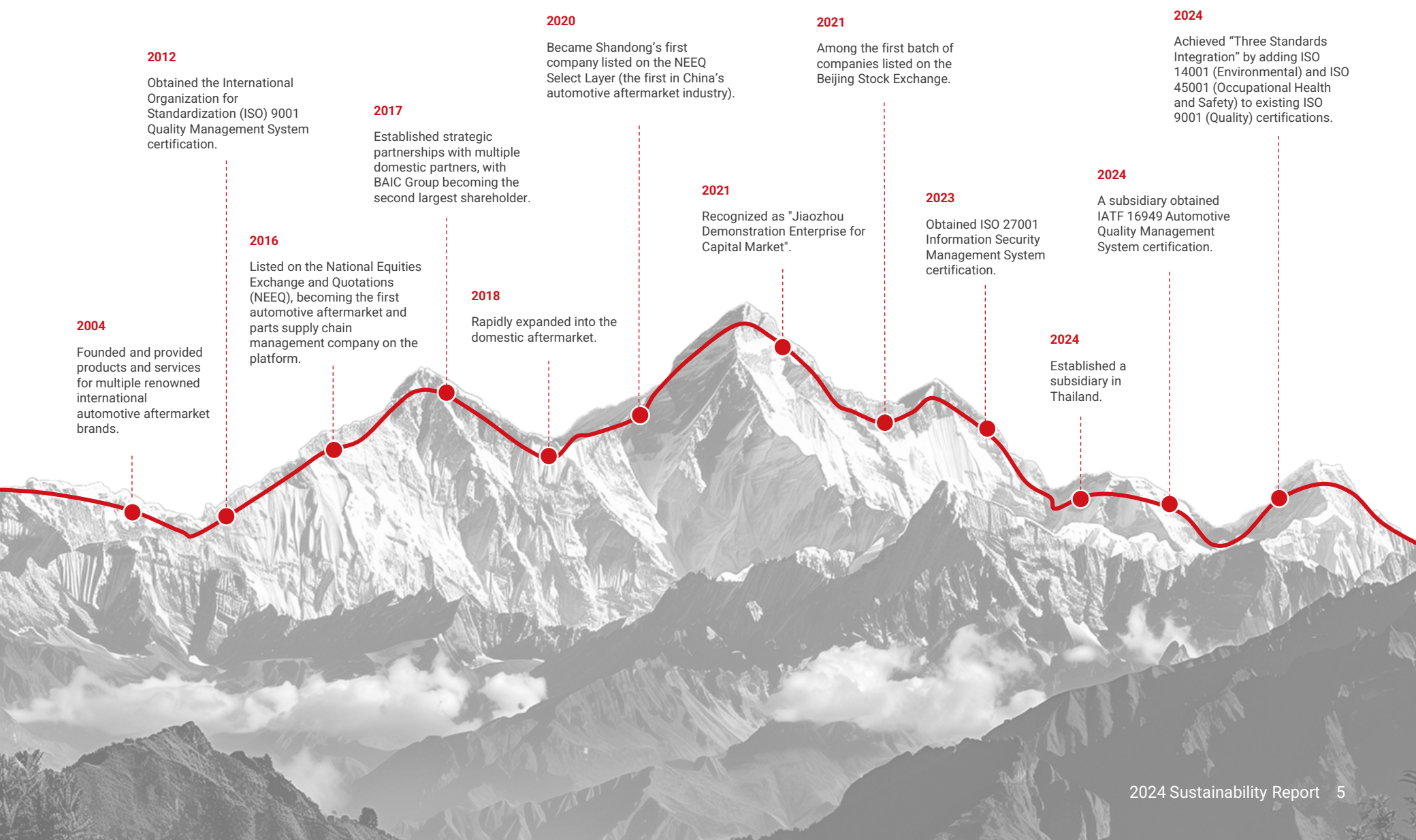
We operate 6 subsidiaries (with 5 subsidiaries as of year-end 2024) and employ over 300 staff members. The Company integrates capabilities in design and development, manufacturing, quality control, and performance verification, demonstrating exceptional comprehensive competencies. Equipped with advanced digital management systems including SAP and WMS, along with a 30,000-square-meter modern warehousing center, we ensure highly efficient management and speedy delivery capabilities.

We pursue the material and spiritual well-being of all employees, creating cost-effective products to help our customers grow and save money for all car owners globally.

We are committed to becoming the Chinese automotive aftermarket leader with global competitiveness.



Milestones



Honors and Awards

2020

Award for
Most Potential Enterprise
of Whole Vehicle Parts

2021

Jiaozhou Demonstration
Enterprise for
Capital Market

Advanced Enterprises
in Investor Protection

2022

Advanced Enterprises in
Investor Education and
Protection 100 Days Pulpit

2023

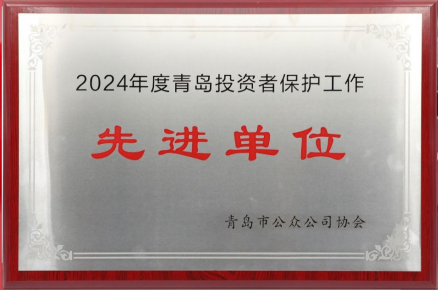
Advanced Enterprises in
Investor Protection

2024

Top 10 Most Valuable Beijing
Stock Exchange Listed
Companies (18th Edition)

2024

Advanced Enterprises in
Investor Protection



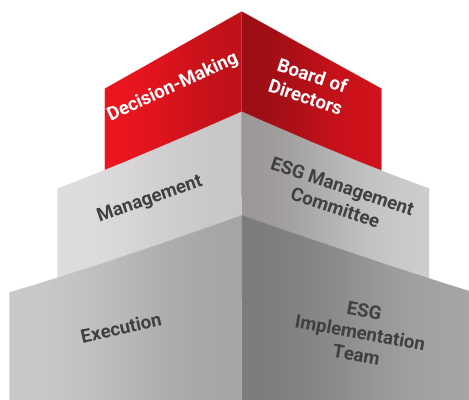
Sustainability Management

ESG

Governance Framework

Sustainability Governance Structure ////

To further enhance the Company's environmental, social, and governance (ESG) management standards, improve the ESG management system, and strengthen ESG management capabilities, on February 27, 2024, the Company's Board of Directors approved the establishment of an ESG Management Committee. We have implemented a three-level sustainable development governance framework consisting of the "Board of Directors - ESG Management Committee - ESG Implementation Team," creating a closed-loop management system from decision-making and management to execution and performance evaluation, ensuring the effective implementation of ESG management initiatives.



Governance Level	Organization	Membership Composition	Functional Responsibilities
Decision-Making	Board of Directors	Board Members	<ol style="list-style-type: none"> (1) Assume ultimate responsibility for corporate ESG performance, overseeing the development of ESG strategies and directional planning; (2) Identify, evaluate, and manage significant ESG risks associated with business operations; (3) Receive and assess regular ESG performance reports from the ESG Management Committee and senior leadership; (4) Review and approve the Company's Sustainability Report and all material ESG management policies.
Management	ESG Management Committee	<p>Chairman: Zhong Yongduo (Chairman of the Board)</p> <p>Members: Wang Fengmin (Director and General Manager) Dai Xiaoling (Director and Deputy General Manager) Chen Rugang (Board Secretary) Zhang Huaxia (Manager of the Integrated Management Department)</p>	<ol style="list-style-type: none"> (1) Guide and establish the Company's ESG vision, objectives, strategies, and framework to ensure alignment with corporate needs, applicable laws, regulations, and international standards; (2) Monitor the development and implementation of the Company's ESG vision, strategies, and framework, including setting ESG performance targets and reviewing progress, while providing recommendations for improvement; (3) Identify and prioritize the Company's material ESG risks and issues, and make recommendations to the Board of Directors; (4) Review key ESG trends, associated risks and opportunities, and assess the adequacy and effectiveness of the Company's ESG framework accordingly; (5) Oversee stakeholder engagement channels and methods, ensuring policies are in place to effectively foster relationships and safeguard the Company's reputation; (6) Review the Company's ESG-related policies to ensure their relevance and compliance with international ESG standards; (7) Review the Company's ESG reports and other ESG-related disclosures, providing recommendations to the Board to maintain their integrity; (8) Perform other ESG-related duties as assigned by the Board of Directors.
Execution	ESG Implementation Team	Department Heads	Under the coordination of the ESG Management Committee, implement and execute ESG initiatives relevant to the department by integrating ESG-related indicators into daily operational management. Regularly monitor the progress and risks of departmental ESG matters and provide periodic reports to the ESG Management Committee.

Sustainability Reporting Mechanism ///

We have established a comprehensive internal reporting mechanism for sustainability information, ensuring efficient communication and sharing across all levels. Members of the ESG Working Group regularly collect and consolidate progress updates and developments on sustainability-related matters from various departments. This information undergoes thorough compilation and in-depth analysis before being reported to the Board of Directors by the ESG Management Committee. Through this process, personnel at all levels of the corporate governance structure gain timely and comprehensive access to the latest ESG-related information, enabling more scientific and precise decision-making. This mechanism not only enhances internal transparency and collaboration efficiency but also provides robust data support for the continuous optimization of the Company's sustainability strategies. It ensures that while pursuing economic benefits, we can effectively fulfill our social responsibilities and drive sustainable development.

Sustainability Supervision Mechanism ///

We have established a comprehensive sustainability supervision mechanism designed to ensure the effective implementation and continuous improvement of all sustainability initiatives. This mechanism is executed by members at various levels of the sustainability governance framework, who conduct regular and ad-hoc in-depth reviews and evaluations of the Company's sustainability performance. Through this process, members at all levels can promptly identify opportunities and challenges in the Company's sustainability journey and consistently report relevant information to the decision-making organization. This enables the decision-making body to quickly and comprehensively grasp the Company's sustainable development status, thereby facilitating timely, scientific and rational decision-making to effectively address various opportunities and challenges. This efficient supervision mechanism not only helps the Company continuously refine our sustainability pathway, ensuring the successful achievement of sustainability goals, but also enhances the Company's competitiveness and adaptability in the field of sustainability through timely strategy adjustments and improvements. As a result, it lays a solid foundation for the Company's long-term, stable growth.



Materiality Assessment

Double Materiality Analysis ///

We conducted our 2024 double materiality assessment in accordance with the *Beijing Stock Exchange Listed Companies Sustainable Development Reporting Guideline No. 11 (Trial)* and the *Beijing Stock Exchange Listed Companies Sustainable Development Report Preparation Guidelines*, while also referencing authoritative frameworks such as the Global Reporting Initiative (GRI) *Sustainability Reporting Standards* (GRI Standards) and the United Nations Sustainable Development Goals (SDGs).

During the reporting period, we conducted in-depth engagements with stakeholders to understand their expectations, which were then incorporated into our materiality assessment questionnaire. By distributing the survey, we quantified stakeholder priorities and completed the double materiality analysis.

Materiality Assessment Process

1) Understanding Corporate Context and Business Relationships

Benchmarked against domestic and international sustainability standards, we analyzed the Company's operations, products/services, value chain, and industry landscape to establish our sustainability context.

2) Developing the Material Issues List

In alignment with the *Beijing Stock Exchange Listed Companies Sustainable Development Reporting Guideline No. 11 (Trial)*, we identified preliminary sustainability issues through stakeholder engagement, assessing their associated impacts, risks, and opportunities to form an initial material issues list.

4) Review and Reporting

Upon completing the materiality assessment process, following review and confirmation by the Company's Board of Directors and senior management, we have provided focused disclosure in this report on issues deemed highly material during the reporting period.

3) Materiality Assessment and Prioritization

Against the backdrop of the Company's sustainable development context, we conducted further evaluation and prioritization of the financial materiality and impact materiality of the issues, and constructed a double materiality matrix.

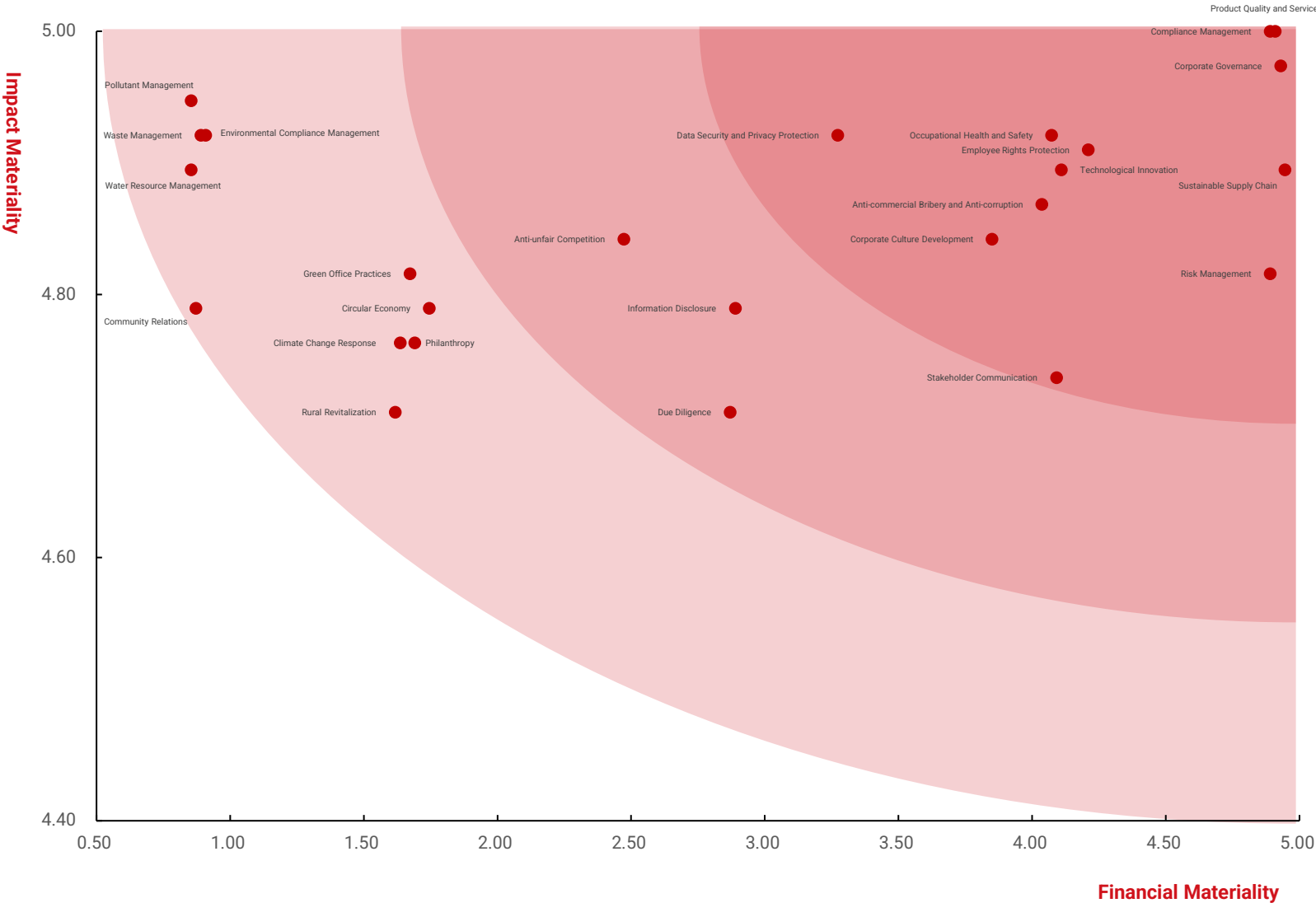
Due Diligence and Stakeholder Engagement ////

We attach great importance to communication with stakeholders. Through diversified engagement channels, we proactively disclose information regarding our operations, environmental protection, technological innovation, and development strategies to safeguard stakeholders' rights to know and participate. We systematically integrate stakeholder expectations into daily operations and collaborate with stakeholders to jointly advance sustainable development.

Stakeholders	Key Focus Issues	Engagement Channels
Government and Regulatory Agencies	<ul style="list-style-type: none"> Compliance Management Anti-commercial Bribery and Anti-corruption Anti-unfair Competition Climate Change Response 	<ul style="list-style-type: none"> Government-enterprise Symposiums Information Reporting
Customers	<ul style="list-style-type: none"> Product Quality and Services Data Security and Privacy Protection 	<ul style="list-style-type: none"> Online Promotions/ Livestreaming Platforms Offline Promotions/ Exhibitions Company Website WeChat Official Account Customer Satisfaction Surveys Market Research Activities
Employees	<ul style="list-style-type: none"> Employee Rights Protection Occupational Health and Safety Corporate Culture Development Green Office Practices 	<ul style="list-style-type: none"> All-hands Meetings Employee Training Internal and External Websites Internal Surveys Corporate Culture Promotion One-on-one Coaching Employee Activities
Investors	<ul style="list-style-type: none"> Corporate Governance Risk Management Stakeholder Communication Information Disclosure 	<ul style="list-style-type: none"> Shareholders' Meetings Roadshows Investor Mailbox Periodic Information Disclosure Email or Phone Inquiries Company Website News Media Interactions

Stakeholders	Key Focus Issues	Engagement Channels
Business Partners	<ul style="list-style-type: none"> Sustainable Supply Chain Technological Innovation Anti-unfair Competition 	<ul style="list-style-type: none"> On-site Research Supplier Meetings and Audits Supplier Agreements and Contracts Supplier Training and Exchange Programs
Communities and the Environment	<ul style="list-style-type: none"> Environmental Compliance Management Philanthropy Rural Revitalization Community Relations Waste Management Pollutant Management 	<ul style="list-style-type: none"> Low-carbon Awareness Campaigns Community Co-building Initiatives Social Welfare Programs Volunteer Activities Waste Management Reports
Media	<ul style="list-style-type: none"> Information Disclosure Stakeholder Communication Data Security and Privacy Protection 	<ul style="list-style-type: none"> Press Conferences Media Briefings Company Website Social Media Engagement
Philanthropic Organizations and NGOs	<ul style="list-style-type: none"> Climate Change Response Rural Revitalization Philanthropy 	<ul style="list-style-type: none"> Participation in Charitable Causes Project Empowerment Initiatives

Materiality Analysis
Conclusions

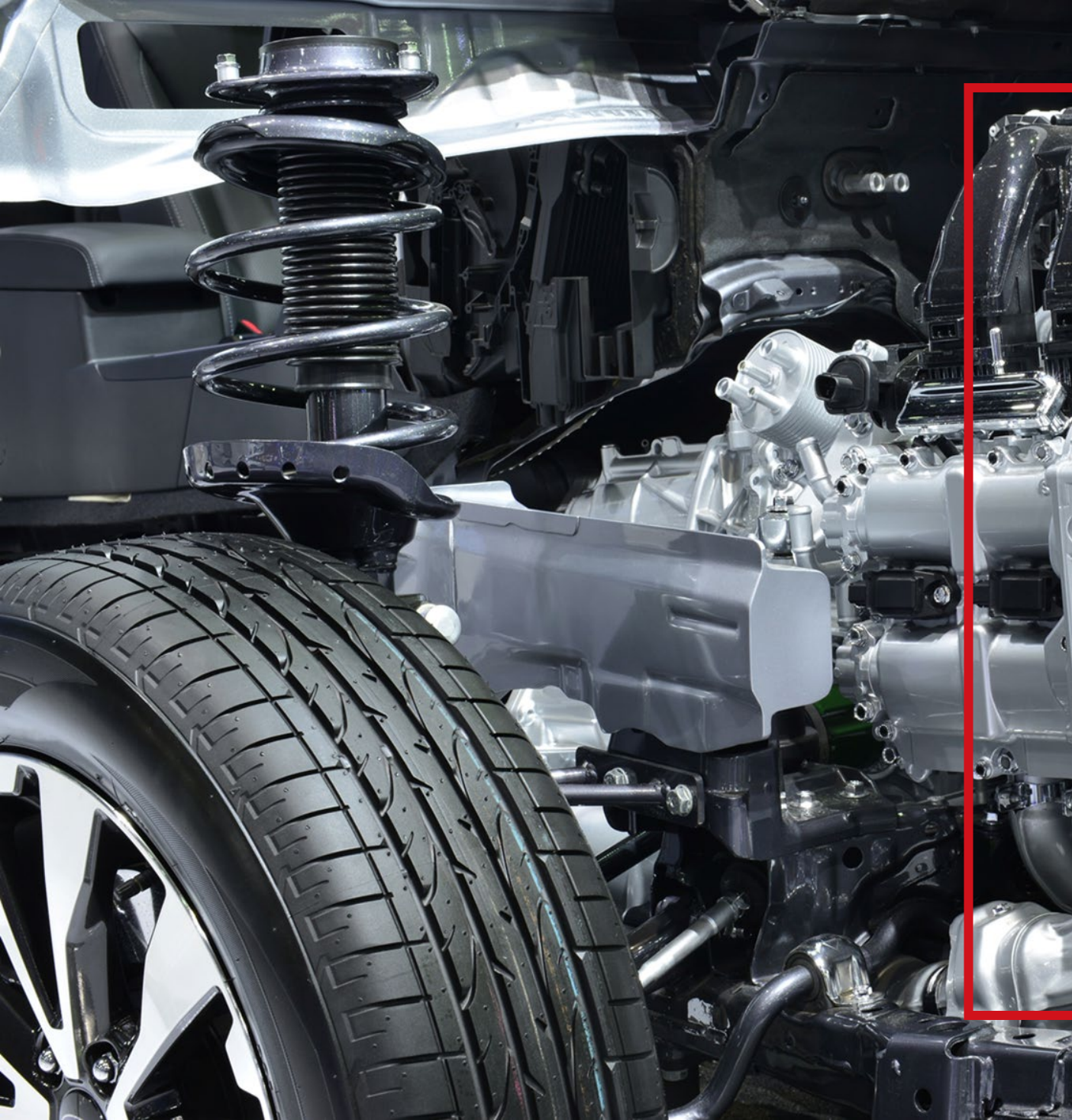




We have always regarded standardized governance as the core driver of high-quality development. By establishing a governance structure with clear authority and effective checks and balances, we have refined the decision-making mechanisms of the Board of Directors and the supervision functions of the Board of Supervisors, ensuring the scientific rigor and transparency of strategic planning and execution. To strengthen compliance operations and internal control management, we embed legal adherence into business processes through a risk-oriented approach, thereby fortifying our defenses against operational and regulatory risks. In investor relations management, we adhere to principles of openness, fairness, and timeliness. Through regular communication, transparent information disclosure, and long-term value-sharing mechanisms, the Company safeguards shareholder rights and enhances market trust. Furthermore, we uphold business ethics by integrating anti-corruption, anti-bribery, and anti-unfair competition into employee conduct guidelines. These principles are enforced through institutional constraints, management training, and third-party supervision, fostering a culture of integrity and self-discipline. These governance practices synergize to solidify the institutional foundation for sustainable development. In complex environments, they enable us to forge a resilient, efficient, and socially responsible path toward excellence.

PART 01

Governance Responsibility



Standardized Governance Driving High-Quality and Efficient Development



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Steady Governance: Solidifying a Long-term Institutional System /////

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Compliance Operation: Enhancing Risk Management Capability /////

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Shared Value: Building a Multi-Stakeholder Engagement Platform /////

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Ethical Leadership: Driving Industry Progress /////

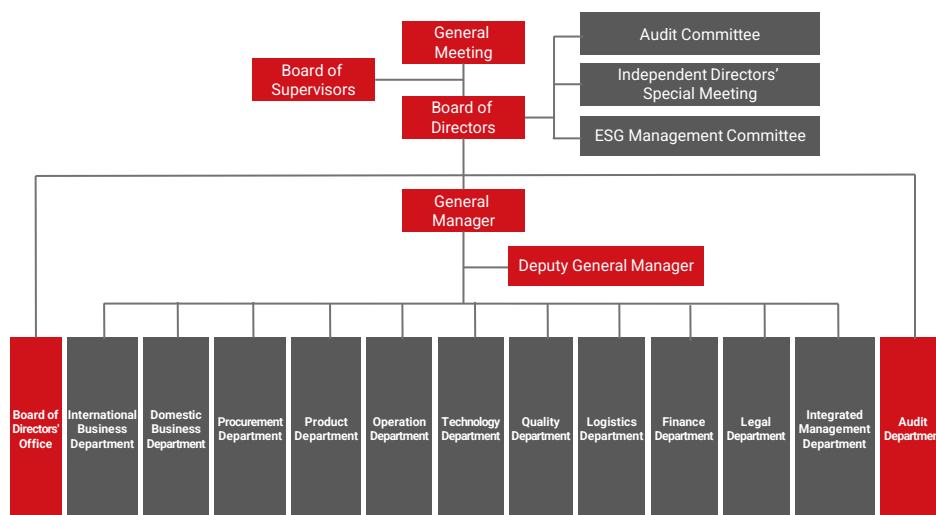
Steady Governance

Solidifying a Long-term Institutional System

During the reporting period, we strictly adhered to 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 *Measures of the Beijing Stock Exchange for the Continuous Regulation of Listed Companies (for Trial Implementation)*, the *Stock Listing Rules of the Beijing Stock Exchange*, and other laws, regulations and normative documents. In light of our own circumstances, we continuously optimized our governance system, improved the organizational structure and operational mechanisms covering the shareholders' meeting, the Board of Directors and its specialized committees, the Board of Supervisors, and the management, strengthened the standardization of corporate governance, and established a clear system of rights and responsibilities.

Governance

Governance Structure ////



Governance System ////

We have established and refined a comprehensive suite of internal governance systems in compliance with corporate governance laws, regulations, and normative documents. These include: *Articles of Association*, *General Meeting Procedures*, *Board of Directors Governance Rules*, *Board of Supervisors Operating Regulations*, *External Guarantee Management Policy*, *Related-Party Transactions Control System*, *Special Meeting Procedures for Independent Directors*, and *Independent Directors' Working Guidelines*. This institutional framework ensures standardized operations, enhances governance standards, and provides systematic safeguards against operational risks.

Strategy

We have embedded the sustainable development and multi-stakeholder value balancing as our core philosophy, driving long-term stable operations through a standardized governance framework. In terms of governance structure, we strictly comply with legal requirements to clarify the roles and responsibilities of the General Meeting, Board of Directors, Board of Supervisors, and management, forming a mutually restrictive mechanism for decision-making, execution, and supervision. At the institutional level, the Company continuously refines governance guidelines and risk management systems, integrating social responsibility, environmental management, and compliance requirements into strategic planning and daily operations. These practices enhance the normative governance of corporate entities to balance the interests of shareholders, management, employees, customers, suppliers and other stakeholders.



Impact, Risk and
Opportunity Management

Management of the General Meeting, Board of Directors and Board of Supervisors

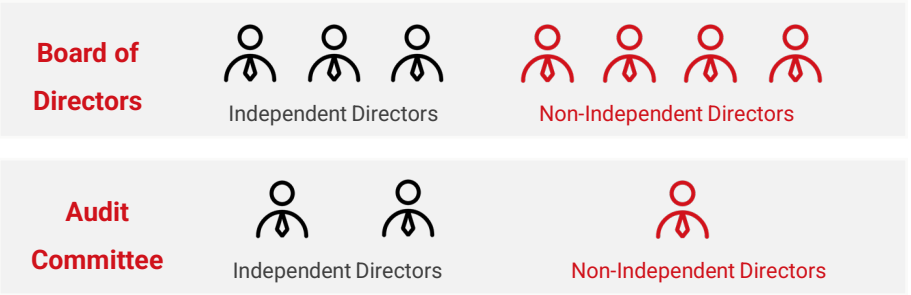
During the reporting period, we rigorously adhered to legal regulations and internal governance systems, ensuring standardized deliberation procedures. All directors and supervisors fulfilled their duties with the utmost responsible attitude toward the shareholders, the Company and society at large. Through rigorous review of all proposed resolutions, they ensured the scientific soundness and rationality of corporate decision-making.

	General Meeting	5	Number of Meetings	24	Number of Proposals Reviewed
	Board of Directors Meeting	12	Number of Meetings	53	Number of Proposals Reviewed
		100%	Director Attendance Rate		
	Board of Supervisors Meeting	11	Number of Meetings	35	Number of Proposals Reviewed
		100%	Supervisor Attendance Rate		
	Independent Directors' Special Meeting	7	Number of Meetings	17	Number of Proposals Reviewed
		100%	Director Attendance Rate		
	Audit Committee Meeting	4	Number of Meetings	11	Number of Proposals Reviewed
		100%	Committee Attendance Rate		

Board Diversity and Expertise

We are committed to enhancing the diversity and professionalism of our Board of Directors. When electing board members, comprehensive consideration is given to candidates' educational backgrounds, professional fields, career experiences, and other relevant factors. Through multi-dimensional qualification reviews, the Company ensures that board members possess diverse practical experiences and multidisciplinary competencies, thereby providing a scientific foundation for business decision-making.

The independent directors come from varied professional backgrounds including accounting and industry-specific expertise. Leveraging their solid professional knowledge and practical experience, they effectively perform their guidance and supervision duties. All directors, supervisors, and senior management personnel maintain a diligent and responsible attitude, actively participating in ongoing learning and training programs to enhance their compliance awareness and performance capabilities, thus effectively safeguarding the Company's governance efficiency.



Prevention of Interest Conflicts

To strictly regulate related-party transactions and reduce non-essential ones, while preventing controlling shareholders, actual controllers, directors, supervisors, and senior management from harming the Company's interests and those of minority shareholders through such transactions, we have established the *Related-Party Transactions Control System* and other relevant policies. These measures clearly define the scope of related-party transactions and implement a tiered review process, mandatory disclosure requirements, and recusal mechanisms for interested parties. This institutional framework ensures the standardization of related-party transaction procedures, transparency in information disclosure, and fairness in decision-making outcomes.

During the reporting period, all related-party transactions conducted by us were normal commercial transactions. The pricing of these transactions followed market-oriented principles, being determined through mutual negotiation based on product technical specifications and market prices. The product delivery, payment arrangements, and settlement methods involved in these transactions complied with the Company's standard commercial terms. All transaction pricing and procedures were conducted in accordance with the principles of equality, voluntariness, and fairness. There were no instances of utilizing related-party relationships to harm the interests of us, nor any situations that compromised our legitimate interests or resulted in improper benefit transfers to related parties. These transactions did not affect our independence.

Metrics and Targets

Metrics

Number of Board of Directors Meetings in 2024	As of December 31, 2024
12	the Board of Directors comprised
Number of Board of Supervisors Meetings in 2024	7 members
11	Including independent directors
Number of Independent Directors' Special Meetings in 2024	3
7	Representing
Number of Audit Committee Meetings in 2024	42.86% of the Board
4	
Number of General Meetings in 2024	
5	

Targets

Compliance Governance

We strictly comply with *the Company Law*, *Securities Law* and other laws and regulations as well as *the Articles of Association* to ensure the qualifications, performance procedures and proportion of independent directors meet regulatory requirements, guaranteeing the legality and standardization of the governance structure.

Supervision and Checks

We strengthen the functions of the Board of Directors and its special committees, implement routine supervision over the performance of senior management, avoid decision-making risks driven by short-term interests, and ensure that operational decisions are aligned with long-term strategic objectives.

Expertise and Diversity

Emphasizing the complementarity of professional backgrounds such as technology and finance, we continuously optimize the composition of the Board of Directors, and enhance the foresight and feasibility of strategic decision-making through diversified perspectives.

Responsible Governance

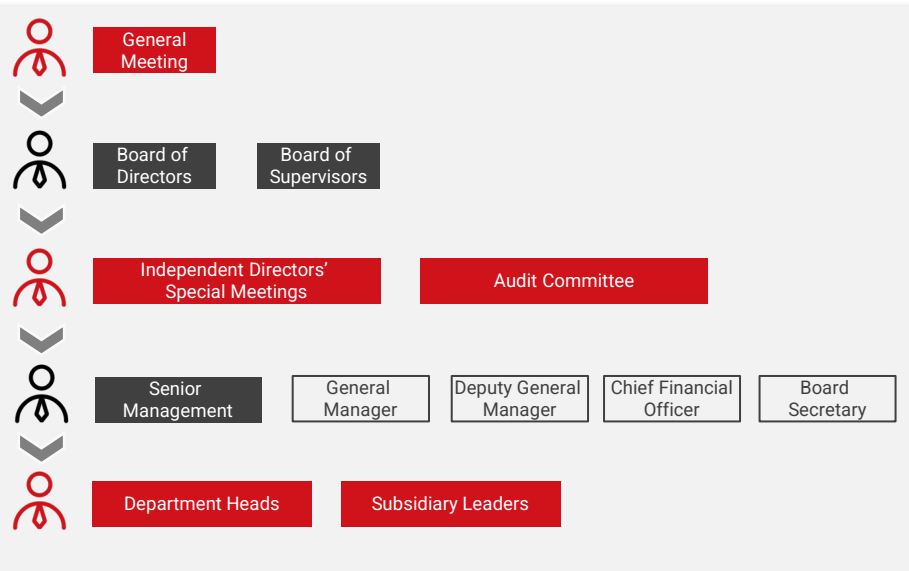
We integrate the concept of sustainable development into the governance mechanism, comprehensively consider the impacts of environmental, social and long-term corporate value in strategy formulation, risk management and performance evaluation, and promote deep coordination between the governance framework and sustainable development goals.

Compliance Operation
Enhancing Risk Management Capability

We have always regarded compliance operations and internal control as a vital support for sustainable corporate development. We strictly adhere to laws, regulations, and industry standards, continuously improving our compliance management system and internal control systems. By dynamically optimizing business processes, clarifying responsibility and authority mechanisms, and strengthening risk early-warning, we ensure the standardization and stability of our business operations. We place great emphasis on cultivating a compliance-oriented mindset among all staff, integrating compliance requirements into every aspect of daily management, and establishing a multi-level supervision mechanism to effectively ensure the implementation and consistency of our systems. We firmly believe that robust compliance management and internal control are not only crucial barriers against operational risks but also the fundamental guarantees for enhancing corporate governance capabilities, safeguarding the rights and interests of stakeholders, and achieving high-quality development.

Governance

Governance Structure



Governance System ////

To enhance our internal control system and compliance management, we've established and implemented relevant system documents, including the *Internal Audit System*, *Seal Management System*, *Procurement Control Procedures*, *Logistics Control Procedures* and *Warehouse Control Procedures*. These cover key aspects of our business management.

Strategy

We have established a governance system centered on compliance operations and internal control management. We implemented a multi-tiered governance structure, including the General Meeting, Board of Directors, Board of Supervisors, and the Audit Committee under the Board, which clearly defines the authority and responsibility boundaries of each body in decision-making, execution, and supervision, forming a scientifically balanced operational mechanism. In future, we will continue to make systematic adjustments to our organizational structure, responsibilities, authorities, processes, and standards based on our unique characteristics and future development needs. This ensures that the governance system remains deeply aligned with compliance and internal control objectives, effectively preventing and mitigating various risks in our operations.

Impact, Risk and Opportunity Management

Strictly Obey to Core Internal Control Principles ////

• Principle of Comprehensiveness

Internal controls should encompass the entire decision-making, execution, and supervision process, covering all business operations and matters of the Company and our subsidiaries.

• Principle of Checks and Balances

Internal controls should ensure mutual restraint and supervision in governance structure, organizational setup, authority allocation, and business processes, while maintaining operational efficiency.

• Principle of Cost-Effectiveness

Internal controls should balance implementation costs with expected benefits, achieving effective control at an appropriate cost.

• Principle of Materiality

While maintaining comprehensive control, internal controls should prioritize significant business matters and high-risk areas.

• Principle of Adaptability

Internal controls should align with the Company's operational scale, business scope, competitive environment, and risk level, and be adjusted promptly in response to changing conditions.

Comprehensive Implementation of Internal Control Activities ////

In accordance with the guiding provisions of the *Basic Standards for Internal Control of Enterprises*, we have established and implemented effective internal controls covering the following five key components: (1) internal environment; (2) risk assessment; (3) control activities; (4) information and communication; (5) internal supervision.

Internal Environment

We have established a standardized governance framework in compliance with laws and regulations such as the *Company Law* and the *Securities Law*. The division of responsibilities is clearly defined in the *Articles of Association* and the three-tier governance system (General Meeting, Board of Directors, and Board of Supervisors), forming a scientifically balanced mechanism. Functional departments such as finance, legal, and technology have been set up to oversee subsidiaries' operations, finances, and personnel management. We have formulated specialized and sustainable development plans, strictly adhere to the *Labour Law of the People's Republic of China*, and continuously improve our human resource management system with a focus on safeguarding employee rights—particularly the special protections for female employees. Social responsibility is integrated into strategic practices, ensuring statutory social insurance contributions, promoting fair employment, and fostering an "altruistic" corporate culture to define the Company's vision and mission. The Audit Department operates under the direct supervision of the Audit Committee, strengthening risk supervision and compliance assurance.

Risk Assessment

In order to promote the Company's sustained, healthy and stable development and achieve our business objectives, we comprehensively, systematically and continuously collect relevant information according to the established development strategies and in combination with different development stages and business expansion situations. It conducts risk assessments in a timely manner, dynamically identifies and analyzes risks, and adjusts the risk response strategies accordingly to ensure that risks are controlled within an acceptable range, improves the risk management ability, and provides a safeguard for the Company's sustainable development.

Control Activities

We have established a multi-dimensional internal control system by scientifically delineating authority and responsibilities, strictly segregating incompatible functions to create mutual supervision mechanisms, and implementing clear approval processes supported by digital platforms to enhance efficiency. In financial management, we rigorously adhere to national accounting standards and standardize financial reporting and disclosure procedures to ensure information authenticity and decision-making effectiveness. These control measures collectively form a comprehensive framework covering segregation of duties, tiered authorization, policy compliance, asset protection and independent auditing, systematically safeguarding operational compliance and asset security.

Information and Communication

We have established essential network and communication infrastructure, utilizing OA, SAP, and WMS systems supported by professional IT personnel. This enhances the timely transmission of basic business and financial data while ensuring effective dissemination of policy updates, critical business information, and corporate culture initiatives to facilitate smooth information flow and strengthen internal control effectiveness.

A dedicated whistleblower email and hotline have been implemented, with the whistleblowing policy and whistleblower protection measures clearly communicated to all employees and suppliers to maintain unimpeded reporting channels.

We have established the Board of Directors' Office, which operates under the direct leadership of the Board Secretary to facilitate communication and information exchange with external entities including securities regulatory authorities, the Beijing Stock Exchange, industry associations, intermediary agencies, and news media. This structure ensures the Company's timely and comprehensive access to external information while effectively disseminating corporate updates, thereby supporting business development.

Internal Supervision

We have established supervisory bodies at all levels in compliance with laws, regulations, and relevant normative documents to oversee internal operations. The Board of Supervisors is accountable to the General Meeting and monitors the performance of all directors, managers, and other senior executives, as well as the Company's lawful operations. The Audit Department operates independently to ensure effective supervision by the Board of Directors over the management team, with responsibilities covering internal controls, financial information verification, and major transactions.

Compliance Operations

We deeply integrate compliance principles into every business operation, upholding lawfulness and regulatory adherence as fundamental operational boundaries. Through systematic policy development, process controls, and cultural dissemination, it ensures strict alignment of all organizational behaviors with legal requirements and corporate standards. A strong emphasis is placed on cascading compliance awareness to every employee. Regular training programs and well-defined accountability mechanisms help staff fully appreciate compliance's critical role in ensuring business stability and personal career growth. We continuously strengthen internal monitoring and feedback channels, actively encouraging employees to identify and report potential risks. This collective effort builds a comprehensive, employee-engaged compliance management system spanning all operational processes, thereby solidifying the foundation for sustainable corporate development.



In 2024, the Company carried out a series of compliance training sessions. The training content was closely centered around the Company's core business, and focused on in-depth analysis of key areas such as the full-process management of ESG, anti-fraud guidance, protection of intellectual property rights and trade secrets. This ensured that the concept of compliance permeated the entire business chain. We attach importance to deepening the understanding through interactive forms such as case studies and scenario simulations, and promote the practical transformation of compliance requirements into employees' codes of conduct. Meanwhile, through the dynamic tracking and feedback evaluation mechanism, the Company continuously improves the training system, providing a solid guarantee for the stable development of the business.



Metrics and Targets

Metrics

Compliance Management Targets Achieved in 2024

Hazardous Waste Compliance Disposal Rate	In 2024, we conducted
100%	6 compliance training sessions
Number of Fire Incidents	with a total participation of
0	277 employees
Certification Rate for Special Operations Personnel	
100%	
Number of Casualties Accidents	
0	

Targets

We consistently prioritize compliance management and the enhancement of internal control systems. We are committed to establishing comprehensive institutional frameworks and efficient execution mechanisms to ensure full compliance with applicable laws, regulations, and supervisory requirements, thereby effectively preventing legal, financial, and operational risks. Through continuous improvement of internal controls, we have significantly improved operational efficiency and the reliability of financial information. This enables us to provide consistent and transparent value to all stakeholders while reinforcing our commitment to sustainable development practices.

Shared Value

Building a Multi-Stakeholder Engagement Platform

We consistently regard investor relations management as a crucial component of corporate governance. We fully recognize investors as vital partners in our development and maintain an open and transparent approach to establish two-way communication channels. Through regular exchanges, information disclosure, and daily communications, we promptly convey our strategic direction, operational updates, and future development plans. While ensuring corporate sustainable development, we formulate reasonable dividend policies based on actual conditions to actively address investors' expectations for stable returns. Simultaneously, we have established scientifically designed equity incentive mechanisms to align the interests of our core team with the Company's long-term growth. We always value the legitimate concerns of every investor and continuously improve our investor relations management system to ensure the authenticity and completeness of information disclosure. Through comprehensive communication, we aim to enhance mutual understanding and trust, ultimately creating sustainable long-term value for our investors.

Governance

Governance Structure ///



We proactively conduct investor relations activities through diverse channels including performance briefings, roadshows, investor research surveys, brokerage strategy conferences, investor conference calls, and question-and-answer interactions, thereby enhancing communication and mutual trust with the capital markets.

Governance System ///

We have established a series of internal management systems including the *Investor Relations Management System*, *Profit Distribution Management System*, *Public Opinion Management System*, *Information Disclosure Management System*, *Insider Information Registry Management System*, and *Commitment Management System*, which comprehensively regulate information disclosure and investor communication activities to enhance corporate governance capabilities and market transparency.

Strategy

We have always regarded safeguarding investors' lawful rights and interests as the fundamental principle of investor relations management. We strictly comply with the *Company Law*, *Securities Law* and relevant regulatory requirements, and have established an institutional framework centered on protecting minority shareholders' rights and interests. We have improved the online voting system for general meetings to provide investors with convenient remote participation and reduce voting costs. We implemented cumulative voting for director and supervisor elections to enhance minority investors' participation in corporate governance. A separate voting mechanism ensures minority investors' independent voice in major decisions. We standardized proxy voting procedures with clear authorization rules to prevent abuse. These measures protect investors' rights to information, profits, and decision-making participation, strengthening the legal and standardized foundation of investor relations management.



Impact, Risk and Opportunity Management

Information Disclosure ////

The Company strictly complies with relevant laws and regulations including *the Administrative Measures on Information Disclosure by Listed Companies* and *the Stock Listing Rules of the Beijing Stock Exchange*. In accordance with our operational realities, we have established comprehensive information disclosure systems such as *the Information Disclosure Management System*, and *Insider Information Registry Management System*. These systems ensure the authenticity, accuracy and completeness of information disclosure, fully protect investors' right to know, and enable fair access to corporate information for informed investment decisions.

The Board of Directors is responsible for implementing the information disclosure management system. The Chairman serves as the primary responsible person for this system's execution, while the Board Secretary specifically coordinates disclosure matters - including improving disclosure mechanisms, managing media relations, responding to public inquiries, and ensuring all corporate disclosures are truthful, timely, accurate, lawful, and complete.

We place high importance on the quality of information disclosure. In addition to fulfilling statutory disclosure obligations, we voluntarily disclose information relevant to investors' value assessment and investment decisions, adhering to the principle that such voluntary disclosures must neither conflict with legally required disclosures nor mislead investors. This practice enhances corporate transparency and actively communicates the Company's value proposition.

We strictly comply with information disclosure regulations and maintain high-quality disclosure practices to ensure the authenticity, accuracy, completeness and timeliness of all disclosed information. We actively build a disclosure system that is demand-driven by investors, consistently enhancing both the efficacy and transparency of our information disclosure practices.

Shareholder Returns ////

In 2024, the Company carried out a profit distribution, demonstrating our high regard for shareholder interests and commitment to rewarding investors. Since our listing on the NEEQ in 2016, the Company has upheld the principle of sharing development gains with shareholders, distributing profits 11 times with a cumulative payout of CNY 141 million. Through a steady and reliable dividend policy, the Company has actively returned value to shareholders, allowing them to truly benefit from the Company's growth, thereby enhancing their confidence and trust in the Company.

Investor Engagement ////

We place great emphasis on investor communication and engagement. Through multiple channels, we maintain smooth dissemination of corporate information and value proposition to enhance mutual understanding and trust. Since implementing *the Investor Relations Management System*, we have intensified investor outreach through: issuing announcements (both periodic and interim reports), holding General Meetings, answering investor hotline calls, maintaining an investor relations column on the Company website, participating in brokerage strategy conferences, and accepting investor research surveys. These enhanced communication efforts enable us to promptly address investor inquiries and humbly accept their suggestions and supervision regarding the Company's operations and management.

In 2024, we actively engaged with various types of investors through multiple channels including performance briefings, brokerage strategy conferences, investor research surveys, and conference calls. These consistent and practical communication initiatives have significantly enhanced investors' understanding of the Company's industry position, strategic planning, and business developments, strengthened their recognition of the Company's value, and established long-term, mutually-trusting investor relationships.

Due to our proactive investor relations management and communication efforts, we were honored as "Qingdao Advanced Enterprises in Investor Protection for 2024."

Equity Incentives ////

Talent is the core strategic resource driving the sustainable development of an enterprise. To deepen the alignment between talent and corporate growth, we have established a long-term incentive mechanism, implementing multiple equity incentive plans to foster shared benefits and responsibilities between our core team and shareholders. We have rolled out three consecutive equity incentive plans, which not only demonstrate management's strong confidence in strategic goals to the capital markets but also motivate innovation within the core team through equity incentives. This approach injects endogenous momentum into the Company's sustainable business growth.

In November 2024, the Company successfully completed the granting of reserved restricted shares under our 2023 Equity Incentive Plan. Upon approval by the Board of Directors and the Board of Supervisors, a total of 240,000 reserved restricted shares were granted to senior executives and key employees. Concurrently, the Company processed the option exercises *under the 2022 Equity Incentive Plan*, where the second exercise period for the initially granted options was fulfilled with 759,000 options being exercised, and the first exercise period for the reserved granted options was completed with 353,750 options exercised. In total, senior executives and key employees exercised an aggregate of 1,112,750 stock options through these two exercise events.

Metrics and Targets

Metrics ///

Information Disclosure: In 2024, we issued **125** announcements, involving periodic reports, interim reports, and other content.

Investor Interaction and Communication: In 2024, we held the 2023 Annual Performance Briefing, actively addressing the key questions of investors. We participated in **over 10** strategy sessions, roadshows, and analyst research activities. We also took part in the Beijing Stock Exchange "10,000 Miles Journey" event **once** and released the Investor Relations Activity Record Form **8** times.

Equity Distribution: In 2024, we implemented an equity distribution, distributing cash dividends of **CNY 5 for every 10 shares** to all shareholders. The total amount of cash dividends distributed was **CNY 32,259,625.00**.

Targets ///

We have always prioritized the protection of investors' lawful rights and interests as our fundamental objective, strictly adhering to the principles of fairness, justice and transparency to ensure all investors equally enjoy the rights to information, decision-making participation, and profit distribution. In information disclosure, we insist on presenting the Company's operating conditions objectively, truthfully, accurately and completely, prohibiting any exaggerated or misleading statements that may improperly influence investors' decisions. We have established institutionalized channels to promptly respond to investor inquiries and suggestions, building transparent and efficient communication mechanisms. We strictly comply with the *Securities Law* and relevant regulatory rules in all investor relations activities, expressly prohibiting the disclosure of any material non-public information under any circumstances. In case of abnormal information disclosure due to special circumstances, we will immediately activate statutory disclosure procedures, make announcements through compliant platforms, and simultaneously take remedial measures to the greatest extent to safeguard market fairness.

Ethical Leadership Driving Industry Progress

Business ethics serve as the foundation for the survival and development of the Company. We firmly believe that only by adhering to integrity, fairness, and responsibility can we earn the trust of our partners and the respect of society. In all business activities, we always take laws and regulations as the bottom line and ethical standards as the yardstick. We require all employees to perform their job duties with the highest professional ethics and resolutely prevent any behavior that undermines business ethics.

Whether it is the daily cooperation with customers and suppliers or the participation in community affairs, we always adhere to the principles of "respect as the foundation, fairness as the basis, and justice as the essence", ensuring that the legitimate rights and interests of all parties are fully protected through transparent and equal communication. We are made aware that ethics are not just slogans but actions. To this end, we integrate ethical standards into business processes and decision-making mechanisms through institutional constraints, case promotion, and regular training, making the awareness of compliance an instinctive choice for every employee.

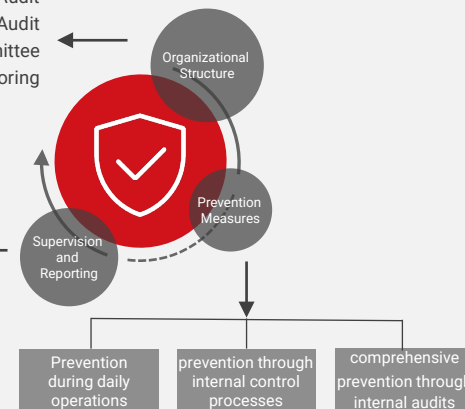
Upholding business ethics is not only a commitment to stakeholders but also the practice of the mission of sustainable development. We will continue to adopt an attitude of self-discipline and self-reflection to build an open and honest business ecosystem, contributing to the progress of the industry and the well-being of society.

Governance

Governance Structure ///

The Board of Directors has established an Audit Committee. The Company has set up an Audit Department, which reports to the Audit Committee and is specifically responsible for monitoring business ethics matters.

Both the Chairman and the Audit Department can directly receive supervision reports and whistleblowing.



Anti-corruption and Anti-unfair Competition Management Structure

Governance System ///

We have formulated and implemented relevant systems including the Anti-Fraud Management Policy, Business Ethics Management Policy, Employee Handbook, and Supplier Social Responsibility Code of Conduct to comprehensively regulate the conduct standards of employees and business partners, promoting the establishment of an honest, law-abiding, fair and transparent business ethics system.

Strategy**A Scientifically Sound Organizational Structure System** ///

The Board of Directors, Audit Committee, and Audit Department have clearly defined responsibilities and perform their respective duties, establishing an effective checks-and-balances mechanism through institutional arrangements at the top-level design.

A Multi-dimensional Supervision System ///

Leveraging the efficient collaboration between the Audit Committee and the Audit Department, combined with the professional expertise of external independent directors and dedicated auditors, a dual internal and external supervision mechanism is formed to ensure compliant and efficient corporate operations across multiple dimensions.

A Corporate Culture Deeply Rooted in Ethical Values ///

Through the institutionalized construction of an anti-corruption and integrity system, we have developed a distinctive business ethics culture embedded in employees' consciousness, guiding them to consciously uphold professional ethics at the ideological level.

Impact, Risk and Opportunity Management**Anti-Bribery and Anti-Corruption Measures** ///

We have always regarded anti-corruption and anti-commercial bribery as core principles for safeguarding corporate integrity and maintaining a healthy business ecosystem. We fully recognize that such misconduct not only undermines corporate reputation and disrupts market order, but also erodes the fundamental trust of stakeholders. In this regard, we have established a comprehensive prevention and control system covering pre-event prevention, in-process monitoring and post-event accountability. Through measures including improving institutional norms, implementing transparent procurement procedures and establishing anonymous reporting mechanisms, we systematically mitigate potential risks. Meanwhile, the Company continuously strengthens our integrity culture through standardized training programs and positive incentive mechanisms, guiding all employees to adhere to professional ethics, transforming compliance awareness into voluntary actions, and jointly building a fair, transparent and ethical business environment with integrity.

To systematically enhance the anti-corruption awareness and practical capabilities of all employees, we engaged professional legal counsel to assist in reviewing anti-corruption measures. We revised the employee handbook, systematically organized content related to violations of business ethics and breaches of moral conduct, and distributed the handbook to all employees for comprehensive publicity and study, based on the lawyers' recommendations.

To guard against corruption risks in the procurement process, we have established a systematic prevention and control mechanism:

**Anti-corruption Training**

We periodically conduct integrity education to continuously reinforce employees' awareness of integrity and self-discipline.

**Price Review**

Company engineers shall conduct reasonable price evaluations based on market conditions, product quality, and other relevant factors.

**Communication Management**

Supplier communication fully utilizes the Enterprise WeChat platform, with all business interactions retaining traceable records. The general manager and procurement manager dynamically monitor group information.

**Employee Rotation**

We have always adhered to the system of job rotation in procurement positions. Since November 2024, we have launched a new round of job rotation for procurement positions. Procurement personnel who have served for two years will be included in the rotation plan, with the maximum tenure in the same position not exceeding three years.

**Product Quotation**

In principle, procurement quotations must involve a comprehensive comparison and selection among multiple suppliers. Sole-source procurement must be submitted for special approval by the manager of Procurement Department.

**Supplier Payment**

The payment process is controlled by the system, with payments made according to the supplier's payment terms, preventing any undue delays in supplier payments due to procurement personnel.



Whistleblowing and Whistleblower Protection Policy ////

We have established multi-dimensional supervision reporting channels, set up a multi-level acceptance mechanism including the Chairman and the Audit Department, and formulated standardized complaint handling procedures. We will verify each feedback and report, assign dedicated personnel to investigate upon receiving a report, promptly follow up and investigate suspected incidents, and prepare investigation reports to be submitted to the Chairman.

The establishment of the whistleblowing and complaint system helps encourage employees and partners to actively expose and report illegal, non-compliant, or other improper conduct within the Company, enabling the Company to promptly identify and address potential risks and safeguard our corporate image. Meanwhile, to protect whistleblowers from retaliation, we have established a whistleblower protection mechanism that prohibits any form of retaliatory action, ensuring the rights and interests of whistleblowers are protected.

**Commercial Bribery and Corruption Risk Assessment** ////

We have established a comprehensive commercial bribery risk prevention and control system, deeply integrating risk identification and assessment mechanisms into daily operational processes to identify and prevent potential commercial bribery risks.

According to the nature of the behavior and the degree of harm, we have established a five-level hierarchical control mechanism:

Category 1 Risk

For commercial bribery involving the crime of offering or accepting bribes by non-state functionaries, the Company shall, after investigation and verification, transfer the case to judicial authorities in accordance with the law.

Category 2 Risk

For commercial bribery that causes significant financial losses to the Company or produces severe negative impacts, the Company shall transfer the case to judicial authorities after evidence preservation.

Category 3 Risk

For commercial bribery that triggers abnormal stock price fluctuations and damages investor rights, the Company shall initiate legal proceedings in accordance with the law.

Category 4 Risk

For commercial bribery involving amounts below the statutory threshold for duty-related crimes, where the parties concerned actively rectify their wrongdoing and recover losses, the Company shall handle the matter according to internal regulations.

Category 5 Risk

For unintentional violations with minor consequences, the Company shall implement behavioral correction through warning education and compliance training.

Anti-unfair Competition ////

We have always considered maintaining fair competition order as the fundamental guarantee for healthy corporate development. We deeply recognize that opposing unfair competition is not only a compulsory legal requirement, but also the core foundation for establishing a sound market ecosystem and protecting the rights of customers and partners. By implementing measures including perfecting the compliance system and enhancing business ethics training for all staff, we systematically prevent risks such as market confusion, false publicity, and commercial disparagement. We persistently implement the concept of integrity operation throughout the entire value chain covering R&D, manufacturing, and marketing. Through transparent cooperation mechanisms and standardized competitive practices, we continuously consolidate the foundation for the Company's sustainable development while contributing to the creation of a more vibrant and resilient market environment.

During the reporting period, we strictly complied with relevant laws and regulations *including the Anti-Monopoly Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China*, maintaining proper competition order in the industry.

Supplier Ethics Policies ////

To ensure the comprehensive implementation of business ethics standards, we have also standardized supplier business ethics. We have formulated the *20 Prohibitions for New Supplier Introduction* to strictly regulate the onboarding of new suppliers. New suppliers must undergo review by the Quality Department, Technology Department, and Procurement Department, and can only be incorporated into the cooperation system after passing cross-departmental joint evaluation. Furthermore, we issue the *Proposal on Supplier Social Responsibility* to our cooperative suppliers, advocating jointly building a business ecosystem of integrity operation, complying with national laws and regulations that prohibit commercial bribery and encourage integrity building; requiring suppliers to abide by laws and regulations regarding anti-monopoly and anti-unfair competition, and to avoid reaching any understanding or agreement with competitors or business partners that may hinder fair competition. We also require suppliers to sign an *Integrity Commitment Letter*. If a supplier violates the Company's integrity regulations, we will immediately terminate cooperation and pursue legal liability.

Metrics and Targets**Metrics** ////

In 2024, we conducted one anti-commercial bribery and anti-corruption training session. All procurement personnel received training with the theme of "Eliminating Fraud, Operating Compliantly." A total of **2 directors, 10 managers, and 71 employees** participated in the training, accounting for **21.58%** of the Company's total workforce.

In 2024, we received **0** internal or external whistleblowing reports.

In 2024, we experienced **0** commercial bribery or corruption incidents.

In 2024, we experienced **0** lawsuits or major administrative penalties due to unfair competition behavior.

In 2024, the signing rate of the *Integrity Commitment Letter* by the Company's suppliers reached **100%**.

Targets

Internal Control

Through segregation of incompatible duties and process node management, we establish a cross-checking system for business approvals and financial audits, reducing business ethics risks via standardized processes.

Internal Audit

We implement audit supervision covering the entire operational cycle. The effective operation of business ethics standards in operational processes is ensured through pre-event risk prevention, in-process execution tracking, and post-event review.

Collaborative Ecosystem

We extend integrity requirements to business partners, building a transparent supply chain aligned with ethical standards. Ensure fair profit margins for suppliers and lawful rights for customers while fostering a multi-stakeholder compliance framework.

Employee Rights

We develop an employee development mechanism integrating material benefits and ethical education, cultivating compliance awareness and organizational loyalty to reduce corruption risks.

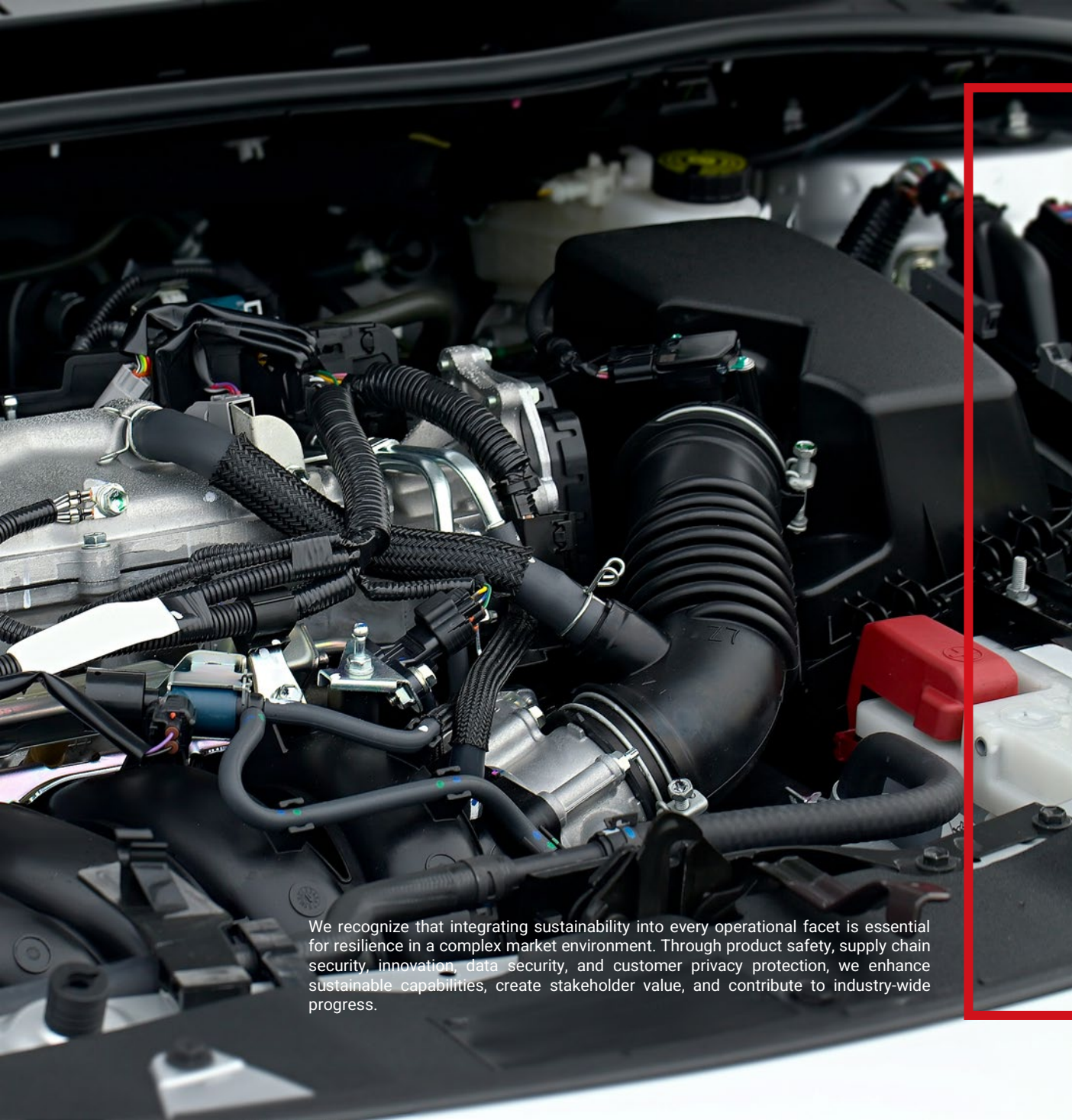




Amid the ongoing global momentum toward sustainable development, corporate social responsibility has increasingly become a key metric for assessing long-term value creation. We have always regarded sustainability as one of our core strategies. We not only prioritize the stability and security of our operations but also aim to align employee development with social well-being. We are committed to advancing corporate growth in tandem with social responsibility, aiming to achieve a win-win outcome for corporate value, employee fulfillment, and societal contribution. Meanwhile, we continue to expand the scope of our responsibility, working hand in hand with stakeholders to co-create long-term value and paint a warm, resilient blueprint for sustainable development.

PART 02

Social Responsibility



We recognize that integrating sustainability into every operational facet is essential for resilience in a complex market environment. Through product safety, supply chain security, innovation, data security, and customer privacy protection, we enhance sustainable capabilities, create stakeholder value, and contribute to industry-wide progress.

Shared Responsibility for a Sustainable Business Management System



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Quality First: Fortifying Product Safety **/////**

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Collaborative Win-Win: Ensuring Supply Chain Security and Fairness **/////**

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Driving Industrial Innovation and Upgrading Through Technology **/////**

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Empowering with Digital Intelligence to Safeguard Data Security **/////**

Quality First

Fortifying Product Safety

Governance

Governance Structure ///



Governance System ///

In terms of product safety and quality management, the Company places great emphasis on quality control and risk prevention throughout the entire process. It has developed and strictly implemented several management systems, such as the *Product Monitoring and Measurement Control Procedure*, *Non-conforming Product Control Procedure*, and *Monitoring and Measurement Equipment Control Procedure*, focusing on key areas to ensure that all products consistently meet industry standards or customer requirements in terms of safety and reliability.

Strategy

The Company targets the independent aftermarket and has developed a strategic approach focusing on automotive hard-to-find parts, with an overarching strategy of "Based in China, serving the world; global sourcing, global sales." In product development, the Company continues to research and develop products that combine "hardware and software," particularly in the automotive electronics field. The Company values technology and talent, holds independent intellectual property rights for its products, and continually drives product iteration and upgrades.

Impact, Risk and Opportunity Management

With the continuous upgrading of industry standards and the increasing requirements of the terminal market for product quality and safety performance, ensuring the stability and reliability of products has always been an important mission of the Company. To this end, the Company systematically promotes the coordinated improvement of quality and service levels from four aspects: focusing on key product lines, improving the quality inspection process, deepening quality training, and optimizing customer service. It effectively ensures product safety, product quality, and customer satisfaction and promotes the sustainable and high-quality development of the enterprise.

Prioritizing Key Product Lines for Continuous Quality Improvement ///

The Company currently manages a total of 84 product lines, including 33 key product lines and 51 potential product lines. Based on actual business development needs, the Company dynamically adjusts its key product line layout annually and provides systematic quality improvement support to relevant factories. This includes assisting in streamlining quality control processes and advancing quality enhancement initiatives. Meanwhile, the Company regularly monitors factory performance and continuously strengthens process management to support steady improvements in overall product quality.

Strengthening Quality Inspection to Ensure Product Performance ////

Process	Responsible Department	Main Responsibilities
Incoming Inspection Request	Logistics Department	Submit inspection requests via SAP/WMS upon arrival, specifying inspection location and time; confirm PO numbers, quantities, and models.
Incoming Inspection	Quality Department	Conduct inspections of incoming materials according to standards; document inspection records and conclusions; organize reviews and input data into the system; identify non-conforming products; SQE (Supplier Quality Engineer) compiles quality reports.
Incoming Processing	Logistics Department	Process storage, quarantine, or return based on inspection conclusions.
Outgoing Inspection Request	Logistics Department	Submit secondary inspection requests via email for products exceeding the storage period without shipment.
Outgoing Inspection	Quality Department	Inspect product packaging and appearance; document inspection conclusions.
Product Delivery		
Record Management		

In 2024, the Company conducted 85 specialized tests focused on product performance and safety. Each test strictly adhered to established standards, with meticulous management throughout the entire process—from test design and equipment calibration to data collection and analysis. Leveraging rigorous testing protocols, a professional technical team, and a robust quality control system, the aforementioned test projects achieved a 100% pass rate, fully validating the exceptional quality and safety of the Company's products, thereby providing customers with solid and reliable quality assurance.

Deepening Product Quality Training to Strengthen Quality Management Foundations ////

In 2024, the Company implemented diverse training programs covering Quality Management Systems and quality management tools, utilizing methods such as internal workshops, external expert lectures, and on-site supplier visits. These initiatives not only enhanced employees' professional skills and quality knowledge but also reflected the Company's sustained investment in quality improvement and talent development. This has laid a solid foundation for optimizing product quality and advancing the Company's commitment to safety and sustainable development.

Optimizing Customer Service Processes to Enhance Service Quality ////

Optimizing Customer Service Processes to Enhance Service Quality

The Company has over twenty years of industry experience in the automotive aftermarket parts sector and has built an international marketing team with strong marketing capabilities. Its customer base spans both domestic and international markets, with overseas customers primarily located in the United States, Europe, and other major countries with mature automotive aftermarket. The Company has extensive industry resources overseas while also actively expanding and developing the domestic market, where sales revenue has steadily increased in recent years. Leveraging the advantages of the global automotive parts platform development, the Company synchronously sells in both domestic and overseas markets, forming economies of scale, accelerating investment recovery, and shortening the investment return period. The Company has collaborated with well-known overseas clients such as Cardone Industries, Inc., Dorman Products, Inc., and Schaeffler Group USA Inc. for over a decade. It has also partnered with many large, well-known domestic automotive parts chain enterprises, including Mancando, Carzone, Tuhu and cross-border e-commerce companies like Fuzhou Yangteng Network Co., Ltd. and Wenzhou Shengmu Trading Co., Ltd. This has resulted in a market structure that balances both domestic and international markets, with coordinated development of both online and offline channels. The strong customer base provides solid support for the stable development of the Company's business.

The Company has always regarded serving customers as a crucial link in fulfilling social responsibilities and promoting sustainable development. It is committed to building a comprehensive and multi-level customer service system, continuously improving customer satisfaction and loyalty, and facilitating the common growth of the enterprise and its customers.

Upholding the principle of being customer demand-oriented, the Company continuously improves its customer service system. It has formulated a number of management systems, such as the Review Procedure for Requirements Related to Products, the Customer Satisfaction Control Procedure, and the Customer Complaint and Situation Regulations of the International Business Department. In the stage of identifying customer needs, through a rigorous review process, the Company ensures a high degree of matching between products and services from the source. In terms of satisfaction management, it establishes a systematic investigation, analysis and improvement mechanism to ensure that customer feedback is responded to in a timely and accurate manner. The after-sales service link sets up a standardized complaint-handling process to effectively ensure that customer demands are resolved efficiently and properly. All these systems work in coordination and linkage, forming a service closed loop that covers demand identification, delivery execution, and feedback handling, which fully reflects the Company's high emphasis on customer rights and interests.

About Capability Building

The Company actively guides its business teams to keep up with market dynamics and strengthens the learning of product knowledge and building of capacity. Regular training helps business personnel to master product key points proficiently, ensuring that they can provide professional and accurate answers to customers during the service process, and comprehensively improve the level of customer service.

About Product Service Support

The Company arranges for business personnel to deeply participate in the customer service process, conducts product knowledge training and provides professional answers to customers, helps customers better understand the product performance and application value, further enhances customers' awareness and trust in the Company's products, and consolidates the foundation of cooperation between the two parties.

About Maintaining Customer Relationships

The Company attaches great importance to the long-term maintenance of customer relationships and continuously expands communication channels. It strengthens interaction through various forms such as telephone calls and video conferences, promptly understands changes in customer needs and feedback suggestions, improves the frequency and quality of communication, and continuously enhances customer stickiness and satisfaction.

Meanwhile, the Company has established a regular customer satisfaction survey mechanism. Every year, it widely collects customers' opinions and suggestions through questionnaires, and after systematic analysis, it promptly provides feedback to relevant departments to enhance targeted service optimization.

By continuously optimizing the service mechanism and building service capabilities, the Company continuously consolidates the foundation of customer relationship management, providing strong support for achieving a long-term, stable, mutually beneficial and win-win cooperation pattern. In the future, the Company will continue to optimize the customer service system to meet customer needs with higher-quality services.

Metrics and Targets

Metrics ////

Quality Management System Certification Obtained in 2024 :

In March 2024, the Company's subsidiary, QI Automotive (QING DAO) Co., Ltd., Ltd., obtained the IATF 16949 Automotive Quality Management System Certification.

Awards related to product safety and quality management and customer service obtained in 2024

In June 2024, the Company was invited to attend the 2024 Global Supplier Conference convened by Schaeffler Group. in Herzogenaurach, Germany, and won the only Supplier Value Award in the Chinese region. This award fully affirms the comprehensive value continuously created by the Company for its business in the Chinese region in terms of supply guarantee, cost control, quality management, etc., and demonstrates the Company's professional strength and cooperative contributions within the global supply chain system.



Number of Major Product Quality and Safety Incidents in 2024	Customer Satisfaction in 2024
0	8.57points (on a 10-point scale)
Product Qualification Rate in 2024	Number of Customer Complaints in 2024
96.5%	223
Product Scrap Rate in 2024	Customer Complaint Resolution Rate in 2024
0	100%
Number of Product Recall Incidents in 2024	
0	

Targets ////

Looking ahead to 2025, the Company will continue to steadily improve product quality, maintain a high product qualification rate, and avoid major product quality and safety incidents as well as product recalls. Meanwhile, the Company will be committed to reducing the number of customer complaints, steadily increasing customer satisfaction, and continuously maintaining a high level of customer complaint resolution rate. Through systematic and forward-looking management measures, the Company will further consolidate the foundation of product quality and safety management and promote the long-term, stable and healthy development of customer relationships.

Collaborative Win-Win Ensuring Supply Chain Security and Fairness

Governance

Governance Structure ///



Procurement Department: Responsible for supplier sourcing and onboarding, new product mold development, bulk product procurement, daily supplier management, and quarterly supplier evaluations.

Quality Department: Responsible for conducting on-site quality audits and evaluations of suppliers, tracking and handling supplier delivery quality and customer complaints, performing quarterly supplier quality assessments, and inspecting incoming materials and determining non-conformities.

Technical Department: Responsible for reviewing and evaluating the technical capabilities of suppliers, providing technical support during new product planning, development, production, and after-sales processes, assisting suppliers in resolving technical issues, and conducting quarterly evaluations on suppliers' technical aspects.

Logistics Department: Responsible for the selection and evaluation of service suppliers (such as logistics companies, freight forwarders, courier services, etc.), handling the Company's logistics, goods, and warehouse management, ensuring the safety of the Company's goods, containers, and transportation tools, and participating in the safety management of business partners.

Governance System ///

With the goal of building a sustainable supply chain, the Company strengthens supplier management through a sound institutional system and promotes shared responsibility and collaborative development across the entire supply chain. The Company has formulated the Procurement Control Procedure, which takes the standardized management of the entire process as its core, covering aspects such as supplier admission, supplier assessment, implementation and monitoring of procurement. Clarifying the responsible entities and operation specifications at each stage ensures that procurement activities are legal, compliant, efficient and transparent.

Strategy

In supply chain management, the Company adheres to the management model of "Separate when necessary, integrate when optimal," with a focus on reliable quality and stable supply, managing global suppliers with both strictness and flexibility.

Impact, Risk and Opportunity Management

Against the backdrop of the continuous evolution of the global supply chain landscape, the intensifying fluctuations in market demand, and the continuous improvement of regional policies and compliance requirements, the Company faces multiple risks and challenges in supply chain management. To actively address the above uncertainties, the Company continuously strengthens the construction of its supply chain management system and focuses on systematically deploying key measures from multiple aspects, including building a multi-dimensional supplier admission mechanism, improving and perfecting the supplier management mechanism, optimizing the supplier structure and managing risks, promoting localized procurement and reducing costs while increasing efficiency, jointly enhancing the supply chain quality, and treating small and medium-sized enterprises equally, so as to comprehensively create a stable, efficient, transparent and sustainable supply chain ecosystem.



Building a Multi-dimensional Supplier Admission Mechanism ////

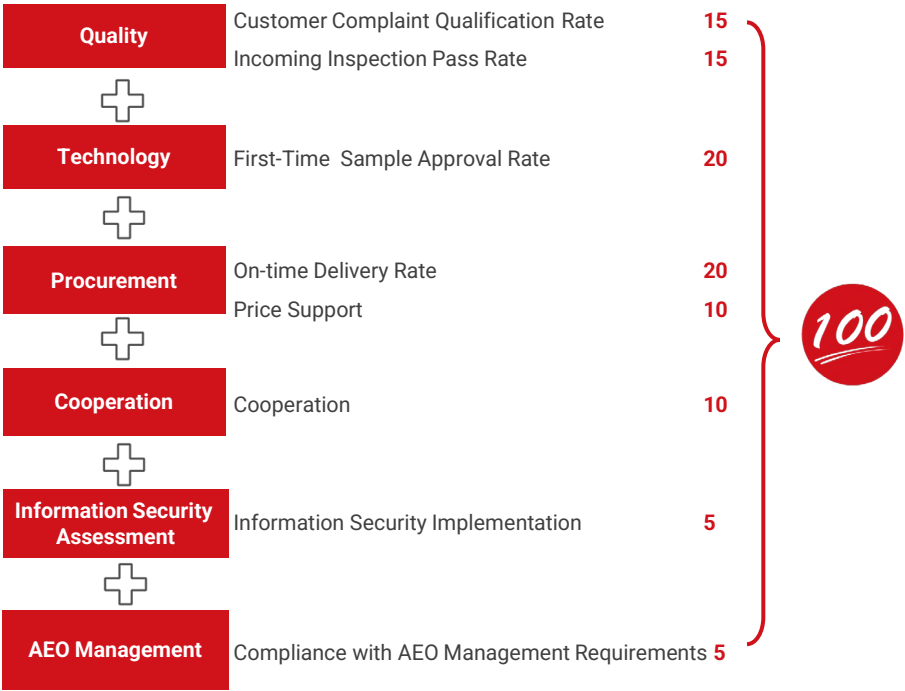
The Company has established a strict supplier qualification evaluation mechanism, comprehensively considering various dimensions such as business risks, quality levels, and technical capabilities, laying a solid foundation for building a high-quality supply chain system. In 2024, the Company carried out the screening, review, and admission work for different types of high-quality suppliers in multiple fields, such as automobiles and construction machinery. Finally, 58 suppliers were selected from 210 candidate units and completed contract signing. We sent the *Proposal on Supplier Social Responsibility* to all newly signed suppliers, advocating for them to fulfill their social responsibilities. Meanwhile, we required that 100% of newly signed suppliers formally execute the *Integrity Commitment Letter*, jointly promoting the principles of compliance, integrity, and sustainable development.



Improving and Perfecting the Supplier Management Mechanism ////

The Company implements hierarchical management for qualified suppliers, conducts quarterly evaluations and annual audits, and dynamically adjusts the supplier levels and cooperation strategies according to the evaluation results. In 2024, the Company evaluated 83% of its suppliers, of which 85% were rated as qualified. Through the continuously optimized evaluation mechanism, it continuously promotes the improvement of suppliers' quality and performance capabilities.

Supplier Rating System



Additionally, the Company communicates its core sustainability requirements and behavioral standards to all suppliers by distributing the *Proposal on Supplier Social Responsibility* and *Integrity Commitment Letter*, committing to promoting social responsibility and compliant operations across the entire supply chain.

Supplier Structure Optimization and Risk Management ////

Supplier Consolidation

To streamline supplier management and improve operational efficiency, the Company systematically reduced complexity by phasing out underperforming suppliers and integrating similar supply resources. In 2024, a total of 75 suppliers were consolidated compared to the previous year.

High-Quality Supplier Ratio Improvement

In 2024, the Company enhanced the tiered supplier evaluation system, increasing the proportion of high-quality suppliers (those with an annual evaluation score of 85 or above) to 9.5% of all suppliers. By establishing long-term strategic partnerships with these suppliers, the Company not only effectively reduced procurement costs but also significantly improved product quality stability and delivery timeliness by leveraging their reliable quality management and efficient collaborative delivery capabilities, thereby providing strong support for production operations.

Secondary Supplier Management

To mitigate supply chain risks, the Company established a three-dimensional risk identification model based on product lines, mold costs, and risk levels to comprehensively assess secondary suppliers. By creating a high-risk supplier list and implementing a dynamic risk warning mechanism, the Company has significantly strengthened full-process risk monitoring. In the future, the Company will continue to refine risk identification and monitoring procedures to promote more refined management of secondary suppliers and enhance the overall resilience and risk resistance of the supply chain system.

Localized Procurement and Cost Efficiency ////

Local Sourcing Strategy

In 2024, the Company actively implemented a local sourcing strategy by replacing 5 suppliers located in southern China with Shandong-based suppliers, achieving localized procurement worth approximately CNY 2 million. This initiative not only saved approximately 3% in procurement costs but also effectively shortened logistics transportation distances, reducing the production cycle of related products by 20% and significantly improving the supply chain's responsiveness and overall operational efficiency.

Direct-to-Customer Model

Direct-to-Customer Model: To optimize delivery pathways, the Company actively promoted a direct-to-customer supply model. In 2024, 12 loyal suppliers provided direct delivery services for 1,426 products across 742 batches covering five core product lines. By reducing intermediate steps, the Company significantly improved delivery efficiency, achieving a 95% on-time delivery rate under this model and markedly enhancing customer satisfaction.

Non-confidential Parts Direct Procurement

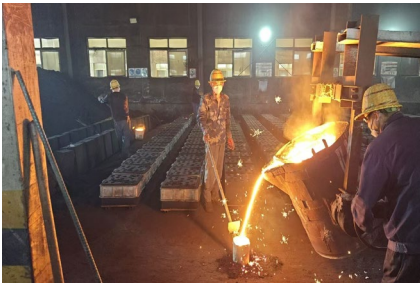
The Company adopted a direct procurement model for non-confidential parts, allowing suppliers to independently purchase non-confidential materials. This initiative has effectively simplified internal processes, reduced internal handling time by 50%, and significantly lowered warehousing management costs.

Collaborative Supply Chain Quality Improvement ////

The Company places high importance on collaborative quality development across the supply chain. It regularly organizes targeted training programs for suppliers, aiming to strengthen their quality awareness and technical capabilities, thereby continuously enhancing the overall competence and performance of the supply chain.

Case: On-site Guidance for the Cast Flywheel Supplier

To address the issue of a low product qualification rate at a cast flywheel supplier, the Company's quality and technical teams provided on-site, one-on-one support. By analyzing production processes, optimizing process parameters, and improving quality inspection methods, the team helped the supplier significantly raise the qualification rate to 98%, thereby effectively ensuring product delivery quality.



Treating Small and Medium-sized Enterprises Equally ////

The Company always adheres to the principles of fairness and justice in cooperation, strictly abides by commercial credit, and there is no situation of overdue payment to small and medium-sized enterprises. During the process of cooperation with suppliers, the Company is committed to providing equal cooperation opportunities for small and medium-sized enterprises and jointly creating a healthy and sustainable business ecological environment.

Metrics and Targets

Metrics ////

Number of Suppliers Evaluated in 2024	Major Disputes with Suppliers in 2024
445	0
Evaluation Coverage of Key Suppliers in 2024	Procurement Difficulties in 2024
100%	0
Number of Suppliers Identified with Significant Actual or Potential Negative ESG Impacts in 2024	Operational Disruptions or Significant Price Fluctuations Due to Supply Shortages or Delays in 2024
0	0

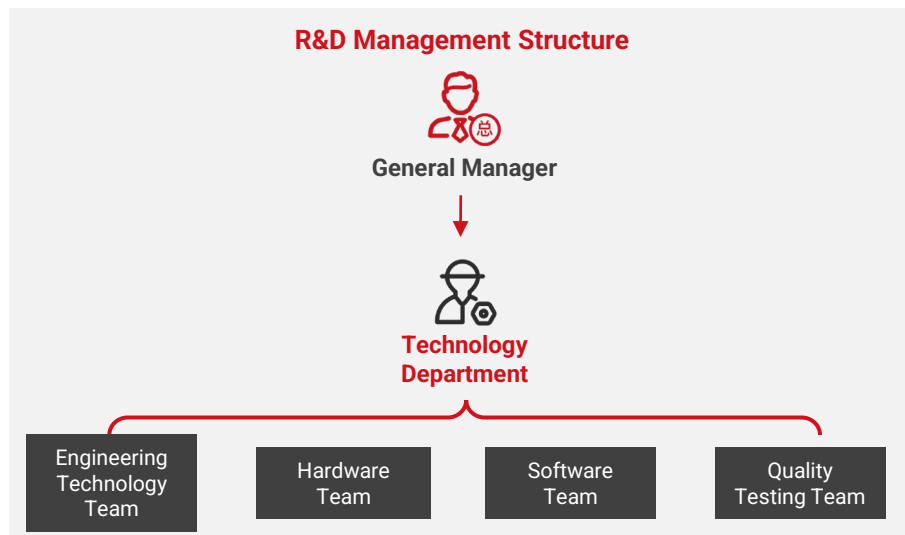
Targets ////

Looking ahead to 2025, the Company will continue to strengthen dynamic supplier management. Based on the work in 2024, it plans to streamline a cumulative total of 100 suppliers, further promoting the optimization of the supply chain structure and the improvement of quality. Meanwhile, the Company will continue to maintain full coverage of the evaluation of important suppliers and continuously enhance the prevention of significant actual or potential negative ESG risks at the supplier level. The Company will also actively prevent and control supply chain operation risks such as procurement interruptions or abnormal price fluctuations, effectively ensuring the stability and sustainability of the supply chain system.

Driving Industrial Innovation Upgrading Through Technology

Governance

Governance Structure ///



Engineering Technology Team: Responsible for the structural design and development of products, ensuring that they meet functional requirements while delivering strong performance, reliability, and manufacturability.

Hardware Team: Responsible for the design, development, testing, and maintenance of the product hardware system, ensuring its performance, reliability, and stability.

Software Team: Responsible for the design, development, testing, maintenance, and optimization of the software related to the products, ensuring that the software products meet the user requirements and business needs.

Quality Testing Team: Responsible for conducting comprehensive tests on the products to ensure that the quality and performance of the products meet the specified standards and user requirements.

Governance System ///

The Company attaches great importance to the construction of the R&D management system. Focusing on the entire process of product development, it has successively formulated a series of institutional documents, including the Advanced Product Planning Control Procedure, the Software Design and Development Process Specification, the Hardware Design and Development Process Specification, and the Intellectual Property Management Measures. These systems cover the entire process from planning, development and implementation to achievement management. Through the implementation of the systems mentioned above, the Company has effectively improved the standardization and efficiency of its R&D activities, ensured compliance and controllability of technological achievements, and laid a solid foundation for continuously promoting product innovation and enhancing core competitiveness.

Strategy

The Company regards “Delivering high-quality, cost-effective electronics for the automotive aftermarket” as the strategic objective of its R&D and innovation efforts. In pursuit of this goal, it has continued to increase R&D investment, improve the innovation system, advance product planning and technological breakthroughs in line with market needs, and strengthen both independent R&D capabilities and core technological competitiveness.

Impact, Risk and Opportunity Management

Facing multiple challenges, such as the accelerated technological change in the industry, the increasingly diverse customer demands, and the intensifying pressure of green and low-carbon transformation, the supporting role of scientific and technological innovation in promoting the Company’s future development has become increasingly prominent. To actively respond to the above risks, relying on a comprehensive and advanced R&D system, the Company continuously promotes product innovation, keeps up with the technological development trends and market dynamics, and accurately responds to the diversified needs of customers. The above measures not only help the Company enhance its market adaptability and customer satisfaction but also contribute to the green and low-carbon development of the automotive industry and the global sustainable transformation.



Case: Electric Power Steering Rack and Pinion System

In the field of automotive parts R&D, the Company focuses on the core components of intelligent driving and has successfully launched the product of the electric power steering rack and pinion system. This product conforms to the development trends of automotive intelligence and electrification. Through the independently developed advanced algorithms and system integration technologies, it significantly improves steering control accuracy and driving comfort.



The Company has assembled a professional R&D team. After more than two years of technical research and repeated verification, it has broken through a number of technical problems in the industry. The product has passed more than 30 professional tests covering environmental adaptability, reliability, durability, etc., and has undergone long-term real-vehicle road tests to ensure the stable and reliable performance of all aspects. The core performance indicators of this product have reached an advanced level in the industry, and some performances are better than similar products in the market.

Relying on the achievements of technological innovation, the Company has established a complete product matrix with a wide range of vehicle model adaptation capabilities, and can meet diverse customer needs. As the product gradually achieves large-scale production, it is expected to effectively reduce costs and further enhance market competitiveness. After the product is launched, it is expected to be widely recognized by customers. While bringing good economic benefits to the Company, it will also help the technological upgrading of the automotive aftermarket and promote the sustainable development of the industry.

In the future, the Company will continue to increase its R&D investment, continuously optimize product performance, and provide customers with more high-quality and safe intelligent driving solutions.



Metrics and Targets

Metrics

<p>R&D investment in 2024</p> <p>CNY 23,671,743.04</p> <p>R&D Investment as a Percentage of Main Business Revenue in 2024</p> <p>3.15%</p> <p>Number of Invention Patent Applications by the Company and Its Subsidiaries in 2024</p> <p>9</p> <p>Number of Invention Patents Granted to the Company and Its Subsidiaries in 2024</p> <p>2</p> <p>Number of Valid Invention Patents Held by the Company and Its Subsidiaries as of December 31, 2024</p> <p>10</p> <p>Number of Invention Patents Applied to Core Business by the Company and Its Subsidiaries as of December 31, 2024</p> <p>10</p> <p>Number of Software Copyrights Held by the Company and Its Subsidiaries as of December 31, 2024</p> <p>112</p>	<p>Number of R&D personnel as of December 31, 2024</p> <p>70</p> <p>Proportion of R&D Personnel in Total Employees as of December 31, 2024</p> <p>21.28%</p> <p>Number of Patent Applications by the Company and Its Subsidiaries in 2024</p> <p>19</p> <p>Number of Patents Granted to the Company and Its Subsidiaries in 2024</p> <p>9</p> <p>Number of Valid Patents Held by the Company and Its Subsidiaries as of December 31, 2024</p> <p>112</p> <p>Number of Patents Applied to Core Business by the Company and Its Subsidiaries as of December 31, 2024</p> <p>112</p>
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Targets

Looking ahead to 2025, the Company will continue to strengthen the development of its R&D system. While maintaining a reasonable proportion of R&D investment, it aims to steadily improve R&D efficiency and the transformation of research outcomes. The Company will aim to maintain a stable R&D team size and continuously optimize the talent structure to support technological innovation and product iteration. In terms of intellectual property rights, the Company will actively promote the continuous application for and granting of invention patents, ensuring that R&D achievements better serve the core business and provide strong support for the Company's high-quality development.

Empowering with Digital Intelligence

Safeguard Data Security

Governance

Governance Structure ///

Data Security and Customer Privacy Protection Management Structure



Integrated Management Department

Responsible for the procurement and maintenance of the Company's IT hardware equipment; maintenance, management, and information security of the Company's information systems such as SAP, OA, WMS, and PDM; monitoring of network security; and the establishment, implementation, and maintenance of the Company's information security management system.

Governance System ///

In terms of data security and customer privacy protection, the Company has successively formulated a number of special management systems, such as the Information Security Manual, the Regulation of Information Asset Security Management, and the Regulation of Information Security Incident Management. These systems systematically standardize the work of information security and customer privacy protection, effectively improve the data protection capabilities and management level, and the Company has obtained the ISO27001 Certification for Information Security Management System.

Strategy

The Company adheres to the overall policy of "Prioritize safety through prevention: integrated management and technical safeguards", and comprehensively improves the information security protection capabilities and the level of risk prevention and control.

Impact, Risk and Opportunity Management

Against the backdrop of accelerated digital transformation, frequent cyberattacks, and increasingly stringent data compliance supervision, enterprises are faced with multiple risks in aspects such as data security and customer privacy protection. In order to effectively address the above challenges, the Company has comprehensively established a data security protection system. Focusing on key aspects such as hardware protection, system protection, customer privacy protection, and employee training, it has systematically deployed multi-dimensional security measures to effectively enhance the level of data security management and the ability to protect customer privacy.

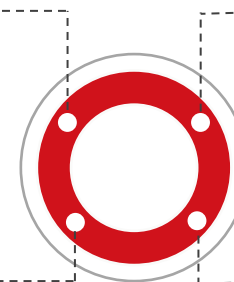
In terms of hardware protection: Comprehensively improve the security management and control capabilities of hardware devices ///

Unified terminal management and control

All employees' office computers have been incorporated into domain management, and a terminal management system has been enabled to strictly limit the permissions of users at all levels.

Dynamic monitoring and early warning

The Company has deployed a real-time monitoring system to monitor the operation of servers and network devices around the clock. If any abnormalities occur, an email alert is triggered immediately, and the issue is promptly investigated and resolved.



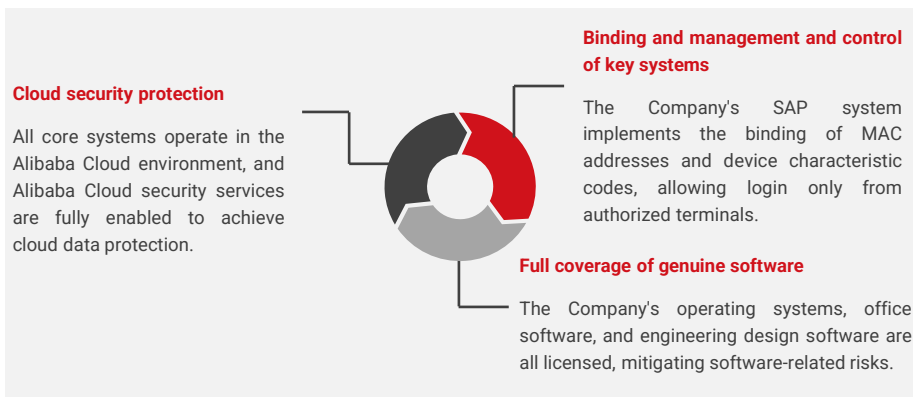
Login authentication mechanism

A mandatory password policy is enforced for all computer logins, and two-factor authentication is enabled for email logins to ensure the authenticity and validity of operators.

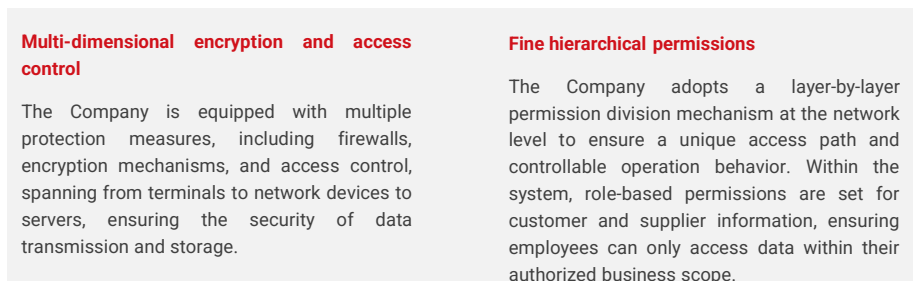
Physical security protection

Swipe cards are required to enter the Company's office area. Taking photos or videos are prohibited in the warehouse. Fingerprint access control is enabled in confidential locations to prevent unauthorized personnel from entering important areas.

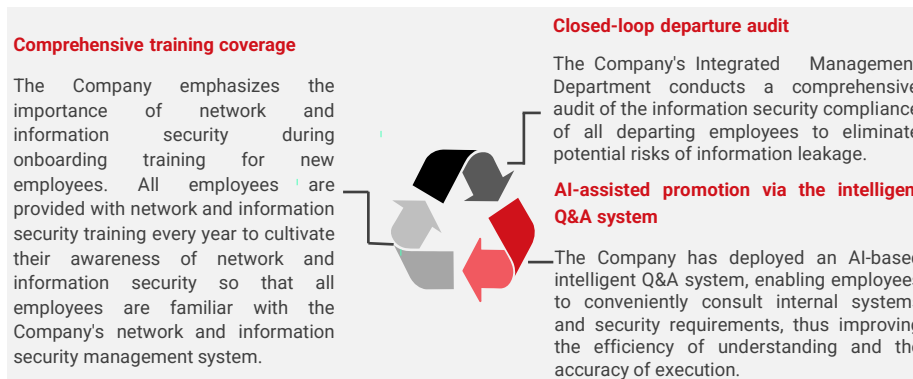
In terms of system protection: Strengthen the compliance of system platforms and data usage ///



In terms of customer privacy protection: Improve the protection mechanism for customer and business information ///



In terms of employee training: Improve employees' data security awareness ///



Metrics and Targets

Metrics ///

Number of Employees in Functional Departments Participating in Information Security Training and Exams in 2024

273

Participation Coverage Rate of Employees in Functional Departments in 2024

100%

Pass Rate of Employees in Functional Departments Participating in the Exam in 2024

98.85%

Unacceptable Risk Handling Rate in 2024

100%

Number of Customer Complaints Related to Data Security and Customer Privacy Protection in 2024

0

Number of Times Business Interruptions Due to Information System Unavailability Lasting ≥ 4 Hours Occurred in 2024

0

Number of Major Data Security Incidents Occurring in 2024

0

Number of Customer Privacy Breach Incidents Occurring in 2024

0

*Calculation formula: Unacceptable risk handling rate = Number of unacceptable risks addressed / Total number of unacceptable risks

Targets ///

Looking ahead to 2025, the Company will continue to strengthen its data security and customer privacy protection, ensuring that information security training and exams cover all employees in functional departments and aiming to maintain a high pass rate, continuously improving employees' security awareness and operation specifications. Additionally, the Company will try its best to ensure the timely and effective identification and disposal of unacceptable risks, aiming to avoid major data security incidents, customer privacy leakage, customer complaints regarding data security and customer privacy, and risks such as long-term interruption of the information system. This will ensure the continuous and stable operation of the business and provide a solid security foundation for the Company's sustainable development.

We have always attached great importance to the growth and well-being of our employees and are committed to creating a diverse, inclusive, harmonious and symbiotic working environment. We ensure employees' rights and interests in all aspects, ranging from talent cultivation, salary and benefits to occupational health. Meanwhile, we actively fulfill our social responsibilities, give back to society in various forms, and convey the warmth of the enterprise. We firmly believe that only by promoting the growth of employees and social development simultaneously can we achieve the common prosperity of the enterprise and society and write a satisfactory answer sheet for the era of sustainable development.

Co-Building and Sharing Promoting Social Progress



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People-Oriented Approach: Fostering a Diverse Development Ecosystem //

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Altruism in Action: Deepening Social Responsibility //

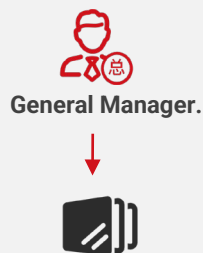
People-Oriented Approach

Fostering a Diverse Development Ecosystem

Governance

Governance Structure ///

Human Resource Management Structure



Responsible for formulating and implementing the annual training plan, establishing job responsibilities and qualification standards for each position, and conducting employee recruitment, selection, and competency evaluation.

Governance System ///

In human resource management, the Company has established multiple specialized management systems, including the Employee Handbook, Environmental, Occupational Health and Safety Operational Procedures, Human Rights and Working Conditions Policy, and Employee Grievance Management System. These systems comprehensively standardize employee conduct, safeguard occupational health and safety, protect employee rights, and establish clear communication and grievance mechanisms. The Company continuously improves the implementation and supervision mechanisms of these systems to ensure effective execution, providing strong support for talent development and the Company's sustainable growth.

Strategy

At the strategic level of employee management, the Company adopts a systematic and forward-looking approach to building a comprehensive talent development system.

First, the Company deeply integrates employee management into its overall corporate strategy. Through precise human resource planning, it forecasts talent demands, strategically reserves technical talent during digital transformation and overseas expansion, and cultivates transnational elites to align talent supply with business growth.

Second, the Company implements differentiated talent management strategies. Focusing on core roles that generate 80% of corporate value, it customizes exclusive development paths for the top 20% of high-impact employees, covering executive succession plans and compensation optimization. Concurrently, the Company employs flexible employment models (full-time, outsourcing, expatriate support) to optimize labor costs scientifically.

Additionally, guided by corporate culture, the Company integrates the values of "Operate lawfully, act rightly, benefit others" into employee conduct standards to reduce management costs. Adhering to the philosophy of "pursuing both material and spiritual well-being for all employees", it enhances employee happiness, fosters cultural cohesion, and drives mutual growth between the Company and its workforce.

Impact, Risk and Opportunity Management

In the fast-evolving market environment, companies face challenges such as increasing talent mobility, urgent needs for employee upskilling, and rising occupational health and safety risks. To address these risks, the Company has implemented proactive measures across employee recruitment, training and development, compensation, female employee support, and occupational health and safety, aiming to create a superior work environment, safeguard physical and mental health and career security, and enhance organizational cohesion and competitiveness.

Employee Recruitment ///

The Company adheres to an "Ethics-first" employment philosophy, emphasizing the alignment of integrity and capability.

The entire recruitment process is compliant, transparent, and fair, upholding the principle of "Equitable hiring, rigorous entry, and flexible exit". Non-competency factors (e.g., gender, age, marital status, parenthood) are strictly excluded to guarantee equal employment rights.

In the recruitment process, for positions other than front-line positions, the initial interviews are jointly conducted by the employing department and the heads of relevant business departments. At least the Chairman of the Board or the General Manager will participate in the final interview. For the recruitment of key positions, the human resources department and the employing department will jointly carry out background checks to ensure that the candidates have excellent comprehensive qualities.

Employee Training and Development ///

Comprehensive Training System for Talent Growth

- The Company continuously conducts talent reviews and capability enhancement programs to cultivate a talent pipeline driven by both character and capability.
- The Company conducts company-wide talent reviews twice a year, evaluating all employees across four dimensions—character, capability, performance, and exceptional contributions—and ensures that each key position has one to two designated backup candidates.
- Since November 2024, the Company has implemented 1-to 2-year growth plans for high-potential employees, utilizing mentorship, job rotations, specialized training, and management meeting observations to support their rapid growth.

Multi-Dimensional Training for a Learning Organization

- New employee training: Within one week of onboarding, the Company assigns a mentor to each new employee and formulates a tailored training plan for the probation period. Among the new hires in 2024, 7 were awarded the "Best Newcomer" title.
- Character Development Initiatives:
 - ✓ The Company's management team hosts book clubs that align with corporate values, reinforcing the mindset of "Refine the mind and temper the soul".
 - ✓ The Company organized 13 book-sharing sessions for newly appointed managers to continuously study Kazuo Inamori's management philosophy, further strengthening consensus on values and management concepts.
 - ✓ The Company organized Seiwayyuku Six Pillars of Improvement Offsite Intensive Workshops. In 2024, a total of 37 employees participated in the training, with a total investment of CNY 150,000. Since 2022, 199 employees have participated in this workshop, achieving a coverage rate of 60.48%. After the training, 90% of employees reported self-reflection and growth, effectively promoting the development of their character and a strong alignment with the Company's core values.
- Corporate-wide reading logs: Annual reading plans for all employees, fostering family reading cultures.
- Shared library system: The Company's reading corner has accumulated over 1,500 books, covering categories such as management, humanities, and tools. A set of principles for book usage has been established, focusing on "Sharing, agreements, and self-discipline."

Expanding Global Perspectives and Leadership

- Overseas exhibitions and client visits: Led by the Chairman and General Manager, the Company actively organizes high-potential talent to participate in both domestic and international exhibitions and client visits, gaining in-depth insights into industry trends and customer needs. In 2024, the Company sent a total of 78 employee visits, further expanding their global perspectives.
- Leadership development: In September 2024, the Company organized a "sailing team-building" event for the management team, using hands-on experience to strengthen teamwork and strategic alignment, further enhancing organizational cohesion and leadership.



Employee Compensation and Benefits

- Employee Stock Ownership Plan: As of December 31, 2024, 123 employees, accounting for 37.39% of the total workforce, held shares in the Company. Excluding the Chairman, employees (including indirect holdings) collectively held 8.06 million shares and options, with a market value of approximately CNY 200 million based on the closing price of CNY 23.93 on the final trading day of 2024.
- Employee welfare system: The Company continuously improves its welfare offerings, including housing subsidies, heating allowances, commuter shuttles, annual travel, and team-building activities. In 2024, enhanced benefits were introduced, such as supplemental commercial insurance (covering up to CNY 1 million in medical expenses), regular health checkups, and specialized exams for employees over the age of 40—further strengthening employees' sense of belonging, fulfillment, and security.



Fire Evacuation Drills

Care for Female Employees

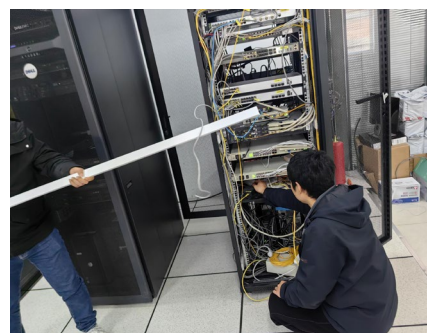
- Since 2021, the Company has seen a steady increase in the proportion of female employees. As of December 31, 2024, there were 97 female employees, accounting for 29.48% of the total workforce—an increase of 5.09 percentage points from the previous year. Meanwhile, women made up 50% of the senior management team, maintaining gender balance at the decision-making level and demonstrating the Company's long-term commitment to diversity and inclusion.
- The Company attaches great importance to the physical and mental health and family-work balance of female employees in the workplace. It has specially set up a caring space called "Mommy Cafe", which is equipped with facilities such as recliners and refrigerators to provide a comfortable, safe and private environment for employees during the lactation period. Meanwhile, for employees facing special situations such as discomfort during pregnancy, the challenges of raising twins, or having no one to take care of their second child, the Company flexibly offers the option of working from home to ensure that their dual needs of work continuity and family care are met.



AED First-aid Operation

Employees' Occupational Health and Safety

In 2024, the Company organized 8 dedicated training sessions and hands-on drills focusing on occupational health and safety. Topics included fire evacuation drills, AED first-aid operation, electric shock emergency response, test vehicle safety protocols, and specialized training for safety managers. These sessions covered a total of 235 employee attendances. Through systematic training, the Company significantly improved employees' safety awareness and emergency response capabilities, ensuring a higher level of workplace safety and further strengthening the foundation of its safety management system. The Company has installed two AED devices at its sites and established a regular inspection and maintenance mechanism to ensure quick access in case of emergencies.



Electric Shock Emergency Response

Metrics and Targets

Metrics

Certifications Obtained in 2024

In April 2024, the Company obtained the ISO 45001 Occupational Health and Safety Management System certification.

In April 2024, the Company obtained the ISO 14001 Environmental Management System certification.

Employee Labor and Employment Contract Signing Rate as of December 31, 2024	100%
Employee Social Insurance and Housing Provident Fund Contribution Rate as of December 31, 2024	100%
Number of Major Safety Accidents in 2024	0
Employee Work-Related Injury Rate in 2024	0%
Total Number of Free Medical Examinations for Employees in 2024	94
Total Number of Free Medical Examinations for New Employees	Coverage rate
Total Number of Free Medical Examinations for Employees Employed for Over One Year	100%
	203
	Coverage rate
	98.5%

Targets

Looking ahead to 2025, the Company has set the goal that the proportion of female employees in the future will not be less than 35%. It will continue to ensure that the signing rate of employees' labor contracts and employment contracts remains at 100% and ensure that all employees' social insurance and housing provident funds are fully contributed. The Company will further strengthen employees' health protection and aim to achieve a free medical examination coverage rate close to 100% for all new hires and employees who have served for more than one year. In terms of safety management, the Company will do its best to avoid major safety accidents and work-related injury accidents, continuously improve employees' safety awareness, and further optimize the working environment to ensure that all employees grow and develop in a safe and healthy environment.

Altruism in Action

Deepening Social Responsibility

Corporate Culture and Philosophy

The Company consistently upholds the core cultural philosophy of “Act rightly, benefit others,” promoting positive and altruistic values. The philosophy guides organizational behavior through cultural influence, continuously fostering intrinsic motivation among employees. It is not only reflected in daily operations and management but also deeply embedded in the Company's actions across public welfare, employee care, and social responsibility.



Public Welfare and Philanthropic Practices

Unity in Responsibility, Solidarity in Action: Cultivating Momentum for Collective Goodness ////

In 2024, the Company's directors and senior executives donated CNY 444,000 to the Jiaozhou Red Cross Society to support 12 charitable initiatives, including medical and educational assistance, care for hematopoietic stem cell donors, the construction of rural elderly canteens, and visits to bereaved families. These efforts demonstrated the Company's commitment to supporting vulnerable groups and improving grassroots livelihoods. Meanwhile, employees actively participated, joining Red Cross staff to visit the aid sites. They not only delivered goods and offered condolences but also conveyed warmth and care through sincere communication. By practicing corporate social responsibility with their actions, they helped create a corporate culture focused on caring for others and spreading goodwill.

Small Acts of Kindness, Waves of Warmth: Jointly Cultivating a Harmonious Philanthropic Atmosphere ////

Since 2020, the Company has organized the One-Day Charity Donation Campaign for five consecutive years. In 2024, many employees voluntarily made anonymous donations, and the corresponding funds were collectively donated to the Jiaozhou Charity Association. This initiative gathered individual kindness to create collective warmth, fostering a positive charitable atmosphere within the Company.



The Company has always regarded "Acting rightly" and "Benefiting others" as the core driving forces behind the collaborative development of the enterprise and society. It continuously expands the breadth and depth of its public welfare participation, actively guiding employees to engage in social value practices in diverse ways and jointly building an enterprise culture that is both compassionate and responsible.

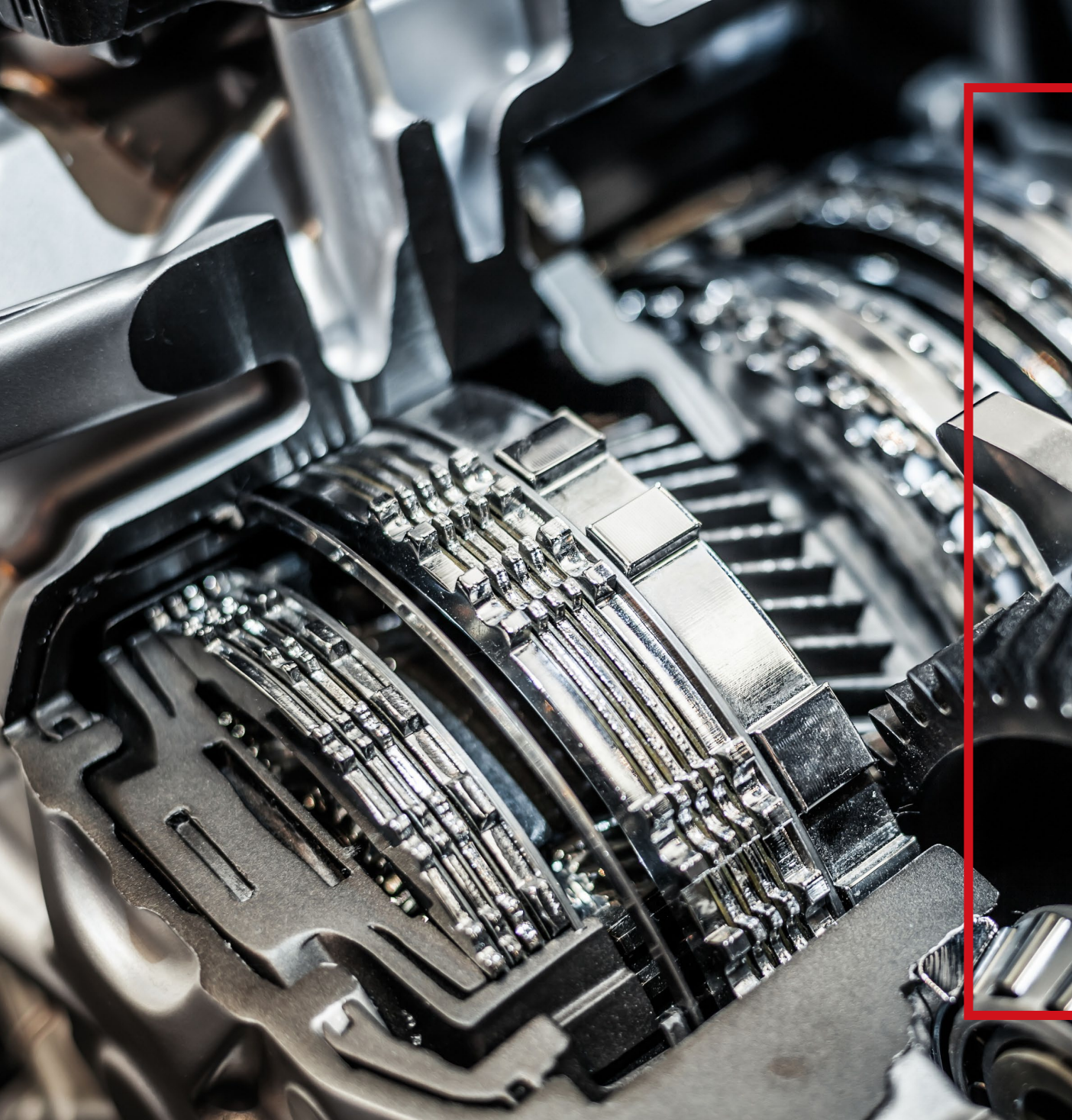




Guided by our sustainable development strategy, we consistently prioritize environmental protection as a core operational focus, actively implementing green development principles. By establishing a circular economy model, strengthening compliance management, optimizing resource utilization, reducing emissions and waste, and addressing climate change challenges, we are committed to balancing business growth with environmental responsibility. Moving forward, we will continue to explore low-carbon and sustainable solutions, collaborating with stakeholders to drive the green transition and achieve harmony with nature.

PART 03

Environmental Responsibility



Green Empowerment, Committing to Environmental Stewardship



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Circular Economy Leadership, Building a Resource Regeneration Paradigm /////

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Value Resources, Safeguard the Foundation of Green Development /////

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Compliance Foundation, Strengthening Environmental Management Systems /////

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Emission and Waste Reduction, Enhancing Environmental Performance /////

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Climate Action, Addressing Global Environmental Challenges /////

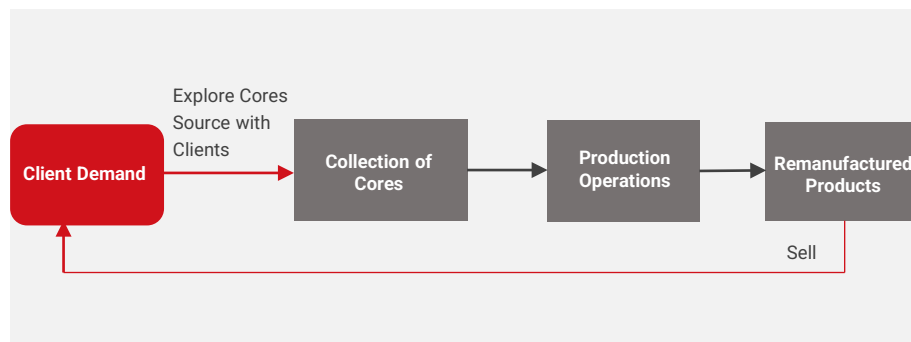
Circular Economy Leadership

Building a Resource Regeneration Paradigm

According to public data, China's total vehicles in operation (VIO) reached 353 million units by the end of 2024, representing a year-on-year increase of 5.33%. With the continuous growth of VIO, the domestic automotive aftermarket has entered a stock market phase, with annual after-sales service scale reaching trillions of CNY. Coupled with the impact of increasing vehicle age, the automotive aftermarket is poised for rapid expansion, presenting significant development opportunities for the remanufacture industry. As a wholly-owned subsidiary of QI Automotive, CoreMax Recycling (QING DAO) Co., Ltd. ("CoreMax") has been deeply engaged in the remanufacture field for several years, actively implementing a "green" production philosophy.

Governance

Governance Structure ///



Governance System ///

CoreMax has obtained the remanufacturing management system certification and collaborated with Suzhou Automotive Research Institute of Tsinghua University, China National Resources Recycling Association, and Qingdao Automotive Research Institute of Jilin University to jointly draft group standards for remanufactured brake caliper, providing standardized guidelines for related remanufactured products.

Strategy

We adhere to sustainable development principles and prioritize environmental, social and governance (ESG) initiatives as a key strategic focus through our investments in automotive parts remanufacturing. We will continue dedicating resources to this field by developing product series including brake caliper and wiper motor, while actively exploring new remanufacturing opportunities. Committed to establishing CoreMax as a leading domestic remanufacturing enterprise, we aim to develop and promote industry standards for remanufacturing teams to drive sector-wide progress.

Impact, Risk and Opportunity Management

Concept Cultivation: Deepening Customer Understanding of Circular Economy ///

The market acceptance of remanufactured products requires a gradual process in both used parts supply and sales. CoreMax has proactively engaged with the market through multiple channels, conducting extensive communications with used parts suppliers and potential customers to enhance their understanding of remanufactured products. Through years of dedicated efforts, we have successfully built confidence in the remanufactured brake caliper industry among over 70 used parts suppliers, establishing collaborative partnerships to develop a sustainable circular economy model for used parts supply and remanufacturing. In terms of market penetration, more than 80 customers have adopted CoreMax's remanufactured products and are actively promoting them in the marketplace.



Collaborative Channel Development: Energizing the Resource Circulation Ecosystem

Prior to 2024, our sources of used parts for remanufactured products remained relatively singular, primarily originating from auto dismantlers. The corresponding product models tended to be older, with limited market demand.

Since 2024, CoreMax's market research has identified that used calipers from model-specific dismantle channel can effectively meet strong market demand. In the first half of 2024, CoreMax strategically adjusted and expanded its approach by leveraging its established customer resources in China to deeply develop professional dismantle channels. From June 2024 onward, we successively established partnerships with over 70 used parts suppliers across Beijing, Guangzhou, Jinan, Zhengzhou, Wuhan, Chengdu, Chongqing, and Shanghai, receiving 39,000 high-demand used parts. Additionally, CoreMax has actively expanded OEM channels to further diversify its used parts resources.

Multi-pronged Approach to Build a Stable Supply System for Used Parts

CoreMax's used parts channels are entirely self-established, primarily focusing on model-specific dismantle channel supplemented by traditional auto dismantlers, while actively exploring potential collaborations with OEMs. On one hand, CoreMax eliminates intermediaries by partnering directly with upstream dismantling channels, reducing supply chain risks for used parts. On the other hand, the multi-channel supply system enhances resilience against competitive risks and ensures greater stability in used parts supply.

Used Parts Recycling, Driving Energy Conservation and Emission Reduction in Manufacturing

Compared to new brake caliper production, each remanufactured brake caliper saves 10 kWh of electricity. CoreMax's production of 40,000 remanufactured brake calipers in 2024 achieved total electricity savings of 400,000 kWh. Based on the current conversion rate of 3,333 kWh per ton of standard coal equivalent, this remanufacturing activity resulted in approximately 120 tons of coal savings, while reducing emissions by 312 tons of CO₂, 66 tons of particulates, 1.2 tons of sulfur compounds, and 1.2 tons of nitrogen oxides.

Replacement Innovation, Creating Closed-Loop Value in the Sharing Economy

CoreMax has proactively developed a product replacement channel, encouraging customers to return used parts through sales channels for each remanufactured brake caliper sold. Since 2024, this initiative has facilitated the recovery of 1,661 used parts, accounting for 6.8% of CoreMax's total used parts procurement during the year.

Metrics and Targets

Metrics

2024 Remanufactured Product Sales Volume	2024 Remanufactured Product Sales Year-on-year Growth Rate
23,843 Units	58.97%
2024 Remanufactured Brake Caliper Production	2024 Estimated Electricity Savings from Remanufacturing Brake Caliper
40,000 Units	Approximately 400,000 kWh

Targets

Moving forward, we will continue to enhance the utilization rate of used parts and improve remanufacturing production efficiency to reduce resource consumption. Through these efforts, we aim to achieve steady growth in remanufactured product sales while establishing a circular economy paradigm for used parts recycling.



Value Resources

Safeguard the Foundation of Green Development

Governance

We have established a comprehensive energy and resource management system, implementing standardized policies including the *Energy Efficiency Policy*, *Renewable Energy Policy*, and *Water Quality, Consumption & Management Policy* to ensure systematic governance of energy and resource utilization.

In alignment with our *Energy Efficiency Policy* and *Renewable Energy Policy*, we establish annual energy conservation targets based on operational realities. The General Manager oversees all energy-saving initiatives, supported by a dedicated Energy Conservation Task Force responsible for implementation and coordination. Each department and production workshop maintains its own task force to execute localized energy efficiency measures.

In accordance with the *Water Quality, Consumption & Management Policy*, we have established a dedicated Water Conservation Department to oversee water usage. This department formulates long-term conservation plans and annual work programs aligned with corporate strategy, while ensuring compliance with national water-related regulations. Annually, it sets water-saving targets for all departments, conducts regular statistical analysis of consumption patterns, and publishes performance reports. Each department further allocates these targets to operational units, implements measurable water quotas, and conducts periodic evaluations to ensure accountability.

Strategy

We are committed to balancing business growth with sustainable operations by optimizing resource utilization and energy mix to achieve an efficient, low-carbon operational model. We focus on enhancing resource and energy efficiency, exploring circular solutions where feasible, prioritizing eco-friendly materials, increasing renewable energy adoption, and implementing continuous energy-saving measures to reduce operational intensity. Furthermore, we encourage supply chain partners to jointly advance resource and energy efficiency through collaborative sustainable practices.

Impact, Risk and Opportunity Management

Green Operation, Building a Low-Carbon, High-Efficiency Workplace ///

We actively promote circular use of office resources by advocating for second-hand furniture procurement, reducing bottled water and disposable cup usage while encouraging staff to use reusable cups, utilizing biodegradable trash bags daily, and implementing a quota-controlled online system for office supply requests to minimize resource consumption.

We actively promote green office initiatives by integrating environmental awareness into daily operations and fostering a participatory sustainability culture among employees. Clear visual reminders such as "Adjust AC temperatures," "Turn off lights," "Power down equipment," and "Conserve water" reinforce energy-saving habits. Additionally, we implement monthly "Philosophy of Sweeping" activities and conduct random facility inspections to enhance staff engagement in environmental stewardship, collectively building an eco-friendly workplace.

Advocating Vegetarian Diets, Driving the Transition to Healthy, Low-Carbon Eating Habits ///

We encourage vegetarian food choices by providing staff with three plant-based box meals per week through certified caterers, mandating biodegradable meal containers. From January 2022 to date, we've distributed **59,105 vegetarian meals**, reducing carbon emissions by **46,101,900 grams** - including **23,622 vegetarian meals** served in 2024, achieving **18,425,160 grams** of carbon reduction.

Community Partnership: Advancing Clean Energy Ecosystems ///

We actively promote clean energy adoption at our Qingdao Transfer Logistic Park location, delivering 5.295 million kWh of renewable electricity to the national grid in 2024. Notably, the photovoltaic system installed on our leased warehouse roofs generated 1,085,425 kWh annually, equivalent to reducing CO₂ emissions by approximately 582.4391 tons. This initiative demonstrates our concrete commitment to enhancing renewable energy utilization and reducing emissions. Moving forward, we will continue expanding applications of photovoltaic power generation and other green energy solutions to support China's carbon neutrality goals.



Metrics and Targets

Metrics

Energy and Resource Utilization Metrics

Gasoline	Energy Intensity
51,367.04 Liters	0.5176 Tons of standard coal/10,000 CNY revenue
Diesel	Water
4,300.22 Liters	1,360 Tons
Purchased Electricity	Water Intensity
444,600 kWh	0.0181 Tons/10,000 CNY revenue
Total Energy Consumption	
38,936.32 Tons of standard coal	

Note: Data covers QI Automotive, QI Automotive (QING DAO) Co., Ltd. and CoreMax.

Targets

We are increasing the proportion of renewable energy usage to progressively reduce reliance on fossil fuels, while implementing enhanced water conservation measures and promoting wastewater reuse.



Compliance Foundation

Strengthening Environmental Management Systems

Governance

We uphold scientific development principles and sustainable practices, making environmental protection a fundamental pillar of our high-quality corporate development. Through our scientifically designed and efficiently operated environmental management system, we systematically enhance performance via institutional integration and full-process coordination, seeking to lead industry-wide green transformation.

We have established a multi-layered environmental management system that embeds regulatory compliance into strategic decision-making and daily operations, with all policies requiring cross-departmental joint approval, legal compliance review, and final authorization by the General Manager before implementation. Our system design strictly complies with *Environmental Protection Law of the People's Republic of China*, *Environmental Impact Assessment Law of the People's Republic of China*, and *Renewable Energy Law of the People's Republic of China* , alongside ISO 14001 requirements, spanning resource circulation, pollution prevention, and carbon emission management through specialized policies including: *Renewable Energy Policy*, *Air Quality Standards*, *Energy Efficiency Policy*, *Decarbonization Policy*, *Water Quality*, *Consumption & Management Policy*, *Greenhouse Gas Emissions Policy*, *Waste Reduction Management System*, and *Reuse & Recycling Guidelines* - collectively forming the institutional foundation for our green, low-carbon transformation.

We conduct regular environmental training to systematically enhance staff eco-literacy, embedding sustainability as a core cultural value. These programs cover environmental management system standards while strengthening both ecological awareness and emergency response capabilities.

Strategy

We consistently integrate sustainable development principles as a core component of our corporate strategy, using this strategic framework to comprehensively drive business transformation and upgrading. By continuously embedding environmental protection requirements throughout our production and operational processes, we systematically enhance the effectiveness of our environmental management practices.

Impact, Risk and Opportunity Management

We have embedded environmental risk identification and assessment mechanisms into daily operations, enhancing risk management effectiveness through tiered controls, dynamic monitoring, and continuous improvement. Our comprehensive risk control system applies preventive management throughout production processes, with standardized policies and operational procedures systematically mitigating potential environmental risks to ensure regulatory compliance and strengthen sustainable development foundations.

We are strengthening staff environmental risk awareness through targeted training programs, while simultaneously improving our emergency contingency plans and response mechanisms to elevate practical risk management capabilities. These concerted efforts establish a durable and robust environmental risk governance framework for long-term resilience.



Metrics and Targets

Metrics ///

Environmental Compliance Indicators

QI Automotive obtained ISO 14001:2015 Environmental Management System certification in April 2024, ensuring continued compliance with international standards. In June 2024, CoreMax received a "Green" rating in the environmental credit evaluation conducted by the Department of Ecology and Environment of Shandong Province.



During the reporting period major environmental pollution incidents	During the reporting period environmental protection training
0 Case	4 Sessions
During the reporting period environmental compliance violations	
0 Case	

Targets ///

Moving forward, we will maintain comprehensive compliance in all operations to ensure full adherence to national and local environmental regulations, with zero tolerance for major environmental violations.

Emission and Waste Reduction

Enhancing Environmental Performance

Governance

Aligned with green development principles, we continuously optimize emissions and waste management. In 2024, pursuant to the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste* and considering industry-specific requirements and operational realities, we formally established our Waste Reduction Management System.

Under the *Waste Reduction Management System*, the Integrated Management Department and Logistics Department oversee centralized waste repository management, while waste-generating departments are responsible for categorization, collection, temporary storage, and disposal transfer. We implement scientific classification dividing waste into General Management and Special Management categories, with secondary sorting by recyclability, supported by visual labeling for accuracy. Process controls mandate differentiated storage by waste type, standardized transfer procedures (including documentation), and defined disposal pathways: maximizing recycling of recyclables, outsourcing general waste to certified contractors when reusable through the General Affairs Department, arranging landfill disposal for non-recyclable general waste through sanitation departments, and requiring contractors handling special waste to provide environmental department certifications with compliance assurance. All departments must conduct monthly waste operation audits.

We maintain strict control over wastewater discharge throughout our operations. Currently, our wastewater originates solely from office and domestic water usage, which is collected through the park's dedicated pipeline system and transported to licensed professional wastewater treatment plants for centralized processing.

Strategy

We strictly adhere to the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* and *Law of the People's Republic of China on Prevention and Control of Water Pollution*. Through source reduction, process control, and resource recovery, we minimize operational environmental impacts, enhance resource efficiency, and drive green low-carbon transformation.

Impact, Risk and Opportunity Management

The proper management of waste and wastewater discharges constitutes a critical manifestation of corporate environmental responsibility, with scientifically sound practices being essential for sustainable development. Improper handling exposes enterprises to threefold risks: (1) regulatory violations may incur administrative penalties and potential production shutdowns; (2) inefficient resource utilization significantly increases operational costs; and most critically, (3) environmental incidents can inflict profound, lasting damage to brand equity and market credibility. These potential consequences underscore the paramount importance of establishing comprehensive environmental management systems.

To address these challenges, we have established a robust waste and wastewater management system, continuously exploring resource recovery solutions for waste materials while conducting unscheduled internal compliance audits to ensure full adherence to regulatory requirements. In 2024, we achieved 100% compliant waste discharge standards with zero environmental compliance violations.

Metrics and Targets

Metrics ///

2024 Waste and Wastewater Discharge Metrics

Non-hazardous Waste	Hazardous Waste	Total Waste
75.83 Tons	2.24 Tons	78.07 Tons
Compliance Disposal Rate of Waste	Wastewater Discharge Volume	
100%	1,200 Tons	

Note: Data covers QI Automotive, QI Automotive (QING DAO) Co., Ltd. and CoreMax

Targets ///

We promote waste reduction and recycling initiatives, ensuring 100% of waste discharges consistently meet national standards.

Climate Action

Addressing Global Environmental Challenges

The 28th Conference of the Parties to *The United Nations Framework Convention on Climate Change* (COP28), held in Dubai on November 30, 2023, reaffirmed the international consensus to limit global temperature rise to 1.5°C above pre-industrial levels. As an active participant in global climate governance, China has integrated its "Carbon Peaking and Carbon Neutrality" goals into national development strategy, committing to carbon peak emissions by 2030 and achieve carbon neutrality emissions by 2060, demonstrating steadfast commitment to green transformation.

As an environmentally accountable organization, we recognize our critical role in supporting these climate objectives. We have established a three-tiered management system encompassing governance & strategy, impact, risk & opportunity management, and metrics & targets to implement concrete actions aligned with China's "Carbon Peaking and Carbon Neutrality" strategy.

Governance

Climate change response constitutes a core priority in our sustainability strategy implementation. We have established a board-level climate governance structure, with the Board-appointed ESG Management Committee overseeing climate-related strategies and major decisions, mandating systematic integration of climate considerations into investment evaluations and business planning. *The Greenhouse Gas Emissions Policy* and related regulations provide operational guidelines, while department heads as the ESG Management Committee's executive arm coordinate emission reduction target implementation per these established standards.




Strategy

At the strategic level, we conduct specialized climate change analysis tailored to the automotive aftermarket parts industry, systematically evaluating multidimensional impacts on supply chains, market demand, and regulatory frameworks to identify associated risks and opportunities. Through comprehensive assessment and priority stratification, we inform resource allocation and strategic decision-making. Building on these insights, we will continuously optimize operational models and investment strategies to enhance climate resilience, mitigating risks while capitalizing on transition opportunities to ensure sustainable, robust development.



Impact, Risk and Opportunity Management

In response to global climate action goals, we have systematically assessed climate-related risks per the Task Force on Climate-related Financial Disclosures (TCFD) framework. This evaluation covers two risk categories: (1) physical risks from extreme weather and long-term climate patterns, and (2) transition risks arising from low-carbon policy shifts, carbon pricing volatility, and market changes. Based on findings, we established targeted risk management mechanisms to proactively mitigate operational impacts while capturing green transition opportunities, advancing our sustainability strategy implementation.

Risk Type	Risk/Opportunity	Manifestations and Potential Impacts	Mitigation Measures
 Physical Risk	Acute Physical Risk	Extreme weather events triggered by climate change, including floods, droughts, and blizzards, may cause physical damage to our production equipment and facility infrastructure. Such events could result in operational disruptions or complete shutdowns, with potential employee safety hazards in severe scenarios. These impacts ultimately lead to direct economic losses through asset destruction and revenue reduction from business interruption, as well as indirect costs such as potential compensation expenditures.	<ul style="list-style-type: none"> Emergency Response Capacity Building We are establishing a systematic emergency response system by conducting specialized meteorological disaster preparedness training to enhance staff risk identification and self-rescue capabilities, while equipping necessary professional emergency rescue equipment.
	Chronic Physical Risk	Climate change may lead to increased occurrences of drought, extreme heat, and high humidity events, along with environmental changes such as rising sea levels. These factors could adversely affect storage conditions for automotive components and increase production energy consumption while reducing efficiency at supplier facilities. Such operational challenges may ultimately elevate product costs and potentially compromise our market competitiveness.	<ul style="list-style-type: none"> Supply Chain Resilience Enhancement We are strengthening supply chain resilience through geographic diversification of suppliers and establishing alternative supply networks to mitigate single-point climate risks. <ul style="list-style-type: none"> Emergency Preparedness System We maintain dynamic safety stock levels and have developed contingency plans for supply disruptions caused by extreme weather events.
 Transition Risk	Policy and Regulation	Increasingly stringent global carbon regulations have established low-carbon transition as a new international competitiveness threshold. We face higher compliance costs due to carbon border mechanisms and product carbon footprint labeling policies, which may ultimately increase our production costs.	<ul style="list-style-type: none"> Supply Chain Decarbonization Acceleration We will progressively implement a supplier carbon emissions assessment mechanism, prioritizing partnerships with low-carbon suppliers under equal conditions while supporting key suppliers' energy efficiency upgrades. <ul style="list-style-type: none"> Carbon Policy Monitoring Team Establishment We are forming a dedicated team to track real-time regulatory changes in core markets while systematically developing and enhancing our carbon data management system.
	Market	The tightening of global environmental regulations coupled with rapid expansion of the new energy vehicle market may lead to declining demand for traditional internal combustion engine components. Failure to adapt product portfolios accordingly could result in market share erosion and revenue reduction.	<ul style="list-style-type: none"> Customer and Product Portfolio Transformation We are diversifying our client base by targeting new energy vehicle manufacturer and aftermarket customers, while accelerating development of compatible products for the new energy vehicle sector.
 Opportunities	Products & Services	We are actively developing innovative low-carbon products to secure first-mover advantages and build stronger industry competitive barriers amid increasingly stringent environmental regulations.	We are incorporating low-carbon principles into our core strategy, driving green product development to achieve dual economic and environmental benefits.



Metrics and Targets

Metrics

2024 Greenhouse Gas Emissions Report

Direct Greenhouse Gas Emissions (Scope 1)	Total Greenhouse Gas Emissions
148.13 tCO ₂ e	386.70 tCO ₂ e
Indirect Greenhouse Gas Emissions (Scope 2)	Greenhouse Gas Emission Intensity
238.57 tCO ₂ e	0.0051 tCO ₂ e/10,000 CNY Revenue

Note: Data covers QI Automotive, QI Automotive (QING DAO) Co., Ltd. and CoreMax.

Targets

We will establish an end-to-end greenhouse gas management mechanism across all business operations, continuously optimizing emission monitoring and accounting systems. By deeply integrating climate governance into strategic decision-making and systematically identifying green transition opportunities, we aim to proactively address stakeholder expectations for sustainability while achieving synergistic improvement in both environmental and operational performance.

Appendix I: Key Performance Indicator Table

Indicator	Unit	2023	2024
Economic Performance			
Total Assets	CNY 10,000	70,175.79	85,463.51
Operating Revenue	CNY 10,000	55,842.85	75,223.52
Net Profit (Attributable to Parent Company)	CNY 10,000	6,965.05	10,650.25
Basic Earnings per Share	CNY	1.10	1.65
Total Tax Paid	CNY 10,000	3,139.72	3,496.36
Corporate Governance Performance			
Proportion of Independent Directors	%	42.86	42.86
Proportion of Female Directors	%	28.57	28.57
Board Member Attendance Rate	%	100	100
Anti-corruption Training Sessions	Session	1	1
Number and Rate of Directors Trained in Anti-corruption	Person (%)	2 (28.57)	2 (28.57)
Number and Rate of Management Trained in Anti-corruption	Person(%)	5 (29.41)	10 (50)
Number and Rate of Employees Trained in Anti-corruption	Person (%)	43 (14.98)	71 (21.58)

Indicator	Unit	2023	2024
Environmental Management Performance			
Total Environmental Protection Investment	CNY 10,000	1.5	6
Major Environmental Pollution Incidents	Case	0	0
Environmental Compliance Violations	Case	0	0
Environmental Training Sessions	Session	2	4
Environmental Training Participants	Person-time	10	15
Environmental Training Hours	Hour	4	6
Energy Usage Performance			
Gasoline	Liter	46,720.05	51,367.04
Diesel	Liter	3,128.21	4,300.22
Purchased Electricity	kWh	334,300	444,600
Total Comprehensive Energy Consumption	Ton of Standard Coal	33,282.83	38,936.32
Comprehensive Energy Intensity	Ton of Standard Coal/10,000 CNY Revenue	0.5960	0.5176

Indicator	Unit	2023	2024
Resource Usage Performance			
Total Water Consumption	Ton	970	1,360
Water Intensity	Ton/10,000 CNY Revenue	0.0174	0.0181
Packaging Materials	Ton	99.14	221.97
Packaging Material Intensity	Ton/10,000 CNY Revenue	0.0018	0.0030
Greenhouse Gas Emissions Performance			
Direct Greenhouse Gas Emissions (Scope 1)	tCO ₂ e	124.29	148.13
Indirect Greenhouse Gas Emissions (Scope 2)	tCO ₂ e	179.39	238.57
Total Greenhouse Gas Emissions	tCO ₂ e	303.68	386.70
Greenhouse Gas Emission Intensity	tCO ₂ e/10,000 CNY Revenue	0.0054	0.0051
Waste and Wastewater Management Performance			
Non-Hazardous Waste Generated	Ton	71.27	75.83
Hazardous Waste Generated	Ton	1.15	2.24
Total Waste Generated	Ton	72.42	78.07
Recycled/Reused Waste	Ton	0	0
Rate of Recycled/Reused Waste	%	0	0
Waste Compliance Disposal Rate	%	100%	100%
Wastewater Discharge	Ton	850	1,200

Indicator	Unit	2023	2024
R&D Innovation Performance			
R&D Investment	CNY 10,000	1,980.63	2,367.17
R&D Investment as a percentage of Operating Revenue	%	3.55	3.15
Total Valid Patents	Item	103	112
Total R&D Personnel	Person	70	70
Proportion of R&D Personnel	%	24.39	21.28
Supply Chain Management Performance			
Total Suppliers	Supplier	535	525
Localized Procurement Ratio	%	14.7	16.7
Product Quality Performance			
Major Safety/Quality Liability Incidents Related to Products/Services	Case	0	0
Product Recalls	Case	0	0
Employees Trained in Quality	Person-time	40	157
Customer Complaints	Case	206	223
Customer Complaint Resolution Rate	%	94.5	99.1

Indicator		Unit	2023	2024
Employee Employment Performance				
Total Employees		Person	287	329
Employees by Gender	Male	Person	217	232
	Female	Person	70	97
Proportion of Female Employees		%	24.39	29.48
Labor Contract Signing Rate		%	100	100
Social Insurance Coverage Rate		%	100	100
Employee Training Performance				
Total Employee Training Investment		CNY 10,000	46.25	72.11
Employee Training Coverage Rate		%	100	100
Total Employee Training Sessions		Session	105	211
Total Employee Training Hours		Hour	5,910	5,278
Average Training Hours per Employee		Hour	20.81	16.55

Indicator		Unit	2023	2024
Occupational Health & Safety Performance				
Investment in Work Injury Insurance & Safety Liability Insurance		CNY 10,000	9.0270	35.9539
Coverage Rate of Work Injury Insurance & Safety Liability Insurance		%	100	100
Major Safety Incidents		Case	0	0
Work-Related Fatalities		Person	0	0
Work Injury Rate		%	0	0
Total Safety Training Participants		Person-time	53	235
Total Safety Training Hours		Hour	124	249
Social Contribution Performance				
Total Social Contribution Investment		CNY 10,000	41.9867	46.4507
Employee Volunteer Participation		Person-time	30	25
Total Employee Volunteer Hours		Hour	240	200

Appendix II: Index of Indicators

Index to the Beijing Stock Exchange Listed Companies Sustainable Development Reporting Guideline No. 11 (Trial)				
Chapter		Disclosure Item	Article	Corresponding Report Section
Chapter I General Provisions		/	Articles 1-10	Preface: (I) Introduction
Chapter II Sustainability Disclosure Framework		/	Articles 11-19	Preface: (IV) Sustainability Management
Chapter III Environmental Information Disclosure	Section 1: Climate Change Response	Climate Change Response	Articles 20-28	Environment Responsibility: (V) Climate Action, Addressing Global Environmental Challenges
	Section 2: Pollution Control and Ecosystem Protection	Pollutant Emissions	Article 30	Environment Responsibility: (IV) Emission and Waste Reduction, Enhancing Environmental Performance
		Waste Management	Article 31	Environment Responsibility: (IV) Emission and Waste Reduction, Enhancing Environmental Performance
		Ecosystem and Biodiversity Conservation	Article 32	Not Applicable (During the reporting period, none of our production and operation sites were located in key protected areas, and our operational activities did not generate significant negative impacts on ecosystems or biodiversity.)
		Environmental Compliance Management	Article 33	Environment Responsibility: (III) Compliance Foundation, Strengthening Environmental Management Systems
		Energy Utilization	Article 35	Environment Responsibility: (II) Value Resources, Safeguard the Foundation of Green Development
	Section 3: Resource Utilization and Circular Economy	Water Resource Utilization	Article 36	Environment Responsibility: (II) Value Resources, Safeguard the Foundation of Green Development
		Circular Economy	Article 37	Environment Responsibility: (I) Circular Economy Leadership: Building a Resource Regeneration Paradigm

Index to the Beijing Stock Exchange Listed Companies Sustainable Development Reporting Guideline No. 11 (Trial)				
Chapter		Disclosure Item	Article	Corresponding Report Section
Chapter IV Social Information Disclosure	Section 1: Rural Revitalization and Social Contribution	Rural Revitalization	Article 39	Not Applicable
		Social Contribution	Article 40	Social Responsibility: Chapter II (II) Altruism in Action: Deepening Social Responsibility
	Section 2: Innovation-Driven Development and Technology Ethics	Innovation-Driven Development	Article 42	Social Responsibility: Chapter I (III) Driving Industrial Innovation and Upgrading Through Technology
		Technology Ethics	Article 43	Not Applicable (The Company is not engaged in research involving life sciences, AI or other ethically sensitive fields.)
	Section 3: Suppliers and Customers	Supply Chain Risk Management	Article 45	Social Responsibility: Chapter I (II) Collaborative Win-Win: Ensuring Supply Chain Security and Fairness
		Equal Treatment of Small and Medium Enterprises (SMEs)	Article 46	Social Responsibility: Chapter I (II) Collaborative Win-Win: Ensuring Supply Chain Security and Fairness
		Product/Service Safety and Quality	Article 47	Social Responsibility: Chapter I (I) Quality First: Fortifying Product Safety
		Data Security and Customer Privacy	Article 48	Social Responsibility: Chapter I (IV) Empowering with Digital Intelligence to Safeguard Data Security
	Section 4: Employees	Employees	Articles 49-50	Social Responsibility: Chapter II (I) People-Oriented Approach: Fostering a Diverse Development Ecosystem
	Chapter V Sustainability Governance Information Disclosure	Section 1: Sustainability Governance Mechanisms	Corporate Governance	Article 51
Due Diligence			Article 52	Governance Responsibility: (IV) Ethical Leadership: Driving Industry Progress
Stakeholder Engagement			Article 53	Governance Responsibility: (III) Shared Value: Building a Multi-Stakeholder Engagement Platform
Section 2: Business Conduct		Anti-bribery and Anti-corruption	Article 55	Governance Responsibility: (IV) Ethical Leadership: Driving Industry Progress
		Anti-unfair Competition	Article 56	Governance Responsibility: (IV) Ethical Leadership: Driving Industry Progress
Chapter VI Supplementary Provisions and Interpretations		/	Article 57	Index of Indicators



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