

The background of the entire page is a photograph of a modern, multi-story office building with a glass and dark metal facade. The building has a distinctive stepped design with a central tower. The sky is blue with scattered white clouds. In the foreground, there are green trees and a manicured garden with a small fountain. White diagonal lines cross the image from the top-left to the bottom-right.

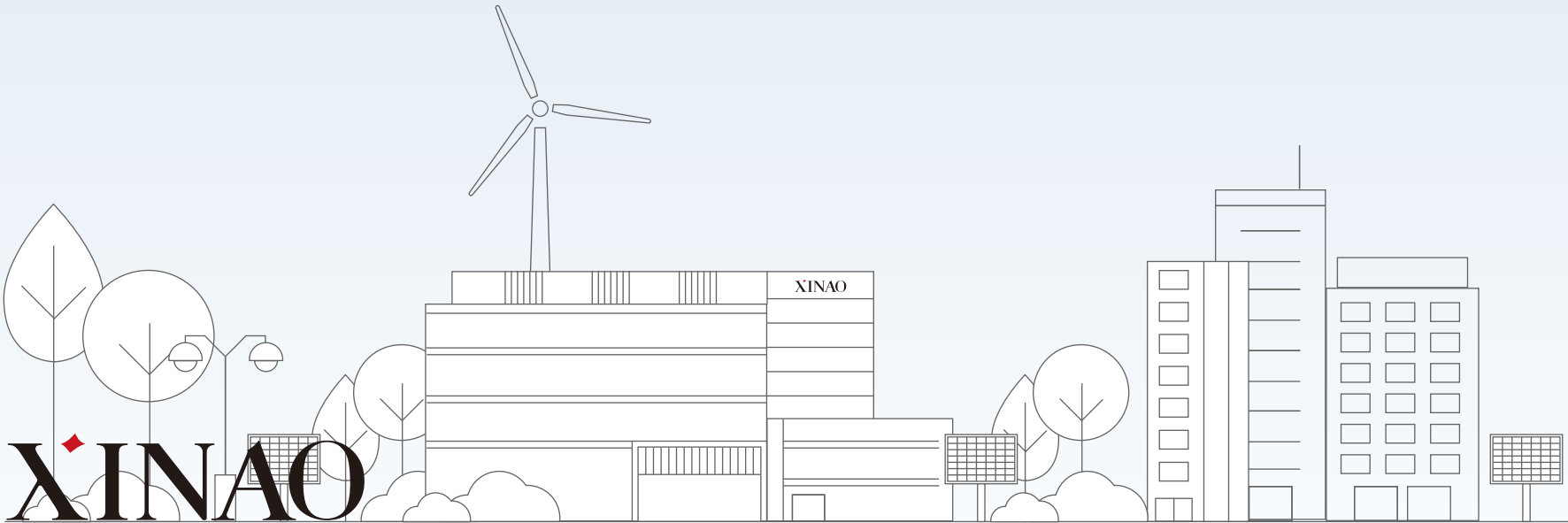
XINAO

XINAO
**Environmental, Social and
Governance (ESG) Report**

2024

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Direction of the Report

This is the third *Environmental, Social and Governance (ESG) Report* of Zhejiang Xinao Textiles Inc. which discloses to stakeholders the concepts, management approaches, efforts and achievements on ESG topics in its operations.

Scope of the Report

This report covers Zhejiang Xinao Textiles Inc. and its subsidiaries (hereinafter referred to as the "Company", which is consistent with the scope of the consolidated financial statements in the annual report of XINAO (stock code: 603889), unless otherwise stated.

| Full Name | Short Name |
|--|-------------------|
| ZHEJIANG XINAO TEXTILES INC. | XINAO TEX |
| ZHEJIANG NEW CHUWA WOOL CO., LTD. | NEW CHUWA |
| ZHEJIANG HOUYUAN TEXTILE INC. | HOUYUAN TEX |
| NINGXIA XINAO CASHMERE CO., LTD. | XINAO CASHMERE |
| XINAO TEXTILES (YINCHUAN) CO., LTD. | XINAO YINCHUAN |
| JIAXING FEIXUN SPECIAL FIBER TECHNOLOGY CO., LTD. | JX FEIXUN |
| ZHEJIANG HONGDE CASHMERE PRODUCTS CO., LTD. | HONGDE CASHMERE |
| ZHEJIANG TAIYUAN TEXTILES CO., LTD. | TAIYUAN TEX |
| SHANGHAI JINGHENG TEXTILE TECHNOLOGY CO., LTD. | JH TECH |
| NINGXIA MODERN TEXTILE INDUSTRY RESEARCH INSTITUTE CO., LTD. | TEXTILE INSTITUTE |
| TODD&DUNCAN LIMITED | T&D UK |
| TAIYUAN INTERNATIONAL(AUSTRALIA)PTY LIMITED | TAIYUAN INTL |
| XINAO (HONGKONG) LIMITED | XINAO HK |
| XINAO TEXTILES(EUROPE)S.R.L. | XINAO EU |
| XINAO TEXTILES (VIETNAM) COMPANY LIMITED | XINAO VN |
| XINAO TEXTILES UK LIMITED | XINAO UK |
| TODD & DUNCAN KINROSS LIMITED | T&D KINROSS |

Time Frame

This is an annual report covering the period from 1 January 2024 to 31 December 2024. Some information that goes beyond this scope is indicated where involved.

Basis of the Report

This report is prepared in accordance with the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Sustainability Report (Trial) (April 2024) (the “Guidelines”)* and the *Guidelines No. 1 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation (Revised in December 2023)* published by the Shanghai Stock Exchange, while taking the United Nations Sustainable Development Goals (SDGs) as a guiding reference for the report.

Notes on Data

Note on ESG data: The ESG data and information in the report are from the official records of the actual operations of the Company and its subsidiaries.

Note on financial data: The financial data in this report is in RMB. In case of any inconsistency between the financial data and the financial report, the annual financial report shall prevail.

Access to the Report

This Report is available as an E-document in both simplified Chinese and English versions. In the event of any ambiguity in the understanding of the two texts, the simplified Chinese version shall prevail. Both versions of the Report can be downloaded from the Company's WeChat Official Account (XINAO TEX) and the website of Shanghai Stock Exchange (<http://www.sse.com.cn/>).

Contact

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Direction of the Report

Principles Governing the Report

◆ Principles for Defining the content of the Report

Context of Sustainability

Taking into account the characteristics of the industry in which the Company operates and the business it conducts, topics of materiality related to management that are of concern to various stakeholders have been identified in this report and are the focus of reporting in this report.

The process of analyzing the materiality topics and the results are detailed in the chapter of “Assessment of Materiality of Topics” of this report.

Completeness

The scope of disclosures in this report is consistent with the scope of the Company's consolidated financial statements.

◆ Principles for the Quality of the Report

Timeliness

This is an annual report. The Company endeavors to publish the report as soon as possible after the end of the reporting year in order to provide stakeholders with timely information for decision-making.

Balance

The contents of this Report reflect objective and truthful facts, and disclose both positive and negative information related to the Company in an impartial manner.

Verifiability

The cases and data in this Report come from the original records or financial reports of the actual operation of the Company, and the sources of the disclosed data and the calculation process are traceable and supportive of external verification.

Quantification

This Report discloses key quantitative disclosures and, to the extent possible, historical data.

Accuracy

To the extent possible, the accuracy of the information contained in this report is ensured. For the quantitative information, the caliber of the data, the basis of calculation and the assumptions have been explained to ensure that the margin of error of the calculation will not mislead the users of the information. The quantitative information and notes are detailed in the chapter of “ESG Data Sheets and Notes” of this report.
The Board of Directors of the Company guarantees that the contents of the Report are free from false records, misleading statements or material omissions.

Comparability

The statistics and disclosure method of the same quantitative disclosure items in this report are as consistent as possible across different reporting periods; if there is a change in the method of data collection, measurement or calculation, the relevant data will be retrospectively adjusted, and the circumstances and reasons for the adjustment will be explained in the notes to the report, so as to enable stakeholders to conduct a meaningful analysis and assess the development trend of the Company's ESG data level.

Clarity

This report contains tables, model diagrams, and a glossary of terms as a supplement to the text so that stakeholders can better understand the text. To facilitate faster access to information for stakeholders, this report provides a table of contents and a guide index of ESG standards.

Letter from the Chairman

This is the third ESG report released by XINAO. I cherish this opportunity to share with you the ESG actions of XINAO over the past year. Through self-examination and mutual learning, we are moving towards a more responsible and sustainable direction, and **a company with a warm heart.**

Over the past year, we have carried out a series of carbon reduction initiatives centered on the goal of “carbon peak before 2030 and carbon neutrality by 2050”. For example, we have added new photovoltaic power generation equipment in the plant, retrofitted equipment and facilities such as the air compression station, air-conditioning system, and steam system, and carried out energy-saving technologies such as waste heat recovery, achieving a reduction of 30% in GHG emissions per unit of revenue compared to the base year of 2020. We participated in the drafting of standards related to the carbon footprint of woolen products, broadened the carbon footprint evaluation of representative products, and guided green consumption; we promoted various water conservation and emission reduction measures, especially the upgrading of dyeing vats of wool tops has realized a 15% water saving in the washing process; we utilized recycled materials such as discarded plastic bottles and waste fishing nets to weave environmentally friendly yarns that certified by GRS... **Only by respecting nature and guarding lush mountains and lucid waters can products of XINAO carry the warmth of sustainability.**

Over the past year, we have practiced the people-oriented concept of mutual respect, equality and intergration, continued to improve the salary and welfare system and employee security system, and created a positive, favorable and safe working environment, so that employees could work and live

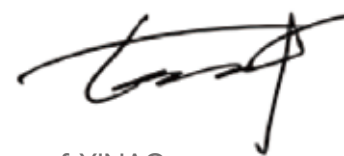
happily; for the first time, the concept of “customized” talent development was put forward to provide employees with professional training and diversified promotion channels to achieve common growth of employees and the enterprise; we have maintained a R&D investment for a total of more than 100 million yuan, and worked with customers, suppliers, and universities to develop green products, promote quality upgrades, and build a new ecology for the industry; we have insisted on the wealth to the good, and continued to invest the proceeds of the Common Prosperity Fund in social charity programs such as education, beautiful village, ecological civilization, etc., benefiting more than 23,240 people throughout the year... **Only by keeping goodwill and guarding the harmony of the community can the future of XINAO perpetuate the warmth of hustle and bustle.**

Over the past year, we have planned to optimize the Strategy Committee into the Strategy and Sustainability (ESG) Committee, taking the lead in the construction of the Company's strategy and ESG governance system in order to further enhance the effectiveness of governance; we have continued to maintain good communication with the capital market and investors, improved the transparency of governance, emphasized on the quality of disclosure, and was awarded the Grade A evaluation for information disclosure of listed companies in Shanghai Stock Market; we have carried out trainings and publicity on Anti-commercial Bribery, Anti-Corruption and Anti-Unfair Competition to create a corporate culture of advocating clean and good governance ... **Only through integrity and compliance, and guarding fairness and justice, can the development of XINAO accumulate the warmth of long-term trust.**

At a time when the global economic landscape is undergoing deep adjustments and social values continue to evolve, the macro-context of corporate operations has undergone profound changes. ESG is no longer a peripheral topic in corporate development, but has gradually converged to become a key force affecting the long-term competitiveness of enterprises and their sustainable development prospects, and is the path to a century-old enterprise; **ESG is definitely not a short-term trend to cater to, but rather a long-term perseverance that lasts.** Therefore, over the past year, we have improved our ESG management system and medium- and long-term development plan, refined our three-tier ESG governance structure, and further clarified the positioning of ESG as one of the cornerstone strategies of XINAO, which will remain unchanged.

I firmly believe that a company with a warm heart will be able to remain forward-looking and innovative, maintain a balance between business value and social responsibility, and keep its original intention between shortcuts and foresight. In the future, we will continue to weave the greenness of the environment, the warmth of society and the light of governance into the warp and weft of our corporate life. We also look forward to working hand in hand with our global partners and make every effort to run towards a better future!

**To be a warm fashion
enterprise with long-term
perseverance that lasts
through the ages**



Chairman of XINAO
April, 2025



Company Profile

English Name

Zhejiang Xinao Textiles Inc.

Stock Facts

Listed on

Shanghai Stock Exchange

Stock abbreviation

XINAO

Stock code

603889.SH

Principle Places of Operation

Production base

China (Jiaxing, Ningxia), UK, Vietnam

Trade base

China (Jiaxing, Shanghai and Hong Kong), Australia, Italy, UK.

Scale of Company

Employees worldwide

4,265

Revenue

4.84billion yuan

Clients worldwide

5000+

Countries and regions of global marketing network

20+

 Vision

To be a global leader in the wool textile industry

 Mission

Enjoy better life with wool

 Values


Learning, Innovation, Integrity, Sharing

Main Business

- Specialized in the R&D, production and sales of wool and cashmere yarns, a leading enterprise in the segment of wool spinning industry, and awarded as a model enterprise of single champion of worsted wool yarns in the manufacturing industry by the Ministry of Industry and Information Technology (MIIT).
- The Company owns a complete wool spinning industry chain from raw wool selection to scouring, stop making, chemical treatment, dyeing and spinning, with the world's leading production capacity. It provides commission top making, various knitting yarns (circular knitting, flat knitting) and weaving yarns, which are applied to multiple fields such as clothing, accessory, household, and industry, etc.
- With its products marketed globally and widely recognized, the Company has been listed as the designated yarn supplier of many internationally renowned fashion brands and luxury brands.


Qualification Recognition

- National High-tech Enterprise, National Green Factory, Green Design Model Enterprise of MIIT, Green Supply Chain Management Enterprise of MIIT, National Development Base of Woolen Yarns Product, China Wool Textile Industry R&D Center of Worsted Woolen Yarns Technology, Provincial Enterprise Technology Center, Provincial Enterprise Institute, and the first Knitwear Development Center (KDC) jointly founded with International Wool Secretariat (IWS).
- Focusing on sustainable development, the Company has been committed to the development of functional products and green products, with a number of products shortlisted for fashion trend and green sustainability innovative products by China Knitting Industry Association (CKIA) in recent years.




HEADQUARTERS

Tongxiang, Zhejiang




ZHEJIANG XINAO

Spinning




ZHEJIANG NEW CHUWA

Top and Modification treatment



ZHEJIANG HOUYUAN

Dyeing and Finishing



XINAO VIETNAM

Dyeing and Finishing



T&D UK

Dyeing and Finishing

Performance of ESG Honors & Ratings

| Publisher of ESG Honors | Performance of ESG Honors |
|--|---|
| China Securities Journal |  Top 100 of the 2 nd China Reform Cup ESG Golden Bull Award |
| Securities Market Weekly | ESG Golden Dawn Award 2024 for Best Employee Caring and Dynamic Business ESG Golden Dawn Award 2024 for Best Green Supply Collaborator |
| ESG Index Assessment Report for Listed Companies 2024, jointly prepared by Zhejiang Association for the Promotion of Corporate Social Responsibility and China Chengxin Green Finance Technology (Beijing) Co., Ltd. | Top 100 Best ESG Performance of Listed Companies in China 2024 (65 th) Top 100 Best ESG Performance of Listed Companies in Zhejiang Province 2024 (4 th) |
| Zhejiang Association for the Promotion of Corporate Social Responsibility, Zhejiang Public Offering and M&A Association | Growing Business of ESG Strategic Philanthropic Impact of Listed Companies in Zhejiang Province 2024 |

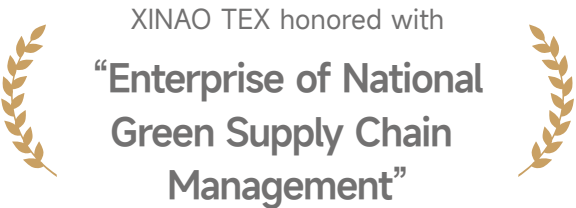
| ESG Rater | Performance of ESG Ratings |
|--|------------------------------------|
|   ESG Performance Assessment from Chinese Textile and Apparel Enterprises (2023-2024) | A Updated: December 2024 |
|  ESG Rating from Wind | A Updated: May 2024 |
|  ESG Rating from SnyTao Green Finance | A- Updated: 2024Q4 |
|  ESG Rating from Sino-Securities Index | AA Updated: 2024Q4 |
|  ESG Rating from CRHC | AA Updated: July 2024 |
|  ESG Rating from CCXGF | AA- Updated: 2024Q4 |
|  ESG Rating from QuantData | AA Updated: 2024Q4 |



China National Textile and Apparel Council “Climate Innovation 2030 Initiative” and “Life Cycle Assessment Working Group” (CNTAC-LCA Working Group)



Member of China Wool Textile Industry Green Low Carbon Alliance



Assessment of Materiality of Topics

Double Materiality Analysis



Based on the actual situation, by taking into account national and regulatory policies, standards and peer benchmarking, and investigating the needs and expectations of the affected stakeholders, the Company forms a list of materiality topics, and carries out the double materiality analysis and ranking of them in accordance with the requirements of the “Guidelines” of the Shanghai Stock Exchange on the analysis of the materiality of topics.

◆ Process for Analyzing Topics of Materiality ◆



Background Analysis

- Learn company activities and business relationships, interpret national and industry laws, regulations and regulatory policies, analyze rating standards, peer practices, and find out key affected stakeholders and ways of communicating with them.



Create a List of Topics

- With reference to the topics set out in the *Guidelines*, the Company summarizes a list of material topics by combining the characteristics of the Company's major business segments, standard benchmarking, policy analysis and peer benchmarking, as well as learning the topics of concern to the major affected stakeholders through research and interviews.



Materiality Assessment

- Impact Materiality Assessment: Questionnaire surveys are conducted with stakeholders such as government departments, industry associations, peer companies, shareholders and investors, customers, media, suppliers, research institutes, employees, NGOs, etc., and internal and external experts are invited to jointly identify and analyze the impacts, risks, and opportunities of the topics.
- Financial Materiality Assessment: The internal finance department assesses the financial materiality of the topics, with multiple departments review and confirm.



Report on the Topics

- Determine the order of materiality of the topics, form a matrix of materiality topics, and after review and confirmation by the Strategy and Sustainability (ESG) Committee of the Company's Board of Directors, make focused disclosure on the topics of higher materiality in the FY2024 ESG Report.







Due Diligence, Stakeholder Communication



In order to strengthen the management of impacts, risks and opportunities in daily operations, the Company conducts ESG-related due diligence on a regular basis, strengthens the management of material topics, and establishes procedures for responding to and managing negative impacts or risks related to ESG to promote the stable operation of the Company.

The Company establishes an ESG information communication mechanism for stakeholders, pays attention to the demands and expectations of stakeholders, and maintains open communication channels with stakeholders such as shareholders (investors), creditors, employees, customers, suppliers, partners, community organizations and relevant government departments. The Company's ESG working group coordinates with relevant departments to listen to feedback and suggestions from primary stakeholders through regular and irregular interviews, talks, questionnaires and other due diligence methods, so as to continuously improve management and optimize practices.



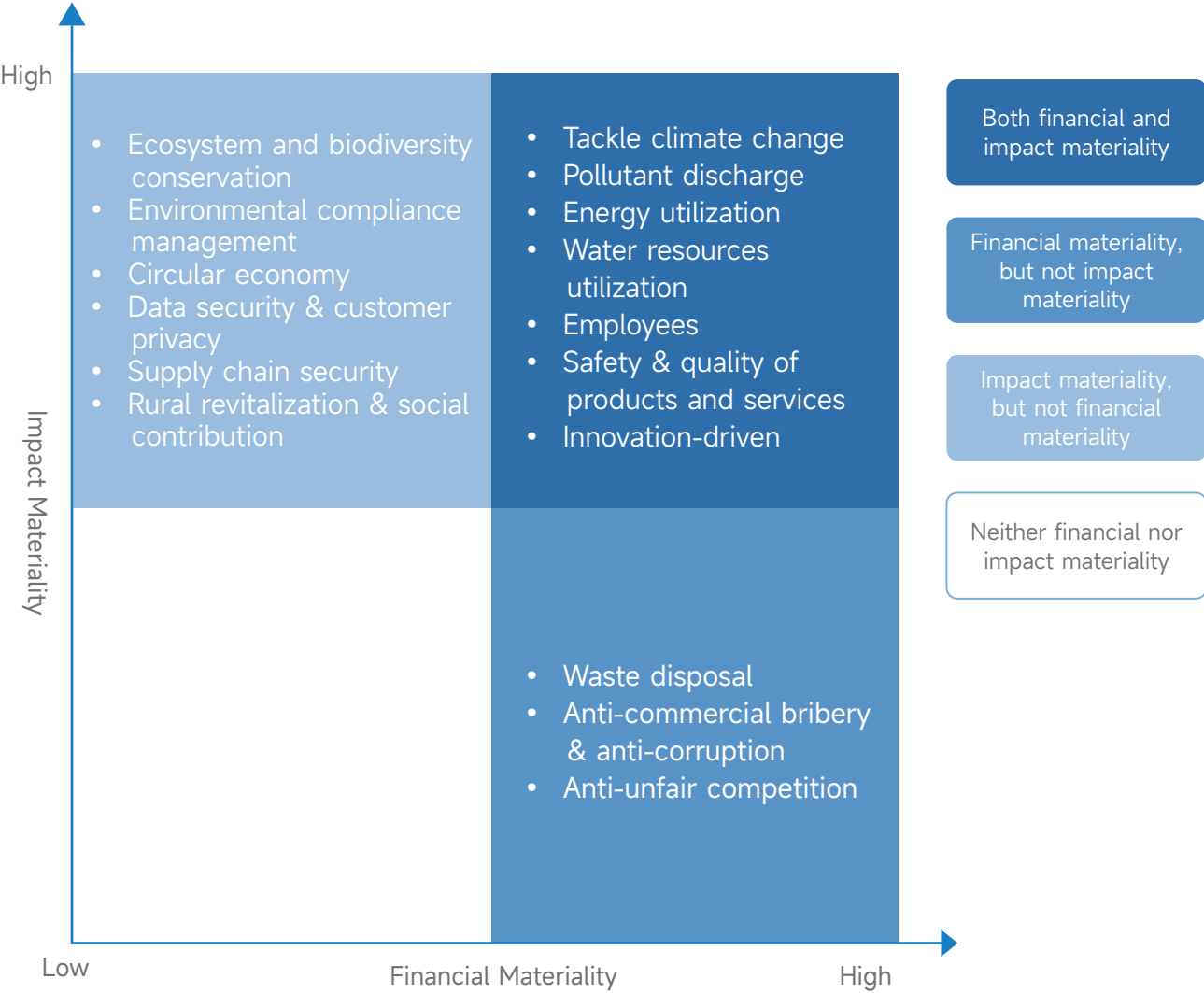
| Key Stakeholders | Topics of Concern | Communication & Response | Chapters Disclosed |
|--|--|---|------------------------|
|  Shareholders (investors) & Creditors | <ul style="list-style-type: none">• Innovation-driven• Anti-commercial bribery and anti-corruption• Anti-unfair competition | <ul style="list-style-type: none">• Shareholders meeting & investor exchange• Complaint reporting & monitoring mechanism• Regular and irregular information disclosure• Implement the new vision for development | Chapter 5 Chapter 6 |
|  Employees | <ul style="list-style-type: none">• Employment & employee rights• Occupational health & safety• Employee training & development | <ul style="list-style-type: none">• Channels for communication of internal information• Improve compensation & benefit system• Enrich activities for employees• Production safety management• Protect occupational health• Expand channels for employee development• Employee performance appraisal & promotion | Chapter 5 |
|  Customers | <ul style="list-style-type: none">• Safety & quality of products and services• Innovation-driven• Data security & customer privacy• Ecosystem and biodiversity conservation• Anti-unfair competition | <ul style="list-style-type: none">• Improve quality control• Increase investment in R&D and innovation• Customer satisfaction survey• Measures for customer privacy | Chapter 5 |
|  Suppliers & Partners | <ul style="list-style-type: none">• Supply chain security• Anti-commercial bribery & anti-corruption• Anti-unfair competition | <ul style="list-style-type: none">• Supplier management• Transparent & fair purchase• Strategic cooperation• Industry exchanges and visits | Chapter 5 Chapter 6 |
|  Community Organizations | <ul style="list-style-type: none">• Rural revitalization & social contribution | <ul style="list-style-type: none">• Boost rural revitalization• Launch social welfare projects• Participate in community volunteer activities | Chapter 5 |
|  Government Sectors | <ul style="list-style-type: none">• Tackle climate change• Waste disposal• Water resources utilization• Environmental compliance management• Pollutant discharge• Energy utilization• Circular economy | <ul style="list-style-type: none">• Identify risks of climate change• Improve environmental management systems• Implement the measures of emission management• Implement energy saving and consumption reduction• Disclose environmental information in accordance with the law | Chapter 4 |

Conclusion of the Materiality Analysis of the Topics



In 2024, the Company carried out identification and screening of the topics, identified and confirmed 16 topics of materiality including the ones that characterize the Company's major business segments through due diligence and stakeholder communications, analyzed their impact, risks and opportunities with reference to the opinions of internal and external experts, assessed their financial materiality and impact materiality, and finally formed the ranking matrix of the material topics.

Matrix of Topics of Materiality in 2024



Changes in Topics of Materiality in 2024 and Reasons Therefor

| Topics of Materiality in 2023 | Topics of Materiality in 2024 | Reasons for Changes |
|--|--|---------------------|
| Low-carbon products & climate change adaptation | Tackle climate change | |
| Pollutant reduction | Pollutant discharge | |
| | Waste disposal | |
| Animal welfare & biodiversity | Ecosystem and biodiversity conservation | |
| Environmental management system | Environmental compliance management | |
| Recycling of resources | Energy utilization | |
| | Water resources utilization | |
| | Circular economy | |
| Industry & people’s values | Rural revitalization & social contribution | |
| Scientific and technological innovation & intellectual property protection | Innovation-driven | |
| Responsible supply chains | Supply chain security | |
| Product quality & safety | Safety & quality of products and services | |
| Customer rights & interests | | |
| Information security & privacy | Data security & customer privacy | |
| Employee rights & benefits | | |
| Employee training & development | Employees | |
| Occupational health & safety | | |
| Compliance & business ethics | Anti-commercial bribery & anti-corruption | |
| | Anti-unfair competition | |
| Organization structure & functions | — | |
| Investor protection | — | |
| Internal controls & risk management | — | |

Optimize the expression of topics by referring to the name of topics in the *Guidelines*.

Incorporate into the Governance Structure for Corporate Sustainability by referring to the *Guidelines*.

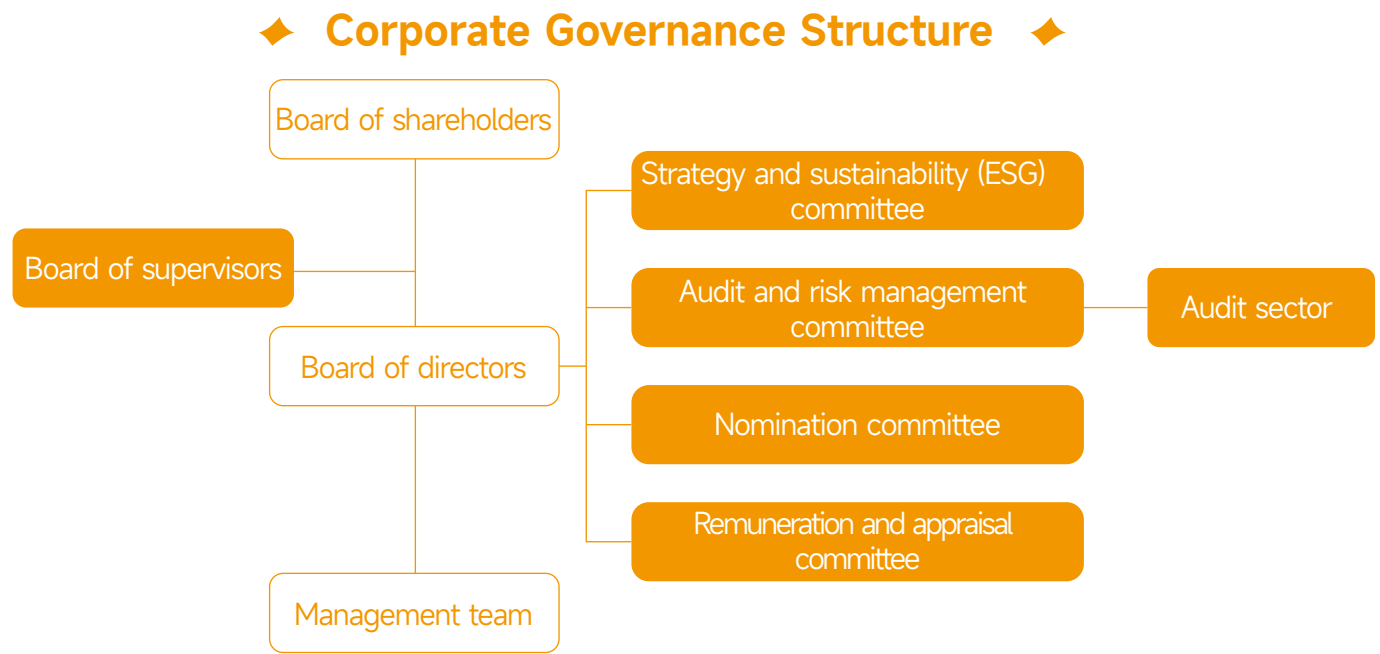
Arrangement for Corporate ESG Governance

Structure for Governance of Corporate Sustainability

Corporate Governance Structure

In strict compliance with the laws and regulations and relevant provisions such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, and the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation*, the Company develops a set of rules such as “Articles of Association of Zhejiang Xinao Textiles Inc.” , “Rules of Procedure for Shareholders Meetings” , “Rules of Procedure for the Board of Directors” , “Rules of Procedure for the Board of Supervisors” , and “Rules of Work for the General Manager” , forming a relatively comprehensive system of corporate governance.

Combined with the actual situation, the Company forms a corporate governance mechanism with transparent powers and responsibilities and effective checks and balances among the board of shareholders, board of directors, board of supervisors and the management. The board of directors consists of four professional committees, respectively strategy and sustainability (ESG) committee, audit and risk management committee, nomination committee and remuneration and appraisal committee.



Note: The renaming of the Strategy Committee of the Board to the Strategy and Sustainability (ESG) Committee of the Board has been reviewed and approved by the eighteenth Session of the 6th Board meeting and submitted to the General Meeting of Shareholders. For details, please refer to the relevant announcement of the Company.

◆ Members & Meetings of the Three Boards and One Layer ◆

Board of Shareholders

- As the highest decision-making body of the Company, the board of shareholders decides on the Company's business policies and investment plans; elects and replaces directors and supervisors who are not employee representatives, and decides on the remuneration of directors and supervisors; reviews and approves the reports of the board of directors and the board of supervisors; safeguards the legitimate rights and interests of all shareholders and ensures that all shareholders enjoy equal status.
- 3 meetings were held in 2024.

Board of Directors

- The board of directors is the decision-making center of the Company and is accountable to the board of shareholders. It consists of 9 members (2 women), including 3 independent external directors. The board members come from diverse backgrounds, with professional backgrounds in industries such as law and finance and management experience in large corporations.
- 10 meetings were held in 2024.

Board of Supervisors

- The board of supervisors exercises its supervisory powers to protect the rights and interests of shareholders and investors, the interests of the Company and the legitimate rights and interests of employees from infringement; the board of supervisors consists of 3 supervisors, including 1 employee supervisor.
- 9 meetings were held in 2024.

Layer of Management

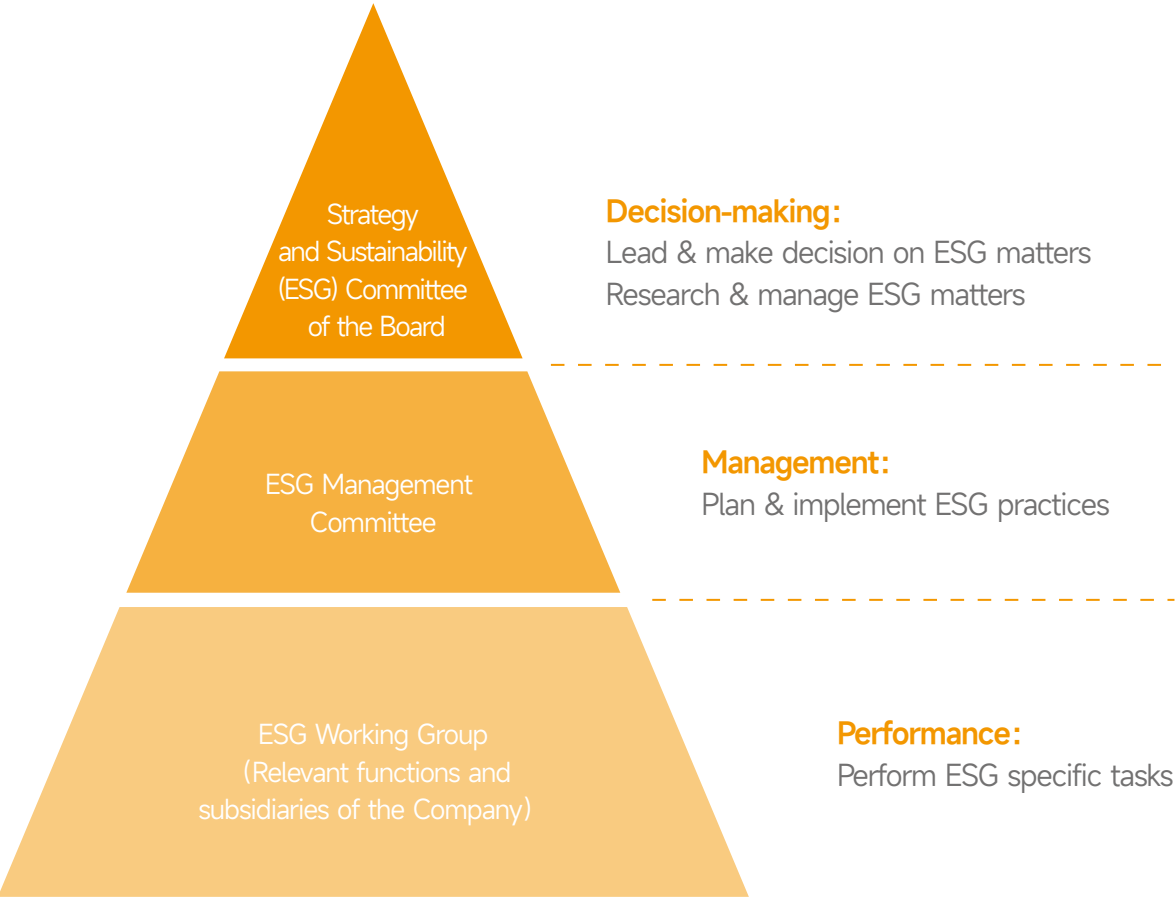
- The management of the Company performs its duties in accordance with laws and regulations and internal rules of the Company, strictly implements the resolutions of the board of shareholders and the board of directors, and promotes the sustainable and stable operation of the Company; the Company has a total of 6 senior executives (3 women).

For more information on corporate governance, please refer to the *Annual Report 2024 of Zhejiang Xinao Textiles Inc.*

ESG Governance Structure

The Company actively identifies and manages the impacts of its business and operational activities, and continuously improves its ESG governance structure to ensure the efficient promotion of ESG work. The Board of Directors of the Company is the leading and decision-making body for ESG work, and the Board’s Strategy and Sustainability (ESG) Committee is the research and management body for ESG work. The Company has set up an ESG Management Committee at the management layer, with the general manager of the Company serving as the chairman of the ESG Management Committee to plan and implement ESG practices. The functions and subsidiaries of the Company form the ESG working group to carry out specific ESG tasks.

◆ ESG Governance Structure ◆



◆ Composition & Terms of Reference of the ESG Governance Structure ◆

| Tier | Composition | Terms of Reference |
|-----------------|--|---|
| Decision-making | Consists of members of the Company’s Board of Directors | <ul style="list-style-type: none">Review and approve the Company's ESG report.Review and approve the disclosure of major information concerning the Company's ESG governance.Review ESG-related risks that have a significant impact on the Company and respond to significant ESG negative events. |
| | Consists of members of the Board's Strategy and Sustainability (ESG) Committee | <ul style="list-style-type: none">Review and approve the Company's ESG objectives, strategic plans, programs and implementation plans.Review and approve the Company's ESG governance structure and management system.Identify and monitor ESG related risks and opportunities that have a significant impact on the Company's business, and direct management to take appropriate responses to ESG risks and opportunities.Review and submit the Company’s ESG report to the Board. |
| Management | Members include senior executives of the Company and its subsidiaries with ESG-related knowledge | <ul style="list-style-type: none">Implement ESG related policies, laws and regulations of the state and regulatory authorities, study and formulate the Company's ESG strategies and objectives, work plans and related management systems.Organize and lead the construction of ESG management system and mechanism.Conduct stakeholder surveys to assess the materiality of ESG topics.Identify and control the impacts, risks and opportunities associated with the day-to-day management of ESG.Evaluate the ESG performance of each unit, and organize the formulation of improvement measures.Organize the review of ESG work plan and report, and report to the Strategy and Sustainability (ESG) Committee of the Board.Organize and lead the daily management of ESG of the Company. |
| Performance | Set up an ESG working group consisting of core members from various functional departments and subsidiaries, as well as employees with full knowledge of ESG and the Company's business. | <ul style="list-style-type: none">Study and draft the program of ESG governance structure system of the Company.Collect, collate and prepare the Company's annual ESG report and public disclosure of other ESG information.Implement the Company's ESG development strategy and objectives, coordinate and promote ESG matters in the daily operation of the Company, as well as the implementation of ESG related matters.Pay close attention to ESG related risks and issues in daily management, provide feedback and suggestions.Assign ESG responsibilities to all aspects of production and management.Communicate with all stakeholders of the Company and actively respond to their demands.Other ESG related matters. |

Strategies & Actions related to Sustainability

Taking into account relevant laws and regulations, the requirements of the *Guidelines* and its own needs, the Company has set sustainability-related goals with reference to China's comprehensive rural revitalization, the Carbon Peak and Carbon Neutral Strategy, as well as the United Nations Sustainable Development Goals (SDGs) and the *Paris Agreement*. With the management of ESG materiality topics as the core, the Company has comprehensively carried out ESG practices in terms of ESG governance, ESG risk management, and ESG information disclosure, etc., and has made good progress in sustainable development, supporting the United Nations SDGs with concrete actions.



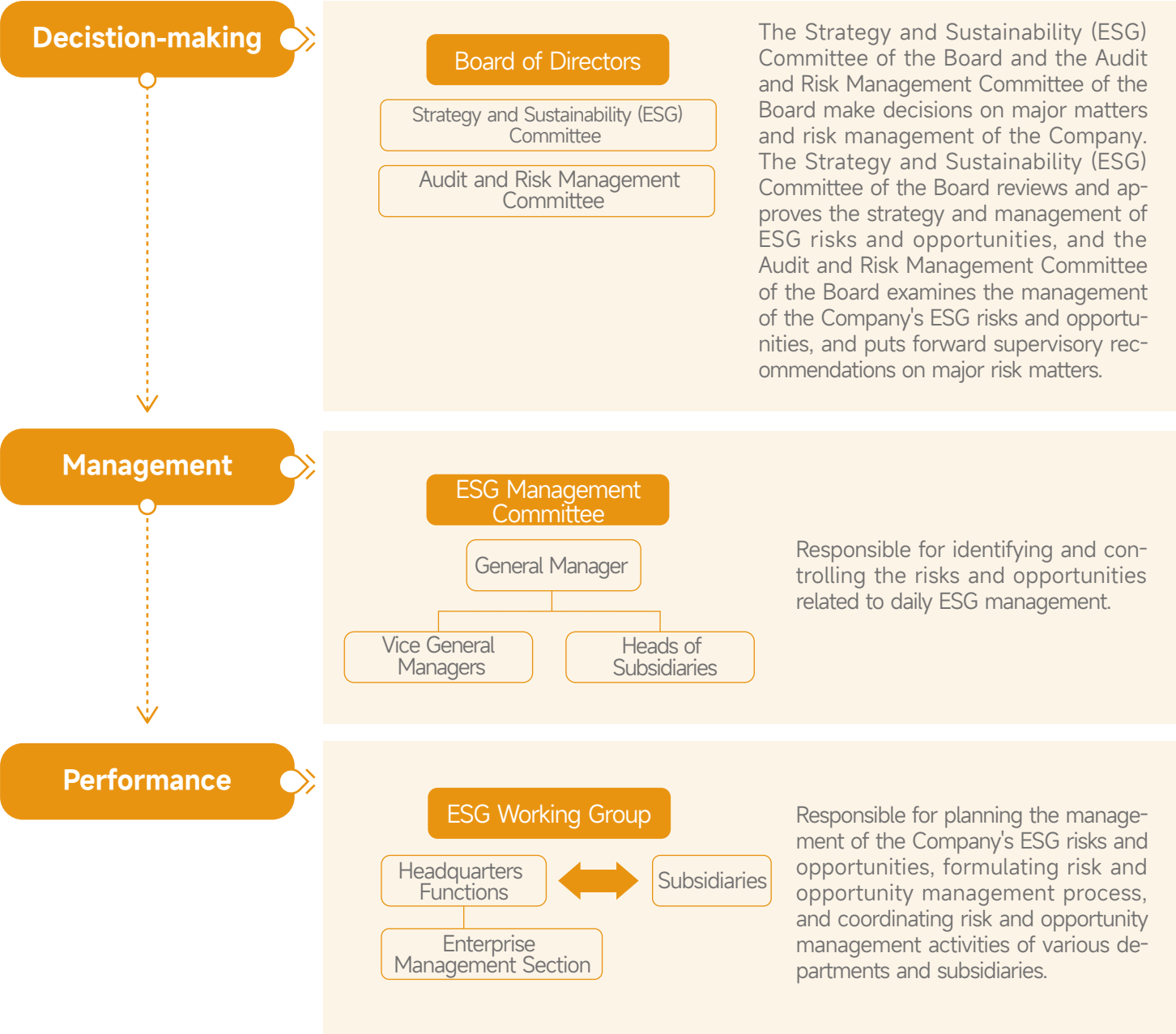
| SDGs | Corporate ESG Stratgies & Actions |
|---|--|
|  | <ul style="list-style-type: none">Help the disadvantagedContinuously boost rural revitalization |
|  | <ul style="list-style-type: none">Certified by ISO45001 Occupational Health and Safety Management SystemAssist suppliers in securing production |
|  | <ul style="list-style-type: none">Financially aid students in need |
|  | <ul style="list-style-type: none">Ensure gender equality in recruitment and employment |
|  | <ul style="list-style-type: none">Adopt water-saving sanitary equipmentCultivate water-saving habits among employees through water-saving publicity and education |
|  | <ul style="list-style-type: none">Generate photovoltaic powerBuy green power |

| SDGs | Corporate ESG Stratgies & Actions |
|---|--|
|  | <ul style="list-style-type: none">Protect employee remuneration and benefitsExamine the performance of the labor in the supply chains |
|  | <ul style="list-style-type: none">Strengthen technological innovationAdvance the construction of smart factories |
|  | <ul style="list-style-type: none">Promote equal opportunitiesOppose any form of discrimination |
|  | <ul style="list-style-type: none">Assist groups in needProvide community volunteer services |
|  | <ul style="list-style-type: none">Purchase preferentially the certified raw materialsWork with suppliers to improve environmental performance |
|  | <ul style="list-style-type: none">Calculate carbon emissionsCarry out extensive actions to conserve energy and reduce emissionsPromote green-oriented transition of the industry |
|  | <ul style="list-style-type: none">Protect animal welfareCertified by Responsible Wool Standard (RWS) and The Good Cashmere Standard (GCS) |
|  | <ul style="list-style-type: none">Transparency of informationProhibit all forms of corruption |
|  | <ul style="list-style-type: none">Communicate with stakeholdersRelease the annual ESG report |

Management of Impact, Risk and Opportunity

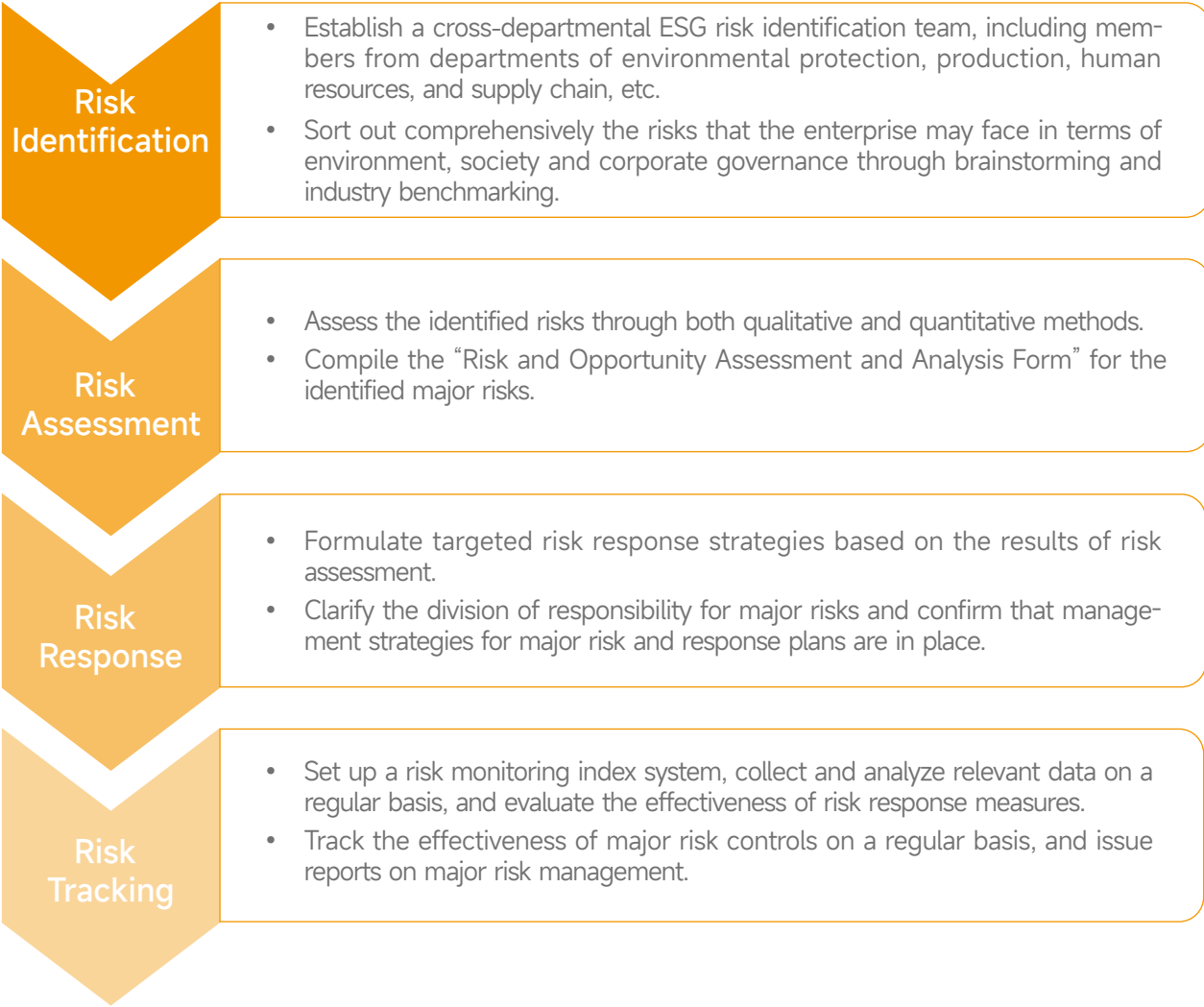


◆ ESG Risk & Opportunity Management Structure ◆



The Company actively cultivates risk culture, establishes correct risk concepts, and strives to integrate risk awareness into core corporate values, employee performance appraisal and daily behaviors and habits. The Company has established a systematic risk management mechanism. Based on the “Procedures for Risk and Opportunity Control” , the Company clarified the responsibility mechanism and operation mechanism of management, and carried out specific work such as risk identification, risk assessment, risk response, risk tracking around the whole process of the management mechanism, so as to enhance the risk control and management in an all-round way.

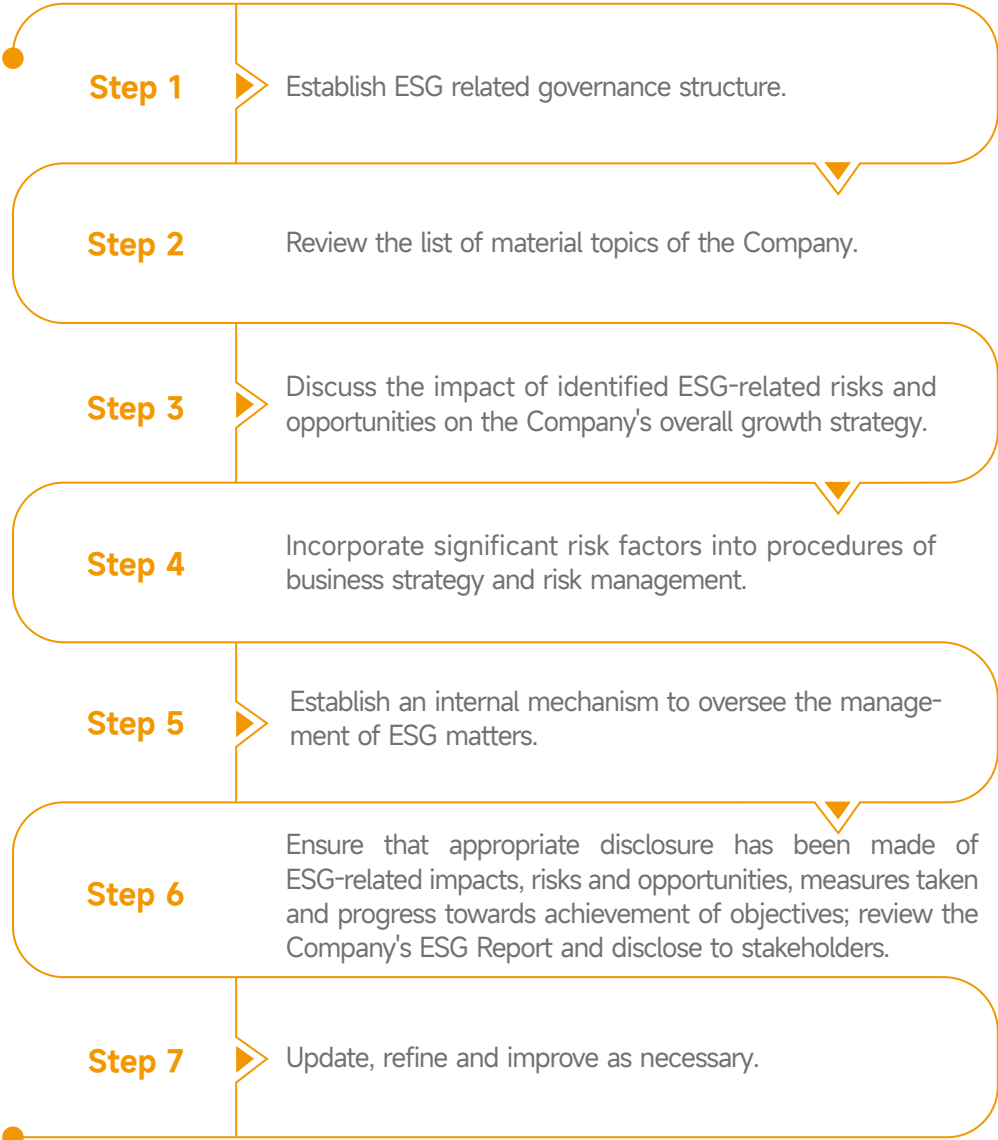
◆ ESG Risk & Opportunity Management Process ◆



Supervision and Appraisal Mechanisms

The Company has established an ESG monitoring mechanism, whereby the Board of Directors, its Strategy and Sustainability (ESG) Committee, and Audit and Risk Management Committee monitor the Company's ESG-related impacts, risks, and opportunities by approving strategies, accessing risks, setting objectives, monitoring implementation, reviewing performance, and ensuring transparent communication. The Company's Audit Department, independent of other departments, evaluates the effectiveness of risk and opportunity management efforts, provides oversight opinions and recommendations, and reports regularly on oversight.

◆ ESG Oversight Process ◆



The Company has incorporated ESG-related objectives into its appraisal system and clarified the scope of personnel covered by the appraisal. In order to motivate the management to optimize the allocation of resources and achieve the established ESG objectives, the Company has linked the management appraisal to the performance on relevant ESG topics.

◆ ESG Oversight Mechanism ◆



Navigating Low-carbon and Recycling

Priority actions on environmental dimensions

- Tackle climate change
- Pollutant emission
- Waste disposal
- Ecosystem and biodiversity conservation
- Environmental compliance management
- Energy utilization
- Resources utilization
- Circular economy

The SDGs to which this chapter is dedicated:



Tackle Climate Change



Overview

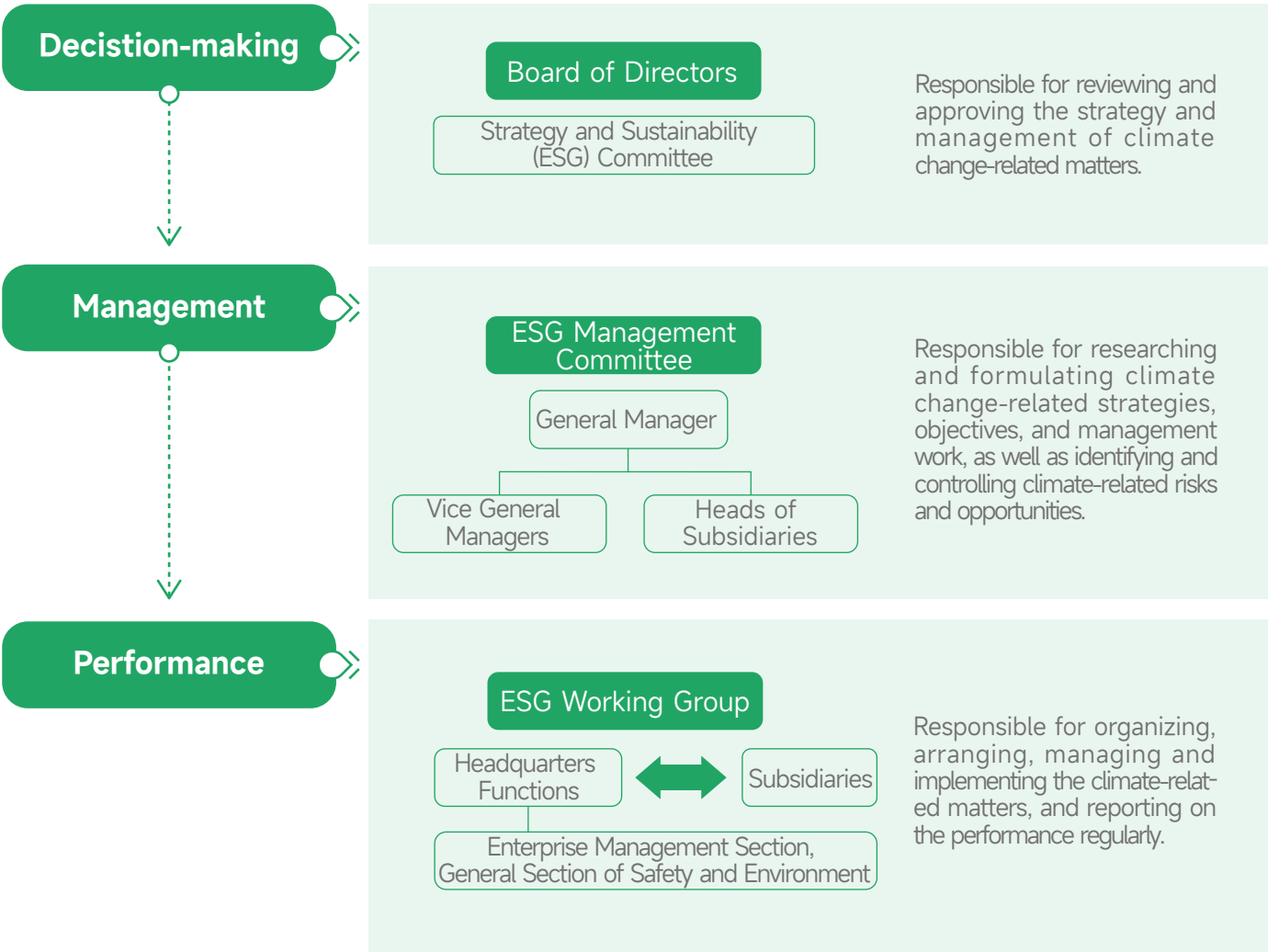
The main sources of greenhouse gas (GHG) emissions involving the Company's operations are stationary source combustion of natural gas and liquefied petroleum gas (LPG), mobile source combustion of on-road vehicles such as gasoline trucks, diesel trucks and off-road vehicles such as diesel forklift trucks, unorganized emissions of refrigerants and fire extinguishers, direct GHG emissions from the process emissions of carbon-containing chemicals, as well as indirect GHG emissions from outsourced electricity, outsourced steam, etc. for production and office, covering seven major greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

The Company actively follows the trend of global climate change, responds to the State Council's climate-related policies such as "Action Plan for Carbon Dioxide Peaking Before 2030", "Responding to Climate Change: China's Policies and Actions" and constructs a climate change management system and integrate climate change mitigation and adaptation into daily management.



Governance

◆ Governance Structure of Tackling Climate Change ◆



Strategy

The Company regularly identifies short-, medium- and long-term risks and opportunities arising from climate change on its operations and finances, and incorporates the management of climate-related risks and opportunities into the Company's strategic planning and the formulates relevant mitigation and adaptation strategies based on the assessment results of climate-related risks and opportunities.

The Company has been improving its climate resilience and better adapting and responding to the impacts of climate change by developing carbon-neutral action plans. In the future, the Company will take the value chain into consideration and actively promote carbon neutrality in the supply chain to boost the development of the industry, and provide carbon-neutral solutions to the society through technological innovation, so that its business strategy can better match the social needs of zero-carbon development.

Taking 2020 as the base year, the Company has verified its GHG emissions, formed a green, low-carbon and sustainable development plan, and put forward a commitment at the operational level:



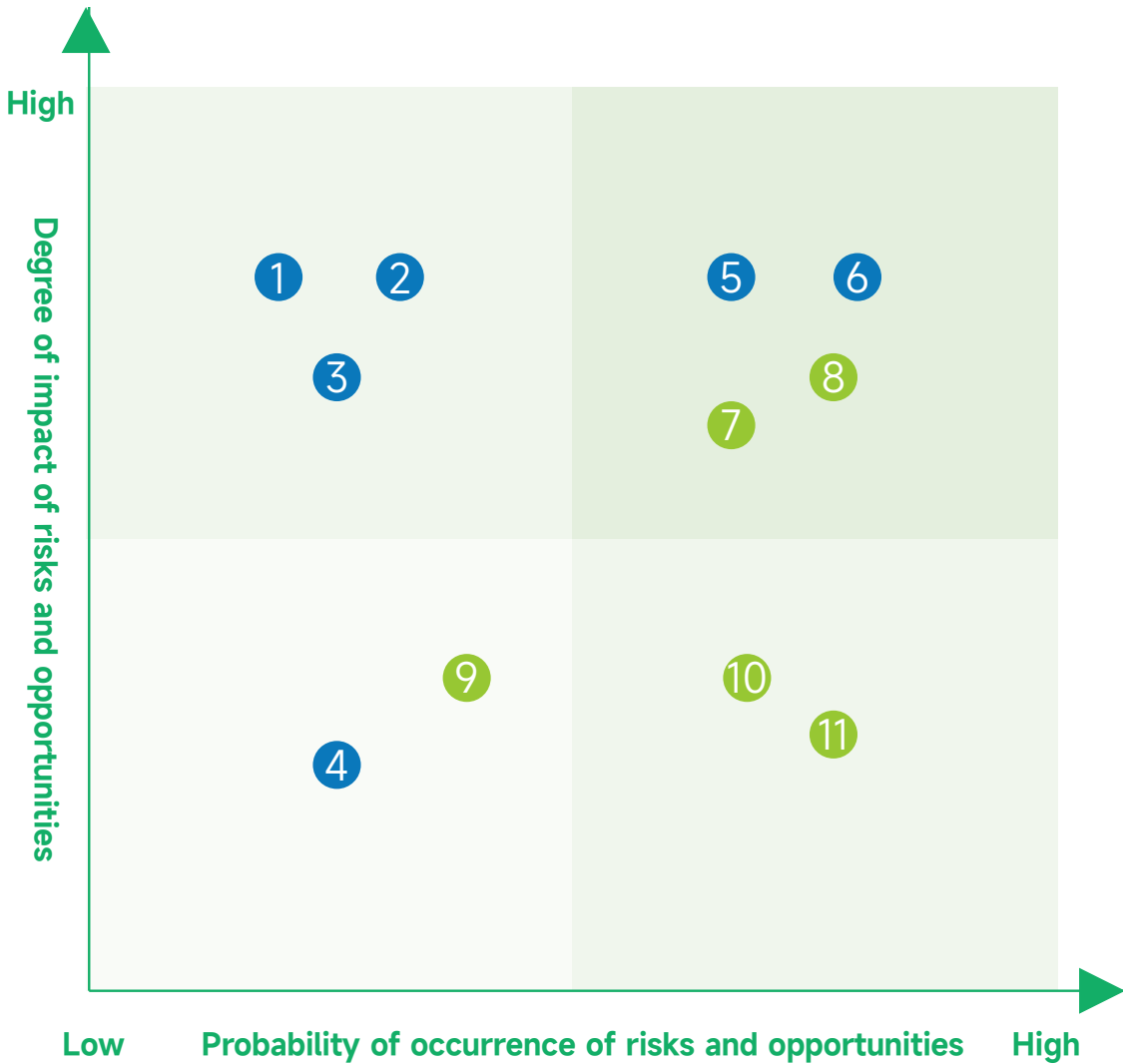
To achieve **carbon peaking** before **2030**



To achieve **carbon neutrality** by **2050**

In order to better respond to climate change, the Company has identified climate change-related risks and opportunities related to its operations with reference to the IFRS S2 framework and national and local policy requirements, and assessed the impact of each risk and opportunity on its finances. Based on the development of its business, the Company will assess the impact of physical risks (extreme weather such as high temperature and heavy rainfall) and transformational risks (such as technological innovation) brought by climate change in its operations, and actively seek opportunities brought by its products and services, and efficiency of resource utilization.

Matrix of Climate Risks and Opportunities



Climate-related risks

- 1 Market risks
- 2 Policy and legal risks
- 3 Reputational risks
- 4 Chronic physical risks
- 5 Acute physical risks
- 6 Technology risks

Climate-related opportunities

- 7 Resource efficiency
- 8 Products and services
- 9 Adaptability
- 10 Energy sources
- 11 Market opportunities

◆ Climate-related Risks and Opportunities & Management Strategies ◆

| Types of risk or opportunity | Description | Duration of Impact | Potential Financial Impact | Management Strategies |
|------------------------------|--|------------------------------|---|---|
| Risks | | | | |
| Technology risks | The Company may face the upgrading of manufacturing equipment and process technology and the elimination of old equipment due to the tightening of policy and regulatory requirements. | Short-to-medium term | Increase in operating costs Decrease in operating income | <ul style="list-style-type: none">● Increase investment in new energy-saving technologies and equipment.● Formulate contingency plans for extreme weather and conduct regular emergency drills.● Strengthen the capacity for R&D and innovation of technologies and green products. |
| Acute physical risks | Extreme weather such as typhoons and floods pose a threat that could result in damage to the Company's production plants and equipment, loss of personnel and disruption of business activities. | Short term | Depreciation of fixed assets Increase in operating costs Decrease in operating income | |
| Policy and legal risks | With the continuous introduction of carbon emission reduction policies at home and abroad, as well as the gradual tightening of regulatory requirements, the Company needs to meet the relevant requirements in the production, operation, sales and services, and to strengthen its own operational carbon accounting, product carbon footprint measurement and other related work. | Short-to-medium-to-long term | Increase in operating costs | |
| Market risks | Low-carbon related policies affect the supply and demand in the market. If the Company fails to provide appropriate products or services to its customers, it will lead to a decrease in its competitiveness in the market and increase in the cost of raw materials or decrease in the demand for energy-intensive products, which will result in compromised products and may lead to the loss of customers. | Medium-to-long term | Increase in operating costs Decrease in operating income | |
| Reputational risks | Stakeholders are increasingly concerned about the Company's performance in addressing climate change, including strategies and objectives, management measures, etc. Failure to carry out climate change response action may affect the Company's reputation. | Medium-to-long term | Decline in operating income | |
| Chronic physical risks | Extreme temperature environments can affect the proper operation of temperature-sensitive production equipment, and rising sea level can affect the Company's normal operations in coastal areas. | Medium-to-long term | Increase in operating costs Decrease in operating income | |

| Types of risk or opportunity | Description | Duration of Impact | Potential Financial Impact | Management Strategies |
|------------------------------|--|------------------------------|---|---|
| Opportunities | | | | |
| Resource efficiency | The adoption of green packaging, green raw materials and green design, the optimization of production technology and processes, and the improvement of production efficiency will help to increase the efficiency of resource utilization. | Medium-to-long term | Decrease in operating costs | <ul style="list-style-type: none">● Modify high energy-consuming equipment to reduce carbon emissions from products.● Develop low-carbon products.● Purchase and utilize green electricity. |
| Products and services | As customer demand for green, low-carbon and intelligent products increases, the development of related products and the provision of related services can drive rapid business growth. | Short-to-medium-to-long term | Increase in operating income | |
| Market opportunities | With increasing demand for green and low-carbon products and services driven by the “dual-carbon” goals, strengthening product development and expanding into new markets will enhance market competitiveness. | Medium-to-long term | Increase in operating income | |
| Energy sources | Increasing the use of clean or renewable energy can reduce carbon emissions and address the risk of energy price hikes in the future. | Short-to-medium-to-long term | Decrease in operating costs | |
| Adaptability | Deepen collaboration between universities, enterprises and industries, participate in clean energy-related projects, actively seek solutions for green and low-carbon products, promote green manufacturing, and improve adaptability to climate change. | Medium-to-long term | Decrease in operating costs Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).

Carbon footprint assessment on worsted wool yarn

Pollutant Discharge

Overview

The wastewater pollutants generated from the Company's production and operation are mainly chemical oxygen demand (COD_{Cr}), five-day biochemical oxygen demand (BOD₅), ammonia nitrogen (NH₃-N), total phosphorus (TP), total nitrogen (TN), total zinc (TZn), dissolved chromium (DCr), suspended substances (SS), adsorbable organic halogen (AOX), etc. The Company applied for the national pollutant discharge permit in accordance with the requirements of the state and local governments, implemented strictly the sewage declaration and registration, established an online monitoring and early warning mechanism for water treatment, formulated a self-monitoring scheme for pollutant discharge permit and set up a wastewater treatment system to make sure all discharges through outfalls are in accordance with standards.

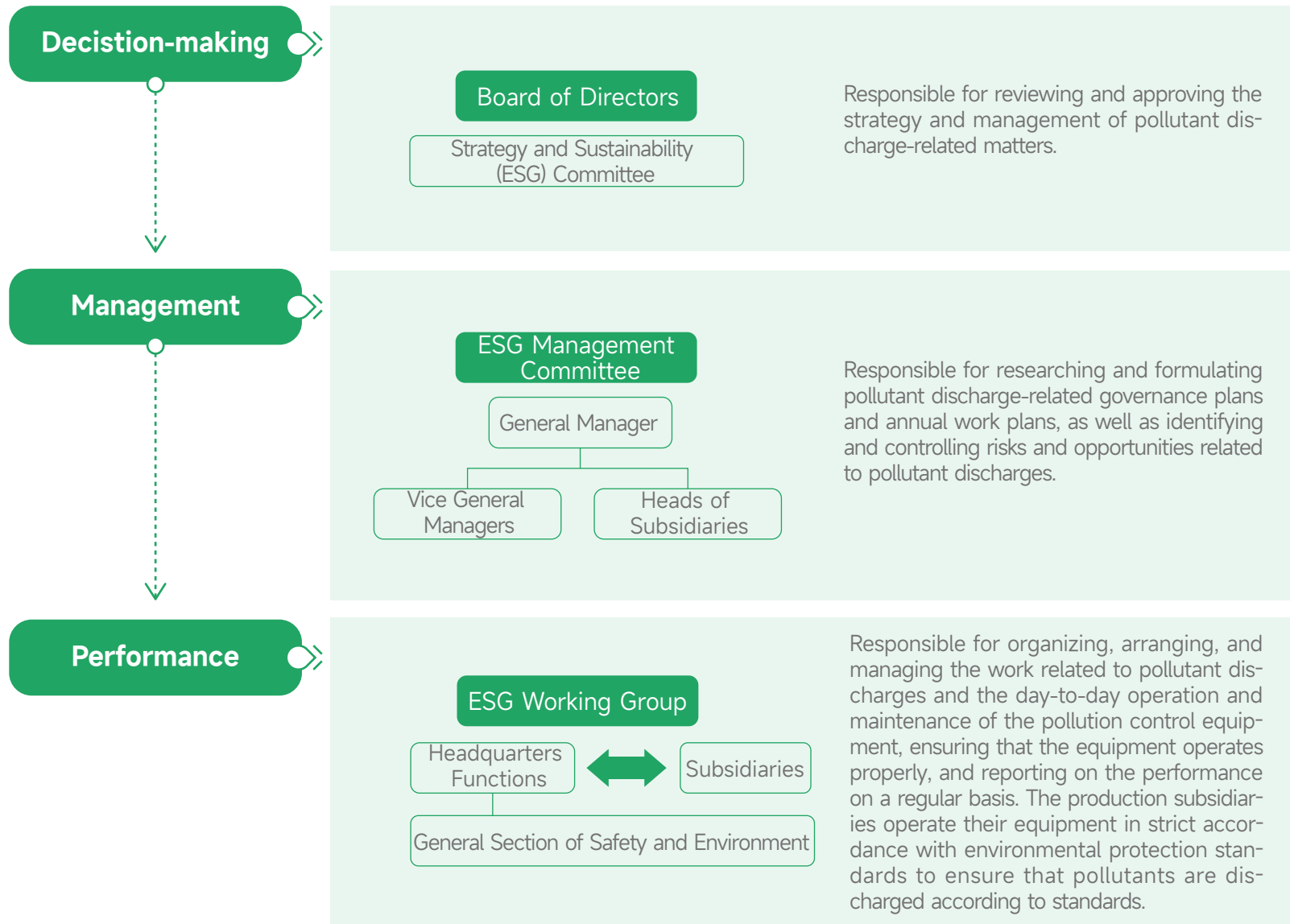
The air pollutants generated from the Company's production and operation are mainly total suspended particulates, malodors (ammonia and hydrogen sulfide), acetic acid, sulfuric acid mist, sulfur dioxide, nitrogen oxides, volatile organic compound, and canteen fumes. The Company effectively supervises exhaust emissions and ensures that all emission indicators comply with local and industry emission standards through strict treatment and monitoring measures.

The Company strictly abides by laws, regulations and management rules such as *Water Pollution Prevention and Control Law of the People's Republic of China*, *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, and *Noise Pollution Prevention and Control Law of the People's Republic of China*, and endeavors to minimize negative impacts on the environment. In 2024, the subsidiaries, NEW CHUWA and HOUYUAN TEX were the key units for environmental supervision by the local ecological and environmental management authorities. The Company disclosed the discharge and eco-environmental administrative license information of the subsidiaries that were included in the key units for environmental supervision in accordance with the relevant regulations of the China Securities Regulatory Commission (CSRC), the Stock Exchange and the Ministry of Ecology and Environment (MEE). For detailed information on pollutant discharge from key units of environmental supervision, please refer to the *Annual Report 2024 of Zhejiang Xinao Textiles Inc.*

During the reporting period, there was no incident in which the Company was subjected to significant administrative penalties or held criminally liable for the discharge of pollutants.

Governance

◆ Governance Structure of Pollutant Discharge ◆



Strategy

In terms of pollutant discharge management, the Company faces compliance risks brought about by changes in laws and regulations and strengthened supervision, while its market share is affected by increased governance costs, production restrictions and reputation damage. In terms of seizing opportunities, the Company increases investment in research and development, cooperates with universities and scientific research institutions to carry out technological innovation, introduces advanced environmental protection technology and equipment in a timely manner, develops green products and undertake branding, thus promoting the enterprise to move forward steadily on the road of environmental protection and development. In response to the above risks and opportunities, the Company regularly maintains and upgrades its pollutant treatment facilities, introduces advanced treatment processes, and optimizes production processes to reduce the amount of pollutants produced. At the same time, the Company has established a pollutant discharge monitoring system to monitor the concentration and volume of discharges and ensure that the discharge standards are met.

◆ Risks and Opportunities related to Pollutant Discharge & Management Measures ◆

| | Risks and Opportunities | Duration of Impact | Financial Impac | Management Measures |
|---------------|--|----------------------|------------------------------|---|
| Risks | Regulation and policy risk: Relevant laws and regulations are constantly improving and tightening, if not recognized in time, it may lead to violation of discharges and face the risk of administrative penalties, suspension and rectification of production. | Medium-to-long term | Increase in operating costs | <ul style="list-style-type: none">● Regularly track additions, changes and revisions to laws and regulations.● Regularly conduct pollutant monitoring and check the operation of environmental protection facilities to ensure compliance with laws and regulations. |
| | Reputational risk: Environmental incidents arising from pollutant discharge issues negatively affect the reputation of the Company. | Short-to-medium term | Increase in operating costs | |
| Opportunities | Market opportunity: With the improvement of consumers' awareness of environmental protection, the demand for green and environmentally friendly printed and dyed textile products continues to increase. Strengthening the control of pollutant discharge and improving the level of environmental protection to meet market demand can expand the market share of green products. | Medium-to-long term | Increase in operating income | <ul style="list-style-type: none">● Increase investment in R&D of environmental technology, develop green and environmentally friendly products, and enhance the added value of products. |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).



Management of Impact, Risk and Opportunity

By analyzing the production processes, equipment operation conditions and industry regulations, the Company identifies the possible risks of waste water, waste gas and noise emissions, such as the failure of waste water treatment facilities, excessive exhaust gas emissions, etc., and at the same time classifies the risks into different levels based on the probability of risk occurrence and the degree of impact on the environment and the enterprise. Based on the assessment results, the Company formulates response strategies, taking emergency measures for high risks, reducing risks by optimizing operational processes and strengthening equipment maintenance for medium risks, and conducting continuous monitoring for low risks. In addition, the Company regularly evaluates the effectiveness of its management, adjusts its management strategy based on the evaluation results, and continuously improves its pollutant discharge management process in order to achieve a balance between sustainable corporate development and environmental protection.

◆ Wastewater Discharge Standards, Main Control Indicators and Treatments ◆

| Companies | Types | Executive Standards | Main Control Indicators | Treatments |
|----------------|--|--|--|---|
| XINAO TEX | Domestic sewage | Integrated wastewater discharge standard (GB 8978 – 1996) | COD, BOD ₅ , NH ₃ -N, TP, SS, etc. | ● Discharged into the municipal sewage pipe network after being treated by grease trap and septic tank in the plant. |
| NEW CHUWA | Industrial wastewater, domestic sewage | Discharge standards of water pollutants for woolen textile industry (GB 28937 – 2012) | COD _{Cr} , BOD ₅ , TP, TN, SS, NH ₃ -N, etc. | ● Collected by sewage treatment station and pre-treated by physico-chemical and two-stage A/O process; After reaching the standard, discharged into the network of the sewage treatment plant for centralized in-depth treatment and then discharged after reaching the standard. |
| HOUYUAN TEX | Industrial wastewater, domestic sewage | The indirect discharge limits in the Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 – 2012) | COD _{Cr} , BOD ₅ , SS, NH ₃ -N, TP, TN, AOX, etc. | ● The high-temperature sewage discharged from the dyeing vat in the plant enters the sewage regulating pond after heat exchange through the heat recovery device and cooled by the cooling tower, and pools with the low-temperature sewage discharged from the dyeing vat, the workshop floor rinsing water, the backwash wastewater from the water purification station and the domestic sewage, etc., and then treated by the plant’s own pretreatment station, after that, it is processed into the reclaimed water reuse facility for reuse, and finally the remaining water is piped into the network of the sewage treatment plant for centralized in-depth treatment and then discharged after reaching standard. |
| XINAO CASHMERE | Industrial wastewater, domestic sewage | Table 2 Indirect discharge limits in Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 – 2012) | COD _{Cr} , NH ₃ -N, TP, TN, etc. | ● Piped into the Park’s wastewater treatment plant through the pipe network and discharged after reaching standard. |
| JX FEIXUN | Domestic sewage | Maximum allowable discharge concentrations of Class 3 in Integrated wastewater discharge standard (GB 8978 – 1996) | COD, NH ₃ -N, etc. | ● Collected by septic tank and connected to the domestic sewage pipe network of NEW CHUWA, and discharged into the municipal sewage network after pretreatment. |
| T&D UK | Industrial wastewater, domestic sewage | Water Environment and Water Services (Scotland) Act 2023 Water Environment (Controlled Activities) (Scotland) Regulations 2005 | BOD ₅ , NH ₃ -N, TP, TZn, DCr, SS, etc. | ● Collected by septic tank and connected to the domestic sewage pipe network of NEW CHUWA, and discharged through the network after pretreatment. |
| XINAO VN | Industrial wastewater, domestic sewage | National Technical Regulation on Industrial Wastewater (QCVN40:2011/BINMT) | BOD ₅ , COD, SS, NH ₄ ⁺ (以 N 计), TN, TP, etc. | ● The high-temperature sewage discharged from the dyeing vat in the plant enters the sewage regulating pond after heat exchange through the heat recovery device and cooled by the cooling tower, and pools with the low-temperature sewage discharged from the dyeing vat, the workshop floor rinsing water, the backwash wastewater from the water purification station and the domestic sewage, etc., and then treated by the plant’s own pretreatment station, after that, it is processed into the reclaimed water reuse facility for reuse, and finally the remaining water is piped to the centralized wastewater treatment system of the Park for in-depth treatment and discharged after reaching standard. |

◆ Waste Gas Emission Standards, Main Control Indicators and Treatments ◆

| Companies | Executive Standards | Main Control Indicators | Treatments |
|----------------|---|---|---|
| XINAO TEX | <i>Integrated emission standard of air pollutants (GB 16297 – 1996)</i> | Total suspended particulates | ● Discharged to the standard after filtration through the dust removal system |
| | <i>Emission standard of cooking fume (GB 18483 – 2001)</i> | Canteen fumes | ● Discharged to the standard after treatment by fume purifier |
| NEW CHUWA | <i>Emission standards for odor pollutants (GB 14554 – 93)</i> | Ammonia, hydrogen sulfide and odor concentrations | ● Discharged at high altitude after treatments of oxidation + alkali absorption (+ photocatalytic oxidation) |
| | <i>Integrated emission standard of air pollutants (GB 16297 – 1996)</i> | Total suspended particulates, non-methane hydrocarbon, hydrogen chloride | ● Discharged in the workshop after treatment by dust removal equipment ● Discharged at high altitude after treatment of alkali liquor two-stage spray absorption |
| | <i>Emission standard of cooking fume (GB 18483 – 2001)</i> | Canteen fumes | ● Discharged to the standard after treatment by fume purifier |
| HOUYUAN TEX | Table 2 of <i>Emission standards for odor pollutants (GB 14554 – 93)</i> | Ammonia, hydrogen sulfide and odor concentration | ● Discharged to the standard after treatment by high-density blue light plasma-driven catalytic equipment |
| | <i>Integrated emission standard of air pollutants (GB 16297 – 1996)</i> | non-methane hydrocarbons, total suspended particulates | ● Discharged outwards through high positioned windows,increase the number of ventilation windows to ensure fresh air in the workshop |
| | <i>Emission standard of cooking fume (GB 18483 – 2001)</i> | Canteen fumes | ● Discharged to the standard after treatment by fume purifier |
| XINAO CASHMERE | Table 3 of <i>Emission standard of air pollutants for boiler (GB 13271 – 2014)</i> | Sulfur dioxide, nitrogen oxides | ● Discharged to the standard though exhaust funnel |
| | <i>Integrated emission standard of air pollutants (GB 16297 – 1996)</i> | Total suspended particulates | ● Discharged to the standard after filtration through the dust removal system |
| XINAO VN | <i>National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts (QCVN19:2009/BTNMT)</i> <i>National Technical Regulation on Industrial Emission of Organic Substances (QCVN20: 2009/BTNMT)</i> | Methanol, diethylamine, benzene, 2-pentanone, neon, nitrogen oxides, sulphur dioxide, carbon monoxide | ● Discharged to the standard after filtration through the dust removal system or the exhaust hood |

◆ Noise Emission Standards and Treatments ◆

| Companies | Executive Standards | Main Sources | Treatments |
|---------------------------|---|---|--|
| XINAO TEX, XINAO CASHMERE | <i>Emission standard for industrial enterprises noise at boundary (GB 12348 – 2008)</i> | Spinning equipment, water pumps, fans, etc. | ● Choose low-speed, low-noise equipment, and consider adding acoustic enclosures and vibration-proofing for noisy motors. |
| XINAO VN | <i>National Technical Regulation on Vibration (QCVN 27: 2010/BTNMT)</i> | Spinning equipment, water pumps, fans, etc. | ● Insulate the sound by insulation facilities and the building itself, and regularly check the vibration damping effect of the facilities. |

◆ Major Initiatives for Pollutant Discharges for the Year ◆

Compliance discharge of pollutant

XINAO TEX carried out inspection to the sewage pipe network to solve the problems of breakage, blockage and misconnection of the pipes, so as to avoid sewage leakage.

Reduction of pollutant discharge

HOUYUAN TEX adopted new dyeing technology, integrated and optimized the process flow, and improved the utilization rate of water resources to reduce wastewater discharge.

Reduction in the concentration of pollutant discharge

HOUYUAN TEX treated aniline by adding sodium hypochlorite to the wastewater before discharging, making the chroma, ammonia nitrogen and total nitrogen decrease to different degrees.

Indicator and Objective

◆ Indicator, Objective and Annual Progress on Pollutant Discharges ◆

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Completion rate of pollution detection | 100% | 100% |
| Compliance rate for pollutant discharges | 100% | 100% |



Waste Disposal

Overview

The wastes generated in the course of the Company's operation include leftovers such as waste yarn and waste fiber, reclaimed yarn and reclaimed fiber, etc., non-hazardous wastes such as waste packaging drums/boxes, sludge, beverage bottles, food wrappers, napkins, toilet trash, kitchen waste, etc., as well as hazardous wastes such as inner film bags of dyes, waste chemical packaging, waste oil drums, waste resin, used oil, etc.

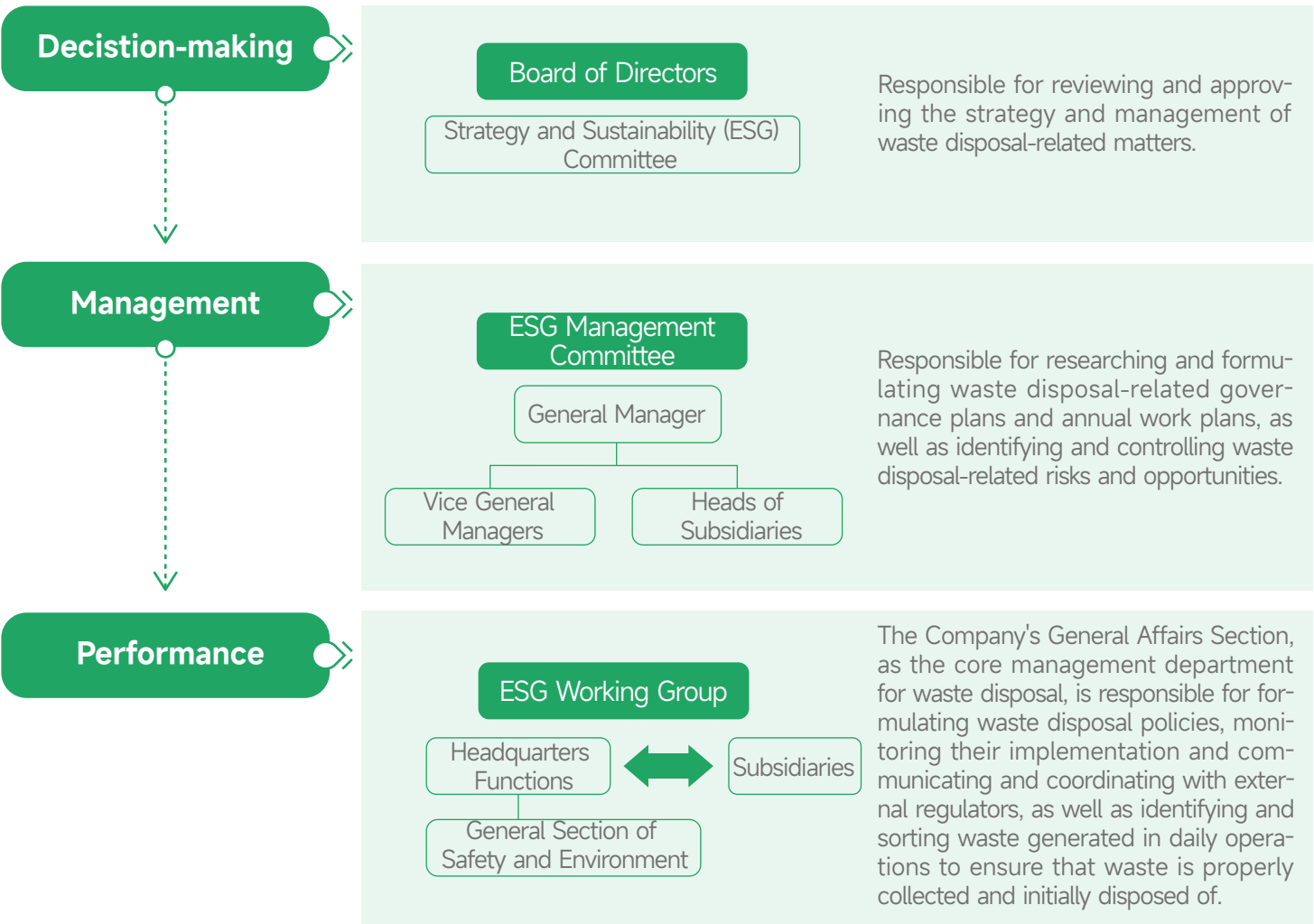
The Company strictly abides by the laws, administrative regulations and normative documents such as the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Regulations on the Safety Management of Hazardous Chemicals*, and the *Standard for Pollution Control on Hazardous Waste Storage (GB18597-2023)*.

During the reporting period, there was no incident of illegal disposal of waste and no litigation case arising from the above matters.



Governance

◆ Governance Structure of Waste Disposal ◆



The Company has formulated management systems such as “Measures for the Management of Three Wastes and Noises” to strictly supervise the generation, classification, collection, storage and treatment of waste.

Strategy

PILLAR

“柔韧实用主义”



87%极细美丽诺羊毛

13%消费后回收尼龙

1/60Nm

通过包芯纺技术

将极细美丽诺羊毛的天然柔软

与尼龙长丝的坚韧相结合

纱线顶破强力比100%纯羊毛高出33%

经久耐穿 柔韧亲肤

回收尼龙为PILLAR打上减碳环保的标签

是日常穿着和户外活动的环保之选











Recycled nylon blends

Products developed from recycled plastic bottles

In terms of waste disposal, the Company faces the risks of tightening policies and regulations and increasing waste disposal costs. In response to the above risks, the Company has strengthened its waste disposal compliance by enhancing technology R&D and cooperation, optimizing the waste treatment process, and raising the awareness of its employees.

◆ Risks and Opportunities related to Waste Disposal & Management Measures ◆

| Risks and Opportunities | | Duration of Impact | Financial Impact | Management Measures |
|-------------------------|---|------------------------------|------------------------------|--|
| Risks | Regulation and policy risk: Relevant laws and regulations are constantly improving and tightening, if not recognized in time, it may lead to violation of discharges and face the risk of administrative penalties, suspension and rectification of production. | Short-to-medium-to-long term | Increase in operating costs | <ul style="list-style-type: none">● Regularly follow up on additions, changes and revisions to laws and regulations.● Increase research on recycling and reuse of waste.● Organize regular trainings for employees on waste disposal and environmental protection to improve their understanding of the importance of waste disposal and their operational skills. |
| | Liability risk: Improper disposal of waste will lead to environmental problems such as soil pollution and water pollution, affecting the surrounding ecological environment and the health of residents, and will face risks such as legal proceedings. | Short-to-medium term | Increase in operating costs | |
| Opportunities | Market opportunities: Consumers are increasingly concerned about environmentally friendly products. By implementing effective waste disposal strategies and participating in projects of waste minimization, reuse and recovery of resources, more environmentally conscious consumers can be attracted and market share can be expanded. | Medium-to-long term | Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).

Management of Impact, Risk and Opportunity

The Company's General Section of Safety and Environment takes the lead and joins hands with production departments to collect information on all aspects of waste generation, collection, storage, transportation and treatment, and analyzes the collected information to identify possible impacts, risks and opportunities. On this basis, the Company evaluates the possibility of risk occurrence, the degree of impact, the scope of influence, etc., and classifies risks into different levels and formulates strategies, specifying the responsible departments and time-lines. At the same time, the Company regularly assesses the effectiveness of risk management and control and continuously improves the management process.

◆ Measures for Waste Disposal ◆

| Types | | Contents | Disposal Measures |
|---------------------|------------------|--|--|
| Hazardous waste | | Inner film bags of dyes, waste chemical packaging, waste oil drums, etc. | Entrust qualified units for standardized disposal |
| | | Waste resin | Entrust qualified units for standardized disposal |
| | | Used oil | Entrust qualified units for standardized disposal |
| Non-hazardous waste | Industrial waste | Leftovers such as waste yarn and waste fiber, reclaimed yarn and reclaimed fiber | Sell to waste recycling units for comprehensive utilization, recycling and development of new products |
| | | Waste packaging drum, box, etc. | Reclaim by suppliers regularly |
| | | Sludge | Hand over to qualified units for incineration |
| | Domestic waste | Beverage bottles, food wrappers, napkins, toilet trash, etc. | Entrust the sanitation department for disposal |
| | | Kitchen waste | Entrust qualified units for harmless disposal and reuse of resources |

In 2024, XINAO TEX upgraded its hazardous waste warehouse in terms of hardware facilities and safety protection.

Indicator and Objective

◆ Indicator, Objective and Annual Progress on Waste Disposal ◆

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Accuracy rate of waste sorting and storage | 100% | 100% |
| Rate of waste collection and disposal | 100% | 100% |
| Harmless disposal rate of hazardous waste | 100% | 100% |



Compliance sorting for waste

Conservation of Ecosystems and Biodiversity



The Company pays constant attention to the impact of its activities on biodiversity, and carries out risk identification and hidden danger investigation of ecosystem and biodiversity conservation in strict compliance with relevant laws and regulations and guiding policies such as the *Opinions on Further Strengthening Biodiversity Protection*, the *Law of the People's Republic of China on Prevention and Control of Soil Contamination* released by the General Office of the State Council, and the *Regulation on Groundwater Management* released by the State Council.

The Company recognizes that the discharge of waste water, waste gas and wastes from the production process can pollute the surrounding water, soil and air, destroy the balance of ecosystems and affect biodiversity. The Company takes the conservation of ecosystems and biodiversity into consideration and strictly implements the requirements of relevant national laws on operating sites, and prohibits any direct discharge of production wastewater and domestic sewage in order to maintain and protect local biodiversity.

During the reporting period, all of the Company's production and operation bases were located in mature industrial parks, all of which were industrial land. The Company does not have any operation sites located inside nature reserves or biodiversity-rich areas outside nature reserves, and no significant impact on biodiversity has been found in any of its business activities, products and services.

In terms of animal welfare, the Company focuses on the responsible sourcing of its main raw materials, such as wool and cashmere, avoids the use of hazardous chemicals in its production processes, and actively participates in animal protection activities with the aim of reducing any form of animal cruelty and providing consumers with safe and reliable products.

◆ Practical Initiatives for Animal Welfare ◆



During raw material purchase

- **Choose animal-friendly raw materials:**
Priority is given to the purchasing of animal fibers obtained from humane farming. In 2024, the Company further increased its purchases of Responsible Wool Standard (RWS) certified wool (tops), the Good Cashmere Standard (GCS) or Sustainable Fibre Alliance (SFA) certified cashmere.
- **Establish a supplier assessment system:**
Suppliers supplying raw materials of animal origin are audited to assess whether their animal farming and handling processes comply with animal welfare guidelines and to ensure that the source of raw materials meets animal welfare requirements.



During production

- **Avoid the use of harmful chemical substances:**
In the printing and dyeing process, strictly control the use of chemical substances and avoid the use of dyes and additives that are harmful to animals.
- **Optimize the production process:**
Improve the printing and dyeing process, reduce energy consumption and pollutant emissions in the production process to reduce the impact on the living environment of the surrounding animals.



Environmental Compliance Management

The Company strictly abides by the environmental laws and regulations to the places where it operates, carries out environmental management in an orderly manner, and at the same time pays environmental taxes and fees in full in accordance with the *Environmental Protection Tax Law of the People's Republic of China*. During the reporting period, the Company did not have any environmental emergencies and was not subject to any major administrative penalties or criminal liabilities.

Following the environmental management policy of “energy saving and high efficiency, pollution prevention and sustainable development”, the Company has formulated management documents covering various environmental impact factors, such as "Procedures for Identification and Evaluation of Environmental Factors" and "Procedures for Control of Environmental Operations", etc. which have been implemented through production and operation to ensure effective control of environment-related risks.

Based on ISO14001:2015 environmental management system, the Company carries out environmental factor identification, compliance review, internal audit and management review. At the same time, the Company requires subsidiaries at all levels to fully allocate full-time and part-time personnel for environmental management, and normalizes the working mechanism of potential risks identification and notification in order to strengthen systemic support in a sustainable manner. By the end of 2024, XINAO TEX, NEW CHUWA, HOUYUAN TEX and XINAO CASHMERE have all passed ISO 14001 environmental management system certification.

The Company integrates the concept of environmental compliance into the entire process of raw material procurement, production and pollutant management. By setting environmental management targets, the Company regularly uploads Pollutant Release and Transfer Register (PRTR), DETOX and carbon data through the Institute of Public and Environmental Affairs (IPE), and accepts social supervision proactively. The Company passed the third round of Cleaner Production Audit in 2020 (valid until 2025).

◆ Risks of Environmental Incidents and Management Measures ◆

| Types | Risks | Management Measures |
|------------|---|---|
| Wastewater | <ul style="list-style-type: none">● Risk of excessive discharge of wastewater● Risk of wastewater leakage | <ul style="list-style-type: none">● Check the core equipment and conveying pipelines regularly, and replace the aging parts in time to ensure the normal operation of the equipment.● Optimize the treatment process regularly according to the actual water quality. |
| Waste gas | <ul style="list-style-type: none">● Risk of excessive emission of waste gas● Risk of waste gas leakage | <ul style="list-style-type: none">● Overhaul and maintain equipment regularly, and replace critical components that are aging and in disrepair timely.● Set the operating parameters strictly in accordance with the equipment operating procedures, and calibrate them periodically. Regularly examine the ventilation system and exhaust gas collection pipes in the production workshop to ensure their tightness and proper operation. |
| Wastes | <ul style="list-style-type: none">● Risk of pollution caused by stock-piling of non-hazardous waste● Risk of illegal disposal of hazardous waste | <ul style="list-style-type: none">● Classify and store the non-hazardous wastes such as waste packaging materials and left-over wastes, and avoid stacking them at random.● Carry out whole-process tracking management for the generation, storage, transportation and disposal of hazardous waste, ensure that qualified units are entrusted to handle them, and sign standardized disposal contracts. |
| Chemicals | <ul style="list-style-type: none">● Risk of chemical substance leakage● Risk of chemical substance misuse | <ul style="list-style-type: none">● Establish strict codes of practice for chemical substances and strengthen the training of operators to avoid operational errors.● Use high-quality storage containers and regularly check the tightness and integrity of containers. |

In order to cope with environmental emergencies, the Company, in accordance with the relevant requirements of the Notice on the Issuance of Interim Measures for the Administration of Contingency Plans for Environmental Emergencies and the National Environmental Emergency Response Plan released by the Ministry of Ecology and Environment, prepares the "Environmental Emergency Response Plan" according to the production process, pollution chain and environmental risks, and reports to the competent authorities of environmental protection of the area for record in accordance with the regulations. In 2024, the Com-

pany managed the risk of enterprise accident in accordance with the requirements of the environmental impact assessment (EIA) and its comment, and regularly conducted **4 times** of environmental emergency response drills to train the staff's emergency response ability, improve their skills in preventing and disposing of environmental emergencies, so as to reduce the possible harm to the environment caused by environmental emergencies.



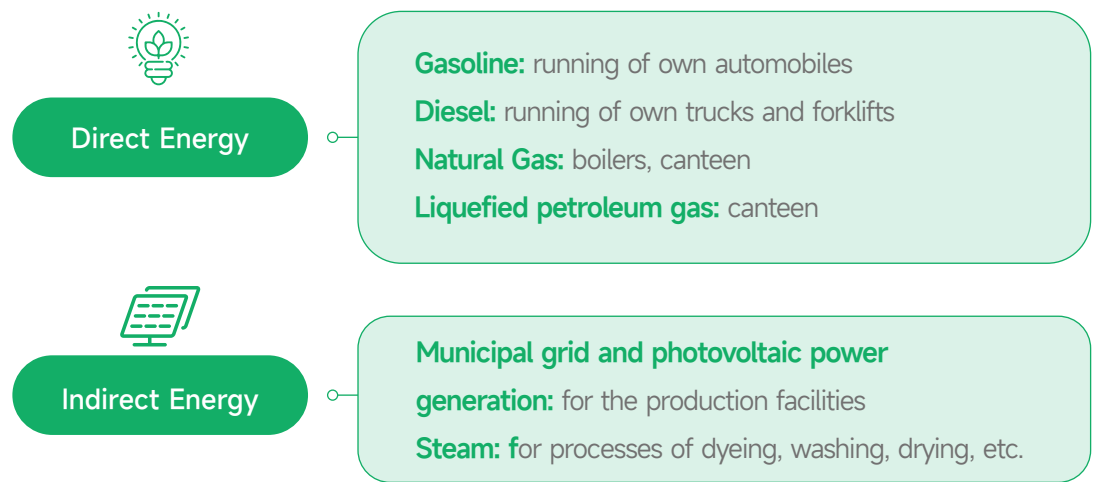
Energy Utilization



Overview

Energy management is one of the core aspects of green manufacturing and low carbon, as well as the main channel for the Company to realize low carbon development. In terms of energy use, the types of energy consumed during the Company's production and operation include electricity, steam, gasoline, diesel, natural gas and liquefied petroleum gas.

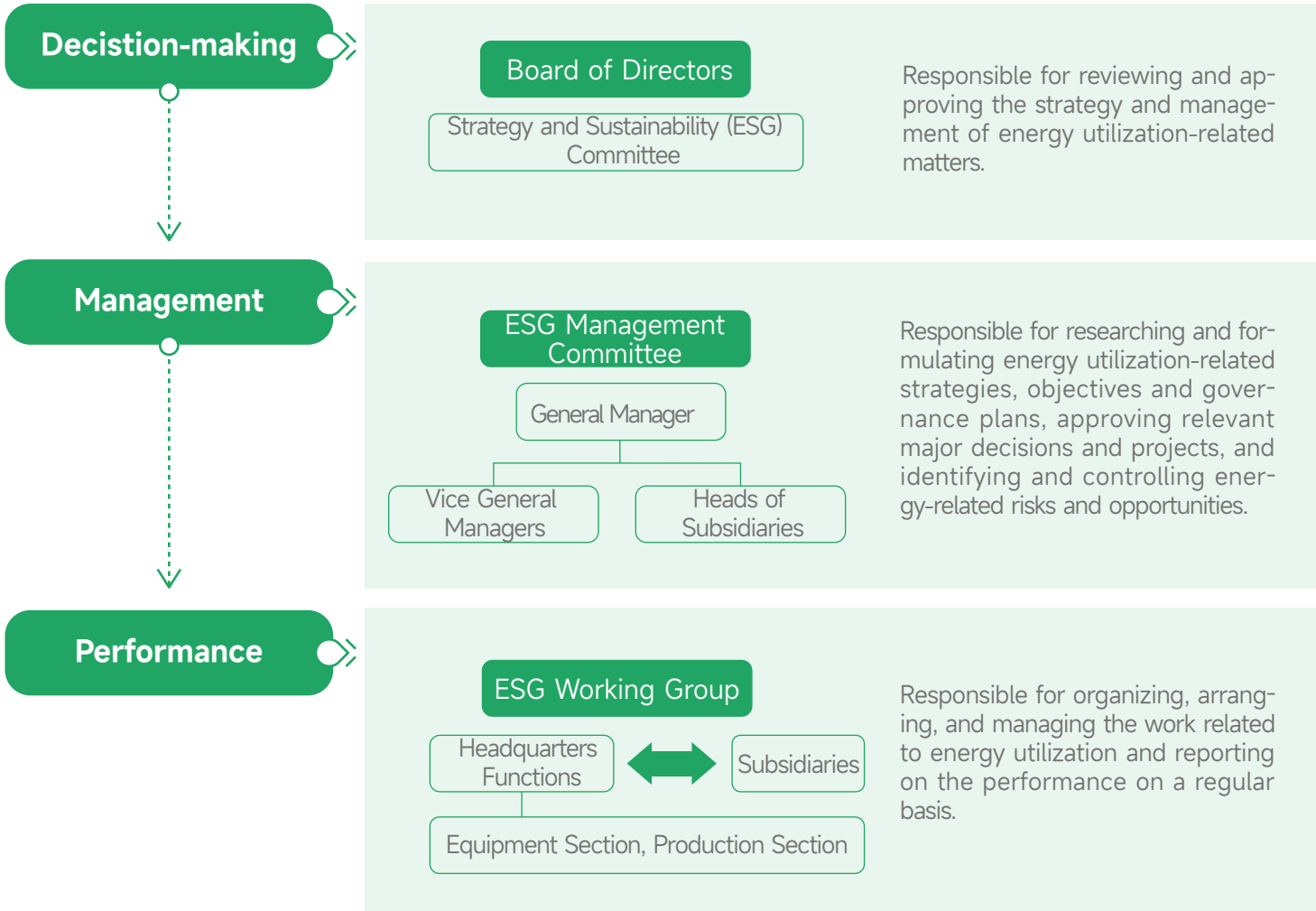
Major Types of Energy and Their Usage Scenarios



Adhering to the energy management concept of "energy conservation, consumption reduction, efficient utilization and sustainable development", the Company strictly abides by the laws and regulations as well as management provisions such as *Energy Conservation Law of the People's Republic of China*, *Measures for Industrial Energy Conservation and Supervision*, *Power conservation Management Program*, and constantly strengthens the management of energy utilization.

Governance

Governance Structure of Energy Utilization



Strategy

In terms of energy utilization, the Company may face the risks of technological upgrading, unstable energy supply and price fluctuation, etc. Meanwhile, due to the development of clean energy and the innovation of energy-saving technology, the Company is provided with new development opportunities. In view of the above risks and opportunities, the Company keeps abreast of the latest technological developments in the industry through cooperation with universities and scientific research institutions, continues to carry out technological innovation in energy utilization, and constantly improves the energy efficiency and eco-friendly performance of its products, so as to maintain the Company's dominant position in the market competition.

◆ Risks and Opportunities related to Energy Utilization and Management Measures ◆

| | Risks and Opportunities | Duration of Impact | Financial Impact | Management Measures |
|---------------|---|------------------------------|---|---|
| Risks | Science and technology risk: Energy utilization technology is constantly updated, if the Company cannot keep pace with technological development in time and adopt new energy-saving technologies and equipment, it may lead to low efficiency of energy utilization and disadvantage in market competition. | Medium-to-long term | Increase in operating costs | <ul style="list-style-type: none">● Increase investment in new energy-saving technologies and equipment, carry out industry-university-research cooperation with universities and research institutions to accelerate the pace of technological innovation.● Assess the Company's sites and energy demand, and plan the construction layout of facilities for clean energies such as solar energy.● Develop marketing strategies for green energy products, publicize the Company's advantages and achievements in energy utilization to improve the corporate brand image. |
| | Energy source opportunity: The development of clean energy sources such as solar, wind, and hydropower provides new energy options. Adopting clean energy sources reduces dependence on traditional fossil energy sources, minimizes pollutant emissions, and enhances the Company's environmental image. | Short-to-medium-to-long term | Increase in operating income | |
| Opportunities | Market opportunity: Effective energy management can reduce energy consumption and production costs, which can improve the market competitiveness of products. At the same time, focusing on the environmental friendliness of energy utilization can satisfy consumer demand for green products and open up new market space. | Medium-to-long term | Decrease in operating costs Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).



Green sustainability finalists



Rooftop photovoltaic



Sustainable and creative fashion design

Management of Impact, Risk and Opportunity

Through comprehensive collection of internal and external information related to energy utilization, the Company identifies potential impacts, risks and opportunities related to energy utilization, assesses the possibility of occurrence, degree and scope of impact of the risks and opportunities, formulates and implements risk response and opportunity utilization strategies, and evaluates the effectiveness of the implementation, so as to ensure continuous optimization of the Company's management of energy use.

◆ Energy Conservation Measures and Achievements for the Year ◆

| Measures | Measures | Conservation Achievements |
|--------------------|--|---|
| Retrofit equipment | ● XINAO TEX retrofitted energy-intensive motors in the workshop. | ● New energy conservation measures in FY2024 is estimated to save a total of 2,176 MWh of conventional electricity, 1,305 tons of steam, and 314,614 cubic meters of natural gas per year. |
| | ● XINAO TEX retrofitted the fan impeller in the fourth spinning workshop, replacing the aluminum alloy impeller with the most advanced carbon fiber impeller. | |
| | ● XINAO TEX added 1 set of high-efficiency air compressor according to the optimal load capacity in Building 5#; and eliminated low energy efficiency air compressors at 1# air compression station. | |
| | ● XINAO TEX retrofitted air conditioning in the sixth spinning workshop. | |
| | ● HOUYUAN TEX modified the cooling water circulation piping in the top-dyeing workshop to reduce the steam needed for heating by using cooling water with temperature for dyeing. | |
| | ● HOUYUAN TEX replaced the membrane pump for the automatic feeding system in the hank dyeing workshop. | |
| Improve process | ● NEW CHUWA implemented energy-saving retrofits for air supply and return system of air conditioning, dust collection, recovery system of combed wool noil, roof insulation and phase-out of other old equipment in the first top-making workshop. | |
| | ● HOUYUAN TEX changed the dyeing process in the top-dyeing workshop to reduce the process time and washing time, lowering power consumption. | |
| Optimize energy | ● NEW CHUWA launched distributed photovoltaic power generation project on unused rooftops. | |
| | ● XINAO CASHMERE added solar energy hot water system in the dyeing workshop. | |

Indicator and Objective

◆ Indicator, Objective and Annual Progress of Energy Utilization ◆

| Indicator | Objective | Progress in 2024 |
|--|------------|------------------|
| (with 2020 as the base year) Cumulative consumption of renewable energy by 2030 | 235,000MWh | 51,415.09MWh |



Opening ceremony of air compression station of primary energy efficiency

Water Resources Utilization



Overview

The Company's water consumption is mainly for production and domestic use, with municipal water supply for domestic use and multiple sources of water for production purpose according to the location of the project, including municipal water supply, surface water, ground water, rainwater, purchased steam, production reuse water, etc.

The Company deeply recognizes that textile enterprise with printing and dyeing are highly dependent on water resources, and their production processes such as pretreatment, dyeing and post-treatment are closely related to water use. The Company strictly follows the laws and regulations such as *the Water Law of the People's Republic of China*, *the Environmental Protection Law of the People's Republic of China*, *the Law of the People's Republic of China on Prevention and Control of Water Pollution*, etc., attaches importance to and continuously improves the management of water resources, strengthens the concept of water resources management and promotes the efficient management of water resources.

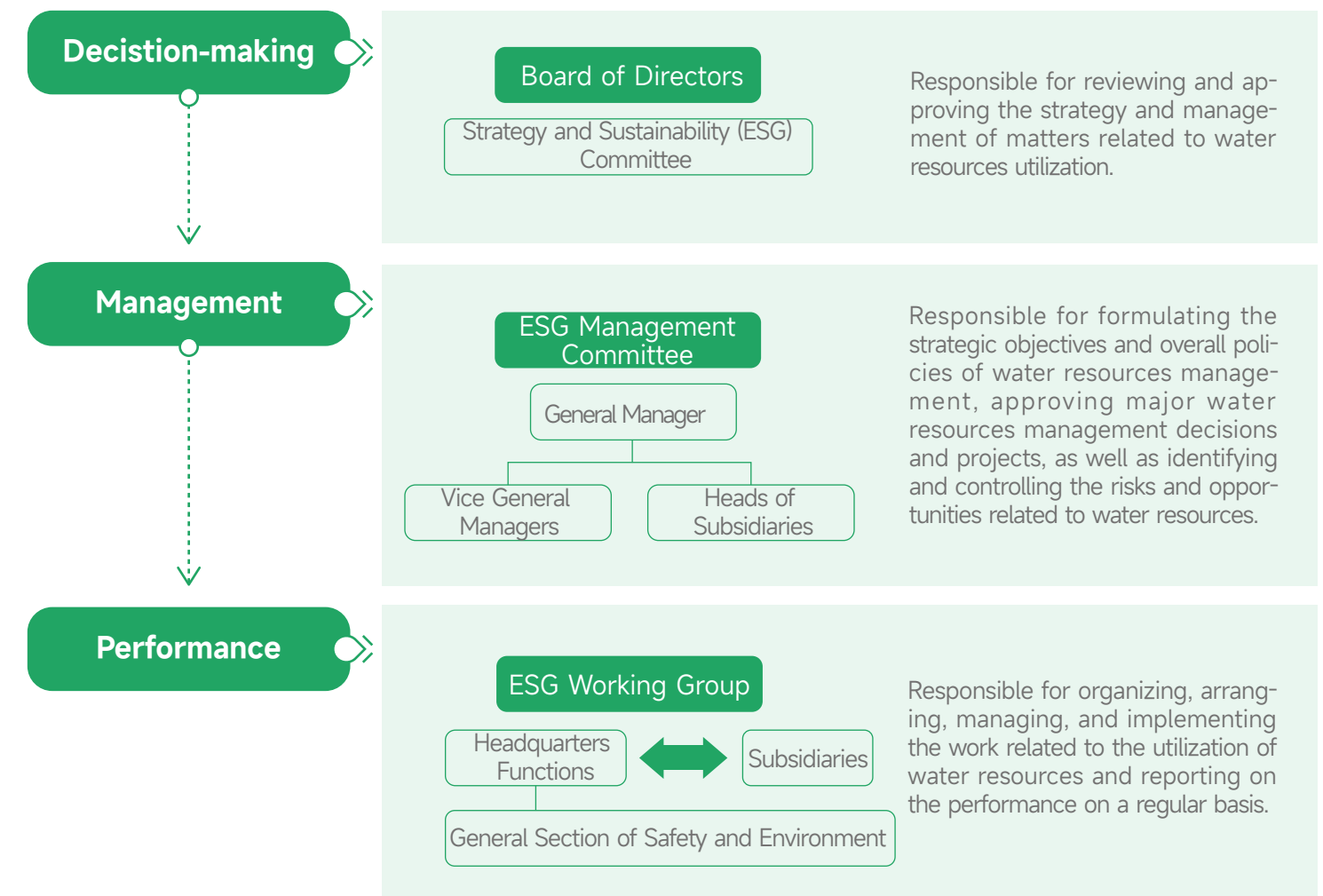
During the reporting period, the Company did not commit any water withdrawal violations.



Benchmark enterprise on water conservation

Governance

◆ Governance Structure of Water Resources Utilization ◆



Strategy

In terms of water resources utilization, the Company is exposed to risks of water availability, impacts on water ecosystems, groundwater recession, and community water conflicts. In response to these risks, the Company insists on executing its responsibilities for water resource management and protection at a high standard, and adopts strategies such as water conservation at source and recycling in order to better realize the efficient use of water resources.

◆ Risks related to Water Utilization and Management Measures ◆

| Risk Type | Risk Description | Management Measures |
|-----------------------------|---|---|
| Water availability | If local water resources are relatively scarce, there is a risk that water for production and operation may be in short supply. | <ul style="list-style-type: none">Carry out water resource survey and assessment to ensure an accurate understanding of the water resources at the project site and make reasonable water use plans.Promote the adoption of recycled water utilization technologies to minimize reliance on local natural water sources. |
| Impacts on water ecosystems | Production operations are surrounded by water ecosystems, such as rivers, that require water from the surface, and if not properly managed, large or inappropriate water withdrawals may lead to disruption of the water ecosystem balance. | <ul style="list-style-type: none">Develop ecological protection plans to ensure that production and operations do not cause permanent damage to surrounding water ecosystems. |
| Groundwater recession | Production and operations require groundwater withdrawals, and large-scale withdrawals may lead to a decline in groundwater levels. | <ul style="list-style-type: none">Assess groundwater reserves to ensure that production and operations do not cause significant groundwater decline.Promote the use of water-saving technologies to reduce the consumption of groundwater from production and operations at source. |
| Community water conflicts | Manufacturing operations may result in water restrictions for nearby communities or neighboring businesses, affecting the lives of local residents. | <ul style="list-style-type: none">Establish regular communication mechanisms with neighboring communities to understand their water needs and concerns.Participate in decision-making on water resources management in the Park to ensure that the interests of all parties are fully considered and coordinated. |

Management of Impact, Risk and Opportunity

With key production sites in **2 countries and 2 provinces / autonomous regions in China**, the Company takes locally adapted water management measures to ensure water security for itself and neighboring communities. The Company analyzes the current development and utilization status of water resources in the watersheds or regions where its production sites are located, assesses the impacts of water withdrawals on water bodies and surrounding stakeholders, and then takes appropriate measures and continuously evaluates their reasonableness and effectiveness.

◆ Annual Key Water Conservation Projects and Their Achievements ◆

| Water Conservation Projects | Water Converstaion Achievements |
|---|---|
| Retrofitting of water supply network | <ul style="list-style-type: none">XINAO TEX retrofitted the water supply network to reduce dripping and leakage. |
| Technological upgrading of dyeing equipment | <ul style="list-style-type: none">HOUYUAN TEX improved the washing process and renovated the wool top dyeing vat in its top-dyeing workshop, saving 15% direct water withdrawal per ton of product in the washing process and 1,305 tons of purchased steam water annually. |
| Reclaimed water reuse system | <ul style="list-style-type: none">XINAO CASHMERE started to construct the project of 1,500-ton reclaimed-water recycling system to recycle 980 tons/day light-colored wastewater, with 80% of the wastewater expected to be recycled. |

Indicator and Objective

◆ Indicator, Objective and Annual Progress of Water Resources Utilization ◆

| Indicator and Objective | Objective | Progress in 2024 |
|--|-------------------|------------------|
| Water reuse rate by 2030 | Not less than 45% | 39.61% |
| (with 2020 as base year) Cumulative total water savings by 2030 | 3,250,000 ton | 521,355 ton |

Circular Economy

The Company's resource categories involved in recycling include materials such as reclaimed yarn and fiber, reclaimed water and condensate produced during the production process, as well as packaging materials such as cartons, plastic tubes and woven bags. The Company adopts water recycling, packaging reduction and waste recycling, while focusing on the greening of raw materials and accessories, aiming to contribute to the circular economy.

The Company strictly complies with the *Circular Economy Promotion Law of the People's Republic of China*, identifies the generation of wastes from a life cycle perspective, and extends environmental impact assessment to the entire value chain. The Company manages the collection, separation, storage, transportation and disposal of waste in accordance with the priorities of prevention and reduction, reuse and recycling, energy recovery, and landfill waste, based on the possible uses of the waste and an understanding of its environmental impacts and risks.

◆ Circular Economy Initiative ◆



Reduction

- Promote bobbin dyeing process by adopting pallet packaging for transportation from spinning to bobbin dyeing, minimizing the use of plastic film bags and cardboard boxes compared with hank dyeing process, and meanwhile reducing **4kg** of bundling rope per ton of product.
- Adopt plastic tube packaging from spinning to bobbin dyeing and reuse internally, thereby reducing the use of paper tubes. The use of paper tubes decreased by **23 tons** in 2024.
- XINAO CASHMERE upgraded its packaging carton **from 11kg to 22kg** per carton load, thereby reducing the amount of carton used per unit of product.



Reuse

- Reuse reclaimed water and cooling water in the production process and recover condensate.
- NEW CHUWA reclaimed the woven bags.
- XINAO CASHMERE recycled the pre-spun yarn cartons.



Recycling

- Participate in the Ocean Recycling Nylon social initiatives.
- Develop recycled product series with partners, such as REMAKE, which is a blend of 40% recycled nylon and 60% superfine Merino wool. In 2024, the amount of recycled polyester tops used was about **28.06%** of the full year amount of polyester tops used, and the amount of recycled nylon tops used was about **19.17%** of the full year amount of nylon tops used.
- XINAO CASHMERE develops recycling concepts tailored to the availability of reclaimed fiber and wool.



Greening

- The main raw materials include raw wool, wool top, dehaired cashmere fiber and cashmere top, all of which are **100%** biodegradable and renewable natural active fibers.
- Cooperate with suppliers in sustainable projects. In 2024, the usage percentage of various types of traceable raw materials such as RWS, NATIVA, GRS, GOTS, GCS, etc., reached **21.77%** of the total raw materials for XINAO TEX, **18.29%** for XINAO CASHMERE, and **39.59%** for T&D UK.
- Develop blended products such as zero-carbon Tencel and bio-based chemical fiber.
- Adopt chlorine-free treatment of wool using bio-enzyme and 3E, etc.
- Continuously launch plant coloring series.



Join Hands for Integration and Mutual Benefit

Priority actions on social dimensions

- Employee
- Safety and Quality of Products and Services
- Data Security & Customer Privacy
- Innovation-driven
- Supply Chain Security
- Rural Revitalization and Social Contribution

The SDGs to which this chapter is dedicated



Employees

Overview

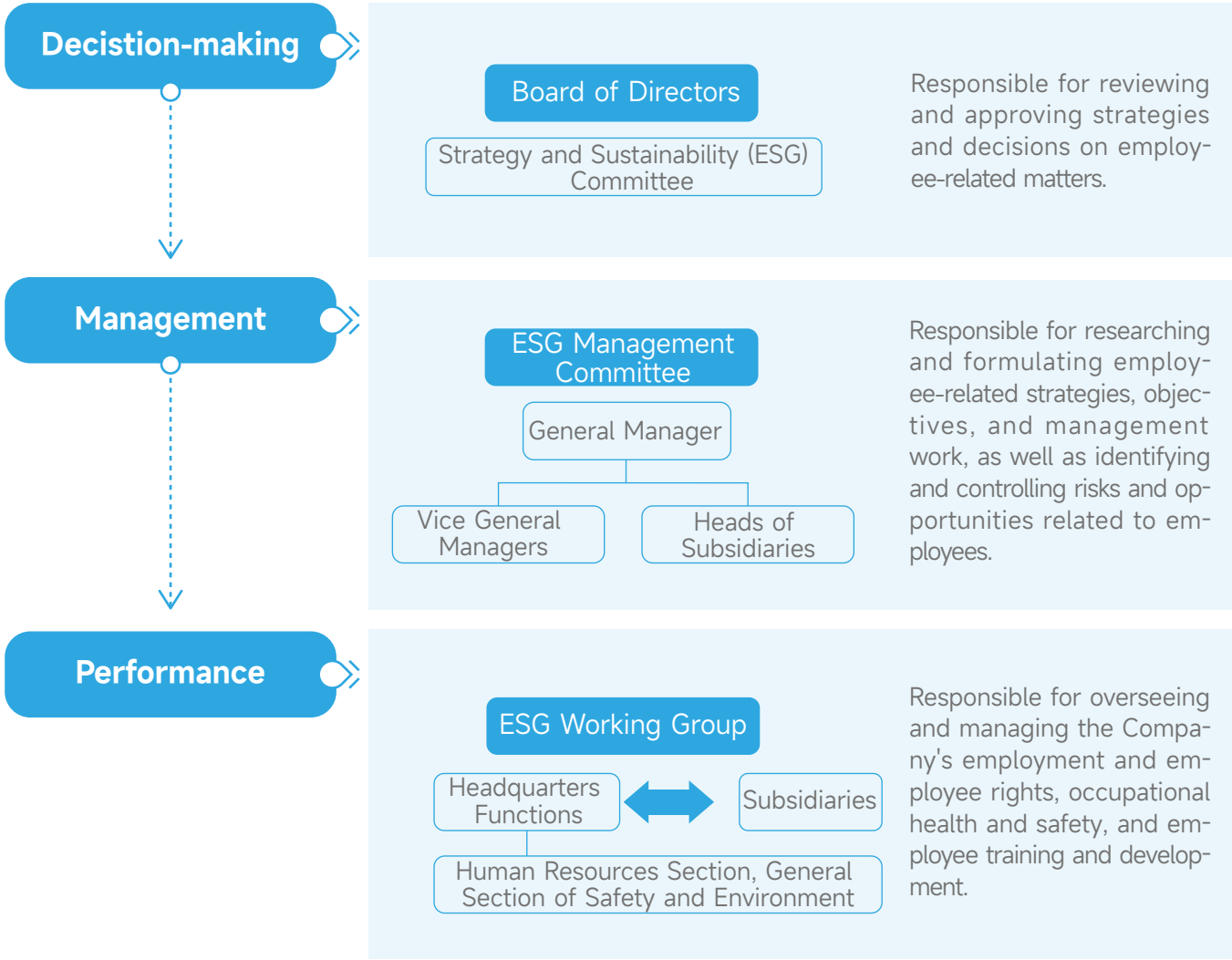
The Company strictly adides by the laws and regulations as well as relevant provisions such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Regulations on the Implementation of the Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Work Safety Law of the People's Republic of China*, and the *Regulations on Work-Related Injury Insurances*, etc.

During the reporting period, there were no labor disputes or significant staff changes, nor were there any incidents of child labor or forced labor; there were no deaths due to work-related injuries, and no penalties imposed by the competent authorities for violation of laws and regulations relating to occupational health and safety.



Governance

◆ Structure of Employee Management ◆



In terms of employment and employee rights, the Company has established management systems focusing on the dimensions of recruitment and termination, working hours and holidays. On the basis of the Company's standardized system, some subsidiaries have formulated specific management systems according to their own operating conditions to carry out employment management in a targeted manner.

◆ Overview of Employment Management System ◆



- **Recruitment:** Implement the "Measures for the Management of Recruitment and Employment of Production Line Employees" and the "Measures for the Management of Recruitment and Employment of Non-Production Line Employees", adhere to legal compliance, and uphold the principles of equality, fairness, and non-discrimination in the recruitment process.
- **Separation:** Implement the "Measures for the Management of Employee Separation", handle separation procedures according to the type of separation, and comprehensively protect the legitimate rights and interests of employees in the process of separation.
- **Retirement:** Implement the "Measures for the Management of Retirement Retention", which stipulates matters such as retirement, rehiring policies after retirement and management requirements, etc.



- **Working hours:** Implement the "Attendance Management Measures" and carry out the standard working system.
- **Holidays:** Implement the "Attendance Management Measures", and enjoy national statutory leave, as well as personal leave, sick leave, work-related injury leave, marriage leave, maternity leave, benefit leave (birthday), funeral leave and other leave in accordance with the law.

In terms of occupational health and safety, the Company has set up a leading group for production safety, with the general manager as the leader and the highest responsible person; the leading group is responsible for the overall management of the Company's production safety, the formulation of contingency plans, technical measures and occupational health and safety programs, as well as the inspection and supervision of the production safety; a full-time safety administrator is set up under the leading group, who is responsible for the implementation of the Company's specific safety management. The Company has established the Occupational Health and Safety related management system, such as "Management System for Production Safety Objectives", "Management System for Appraisal of Production Safety Responsibility", "Management System for Safety Education and Training", "Management System for Labor Protective Articles and Health Products", "Emergency Management System", and "Management System for Safety Performance Evaluation".

Strategy

Legal Compliance Strategy. The Company is committed to eliminating any employment or support of child labor or forced labor. At the same time, the Company prohibits employees from paying deposits or storing ID cards when employed, and eliminates prison labor, indentured labor, bonded labor, slave labor, or any punitive, forced, or involuntary labor.

Equality and Inclusion Strategy. The Company adheres to the cultural values of equality and diversity, and creates an equal and inclusive workplace environment for its employees. The Company sticks to the principles of "fairness, equity and openness" in the recruitment, employment and workplace, and is committed to providing equal opportunities in hiring, compensation, training, promotion and dismissal, without discrimination or disparity in treatment of employees on the basis of race, gender, social class, nationality, religion, disability or political affiliation, etc. The Company sets up a female staff committee, which focuses on the needs of female employees with an emphasis on negotiation and deliberation, and solves the practical problems of women workers through the building the "Tongxin" council room and carrying out "mutual help among sisters" activity. Meanwhile, the Company opposes workplace harassment, adopts the principle of "zero tolerance" for any form of workplace harassment, actively creates an equal and safe working environment for employees, and establishes a mechanism to preventing and controlling sexual harassment in the workplace to protect the physical and mental health, as well as the safety of life and property of employees.

Labor Union Protection Strategy. The Company establishes labor union in accordance with the law, pays continuous attention to the needs of employees, and protects the legitimate rights and interests of employees through means of staff congresses. In order to further regulate the rights and obligations of the Company and its employees, establish harmonious and stable labor relations and safeguard the labor rights and interests of the employees, the Company's labor union, as the representative of the employees, entered into a Collective Contract with the Company, agreeing that both parties shall, according to the actual condition of the Company, and on the basis of mutual respect and friendly cooperation, conduct equal consultation on matters of vital interests of the employees, such as labor contracts, negotiation on wage adjustment, insurance and benefits, labor safety and hygiene, and special protection for female workers, etc. After the signing of the Collective Contract, it will be used as the basis for the Company to formulate labor rules and regulations, and employees are informed of rules and regulations and major decisions involving their immediate interests through forms of public announcements.

Health and Safety Strategy. The Company takes "safety first, prevention foremost, comprehensive control" as its safety management policy, production safety responsibility as the core, risk evaluation and control as the means to vigorously build a safety culture.

Talent Development Strategy. The Company actively creates a development platform that emphasizes "people", supports the personalized development and all-round ability enhancement of employees, and empowers the development of talents in the entire industrial ecosystem. The Company adheres to the principle of making the best use of one's talents and situating the talents in the best suited position, and builds a vigorous team with a singleness of purpose and unity of effort while extensively integrating talents. Meanwhile, the Company implements the principle of open, fair and just promotion, and establishes a scientific promotion management process through continuous optimization to ensure that outstanding talents can be identified in the Company and achieve their personal career growth.

Mangement of Impact, Risk and Opportunity

◆ Employment and Employee Rights

Diversified Recruitment. The Company formulates recruitment plans for different positions, and provides equal employment opportunities and competitive salaries by means of online recruitment, live communication and offline interviews, etc. At the same time, the Company continues to increase the introduction of overseas talents. In 2024, the Company focused on the recruitment of talents for overseas projects in Vietnam, attracting local community residents for employment through brand promotion, aiming to achieve efficient operation of overseas projects with a high localization rate of the management team.

Workplace Inclusiveness. The Company provides equal development opportunities and corresponding welfare guarantee for women, middle and senior age groups, ethnic minorities and flexibly employed people under the premise of meeting business operations.

Democratic Communication. The Company has set up diversified democratic communication and complaint platforms for employees, such as the care hotline, WeChat official account, employee representative forum, employee opinion survey, mailbox, bulletin board, and talk room (dispute mediation committee).

| In 2024 | | |
|----------------------------|--|---------------------------------------|
| Number of female employees | Number of employees over the age of 50 | Number of domestic minority employees |
| 2,562 | 957 | 716 |

◆ Employee Benefit System ◆

Daily Benefits

- Provide daily benefits such as shuttle bus for some routes, rental subsidies, five social insurances and one housing fund, commercial insurance, annual physical examination, paid annual leave, gift packages, condolences, team building activities, tours, etc.

Cash Allowance

- **Cash benefit allowances:** distance allowance, meal allowance, birthday benefit, holiday benefit, referral fee benefit, retirement benefit, family planning allowance.
- **Job subsidies:** professional title subsidy, full-attendance bonus, shift allowance, holiday allowance for company reasons.
- **Special rewards for excellence:** advanced and civilized staff awards, operation competition awards, excellent team awards, various sales awards, QC group performance appraisal awards.



Campus recruitment in Vietnam



Campus presentation



Employee tourism



Employee forum

The Company actively builds an "employee care platform" to enhance employee satisfaction, sense of belonging and happiness through approaches of recreational and sports activities, living and working in peace and contentment, as well as mutual aid.



Employee basketball match



Trailwalk to the Anji Baizhangling Mountain

◆ Employee Care Platform ◆



Recreational and sports activities

- **Internal activities:** the second women's talent and skill show & women's garden party themed "Light in the heart, youth forever"; rice dumpling competition on the Dragon Boat Festival themed "Enjoy good times with rice dumplings"; trailwalk in the Anji Baizhangling Mountain.
- **External activities:** Tongxiang Basketball Match, Honor of Kings e-sports competition among listed enterprises in Tongxiang City, Tongxiang Staff Fun Games.



Living and working in peace and contentment

- **Free accommodation:** free dormitory for non-local employees, couple room for non-local working couple, enjoy free utilities within the specified limits.
- **Family service center:** equipped with dance room, gym, leisure bar, talk room, reading room, etc.
- **Schooling and care for children:** assist non-local staff to solve their children's schooling problems; In 2024, the Company organized the second summer camp for little migratory bird, and cooperated with five-color care project in Chongfu Town, covering **64** children of employees.
- **Creating mother and baby place:** providing nursing and breastfeeding places for breastfeeding workers with a sense of comfort and security.



Mutual aid

- **Medical aid fund:** on top of the social security reimbursement, the out-of-pocket expenses can be reimbursed by the Company for a further 70%, and the subsidies for employees totaled **405,600 yuan** in 2024.
- **Participation in the Employee Medical Mutual Aid Program of Tongxiang Federation of Trade Unions:** the funds required for medical mutual aid are paid in full by the Company's trade union fund, and the expenditure of premiums for employees totaled **141,900 yuan** in 2024.
- **Assistance for needy employees:** In 2024, **300,000 yuan** of assistance was granted to employees in need.

Occupational Health & Safety

Upon identification, the risks involved in the Company's production safety include safety risks in the construction phase of construction projects, safety risks in workplaces during the commissioning and operation phases, and risks in chemical management. The Company has identified the types of occupational disease hazards involved in its business, which mainly include noise, fur dust, formic acid, acetic acid, sulfur dioxide, hydrogen peroxide, sodium hydroxide, sodium carbonate and other dusts.

The Company continues to promote the standardization of production safety and requires that the safety facilities of construction projects must be designed, constructed, put into production and used in tandem with the main project to ensure safety from the source. Meanwhile, the Company continuously improves its safety monitoring measures, covering monitoring of major sources of danger, fire alarm and fire control, etc., in order to prevent and minimize production safety accidents, and safeguard the lives and properties of the Company and its employees. In 2024, XINAO TEX, NEW CHUWA and HOUYUAN TEX passed the reassessment of work safety standardization and received the Certificate of Work Safety Standardization of Enterprise (Textile) Class 2.

In 2024

Investment in production safety (CNY)

6.60 M

Participations in safety education and trainings

14,674

The Company builds a comprehensive occupational health and safety management system based on the dimensions of system guarantee, risk management and daily protection, and undertakes the corresponding accreditation process. As at the end of 2024, XINAO TEX, NEW CHUWA, HOUYUAN TEX and XINAO CASHMERE have passed the ISO45001 occupational health and safety system certification.

The Company promotes its subsidiaries to carry out regular testing of occupational disease hazard factors and investigation of occupational health-related hidden dangers, monitor and rectify occupational disease risks, and strengthen the management of employees' occupational health. The Company provides employees with occupational health checkups and establishes occupational health files for employees involved in occupational disease hazards. At the same time, the Company, according to the identified hazards, provides employees with Personal Protective Equipment (PPE) to protect the health and safety in the course of their work. According to the "Implementation Measures of Liability Insurance of Safe Production", HOUYUAN TEX and NEW CHUWA purchase liability insurance of work safety for hazardous chemical operations and management personnel, sewage treatment personnel and special personnel. In 2024, the Company carried out thematic activities such as safety training, safety inspection, and emergency drill during the work safety month under the theme of "Everyone Pays Attention to Safety, Everyone Skilled in Emergency Response - Smooth Life Passageway".



Thematic training for work safety month

◆ Employee Training & Development

The Company deepens the work of talent cultivation and echelon construction, focuses on general skills, professional skills and leadership skills, comprehensively organizes training courses and deeply integrates training resources.

◆ Employee Development System ◆

General skills

- Newcomer training:** training newcomers from social and on-campus recruitments
- Basic knowledge:** company open class, online class, labor emulation, knowledge contest of little wool master, QCC group activity

Professional skills

- Engineer training:** continuing education training for engineers
- Technician training:** recognition of skill levels, independent appraisal of junior and intermediate professional and technical qualifications, technical seminar, cultivating mode of “Dual Teacher” + “Project-based”
- Induction training:** training camps for sales recruits, mentor-apprentice one-on-one job coaching, customer development and sales practice

Leadership skills

- Leadership training for top management:** comprehensive quality enhancement courses for corporate executives
- Leadership training for middle management:** skill master studio
- Leadership training for grassroots management:** training camps for emerging shift leaders



Mentorship ceremony

In 2024

Training participations

55,319

Training investment (CNY)

2.18 M

Training hours in total

76,414.70

Training and Education. Based on the existing internal trainer team, the Company set up a "training college". At the same time, the Company continued to challenge and innovate in talent cultivation by organizing the third training camp for sales newcomers, the second competitive reporting on the "dual-teacher" training for textile college students and the launch of the third “dual-teacher” training, as well as the second new-generation management cadre enhancement course. It also pioneered the "2+1" progressive training model to comprehensively establish a compound talent system through cognitive learning, rotational learning and mentor training, providing strong talent support for the Company's strategy of sustainable and broadband development.

Career Development. The Company is oriented to the ability and value creation of employees and provides employees with four major career promotion channels: skill, technology, function and management. At the same time, the Company carries out the competitive recruitment of management cadres, and the independent evaluation of technical and skilled talents, guiding the career development of employees and realizing the matching of people and posts. In 2024, the Company carried out the independent recognition of textile fibre combor/spinners/dyers for a cumulative total of **133** participations, and held management cadre competitions with a cumulative total of **30** participations, of which **5** people have been appointed to various management positions through competitive recruitment. In 2024, **14** employees obtained junior or intermediate professional titles by the Company’s priliiminary appraisal, and **15** employees obtained junior or intermediate professional and technical qualifications through the Company’s independent appraisal.

Incentive Mechanism. The Company carries out general salary adjustment and salary adjustment upon performance appraisals every year, and sets up a variety of internal awards for employees, such as selection and commendation of outstanding employees and outstanding managers to motivate employees from both material and spiritual dimensions and promote their long-term retention and development. In addition, the Company further improves its medium- and long-term incentive mechanism, and creates a benefit-sharing mechanism between employees and owners through continuous equity incentives, so as to attract and retain outstanding management talents and business backbones.

Indicator and Objective

◆ Indicator, Objective and Annual Progress of Employee Management ◆

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Coverage rate of work-related injury insurance for employees | 100% | 100% |
| Coverage rate of employee training | 100% | 96.04% |

Safety and Quality of Products and Services



Overview

The Company strictly abides by the laws and regulations such as the *Product Quality Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and establishes a life-cycle quality management system covering product R&D, procurement, production, market services, and achieved a lean upgrade of product quality through end-to-end life-cycle management and continuous improvement.

During the reporting period, the Company did not have any major liability accidents that were penalized by the competent authorities for violating the laws and regulations related to the safety and quality of products and services, nor did it have any cases related to product recalls.



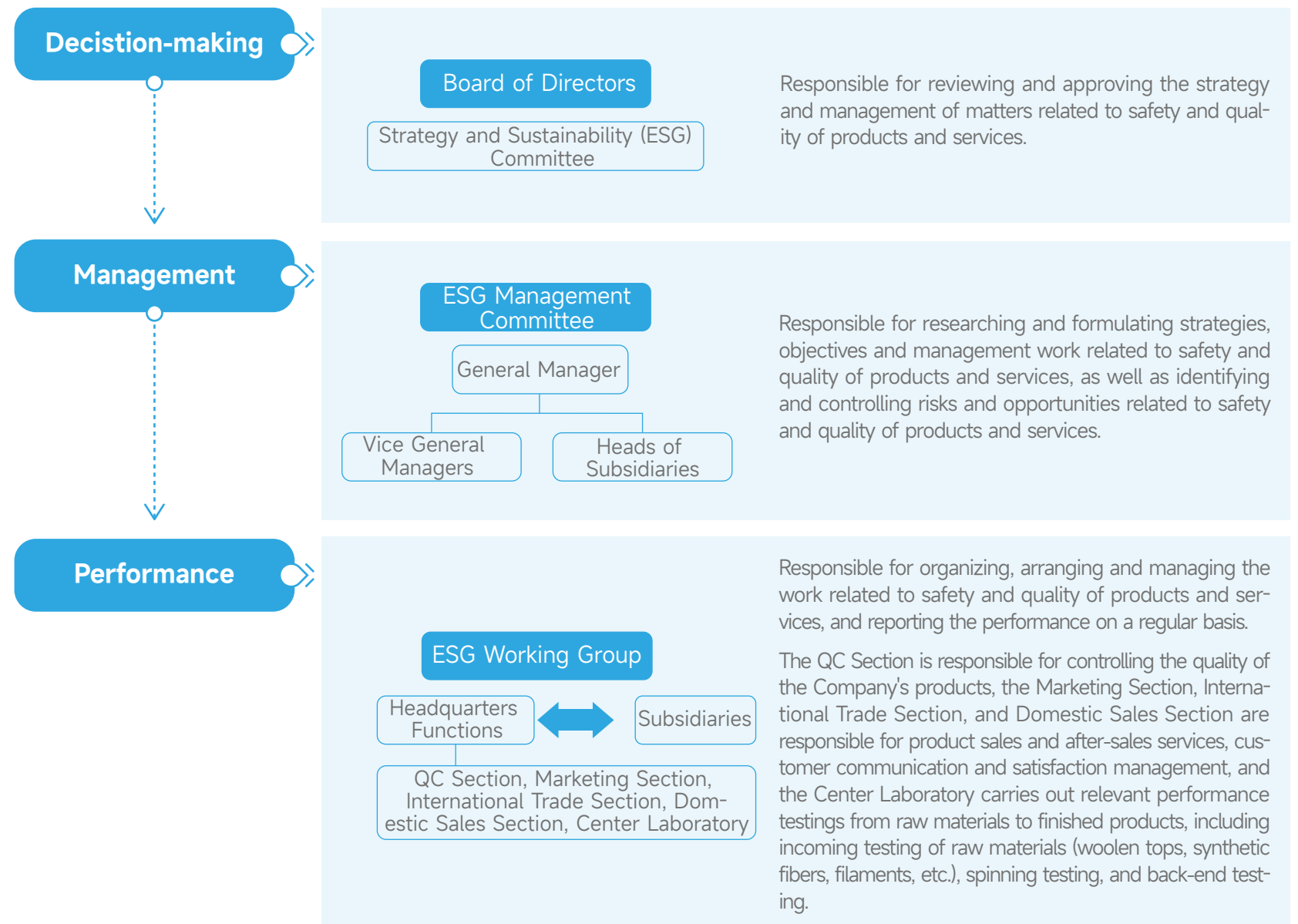
Competitively dominant enterprise
among China's textile and garment brands



The 6th QCC presentation contest

Governance

◆ Governance Structure of Safety and Quality of Products and Services ◆



Strategy

In the process of managing the safety and quality of products and services, the Company may face the risks of product safety and quality not meeting the standards and brand reputation decline. In response to the above risks, the Company has implemented a quality leadership strategy to continuously improve the quality of its products and services by strengthening the management of its raw material suppliers and optimizing its production processes, in order to ensure that its products and services meet market demand.

Risks and Opportunities related to Safety and Quality of Products and Services & Management Measures

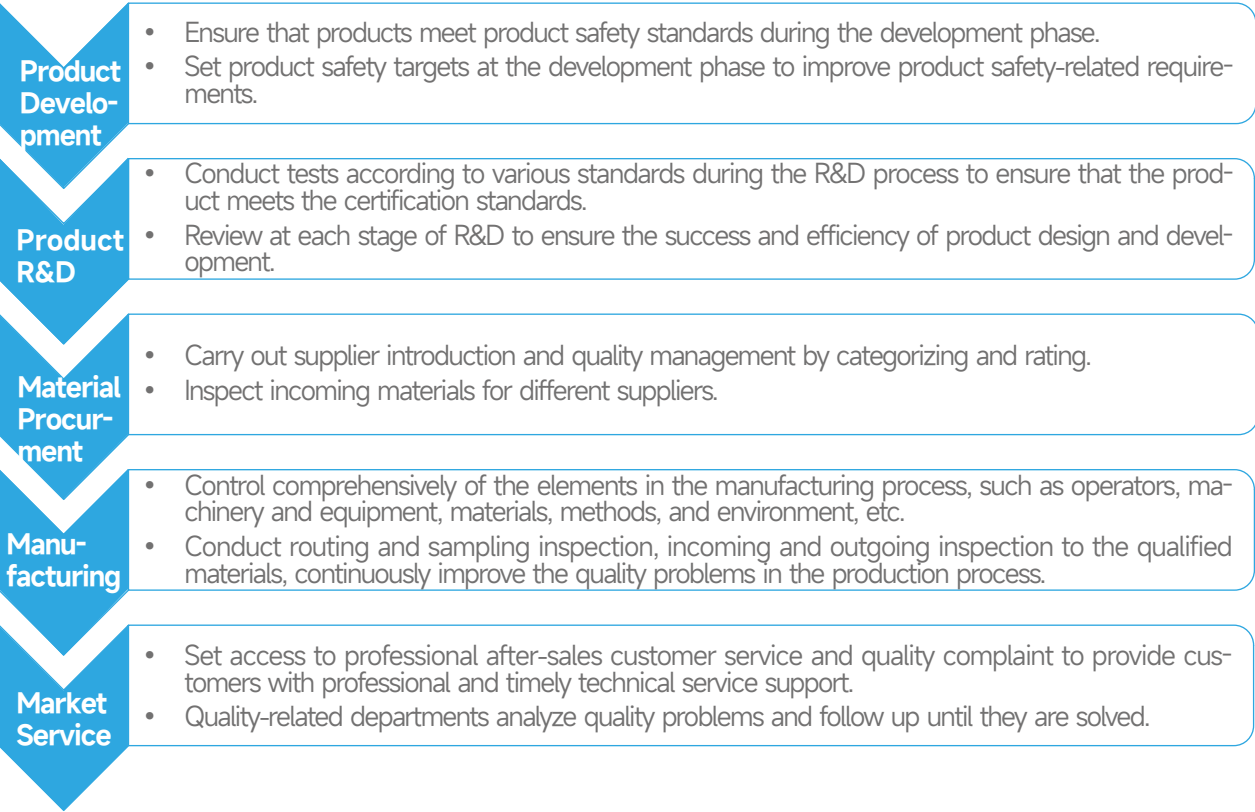
| Risks and Opportunities | | Duration of Impact | Financial Impact | Management Measures |
|-------------------------|--|----------------------|---|--|
| Risks | <ul style="list-style-type: none">Liability risk: Failure of products and services to meet expected safety and quality standards may lead to rework or even legal action, resulting in direct financial loss and customer loss. | Short-to-medium term | Increase in operating costs Decrease in operating income | <ul style="list-style-type: none">Regularly track additions, changes and revisions to laws and regulations.Implement the strategy of quality leadership, take the safety and quality of products and services as the core competitiveness of the enterprise and integrate them into the long-term development strategy.Shape the high-end brand image of the enterprise through continuous improvement of product quality and service level, win the trust of customers and expand market share through high quality in both domestic and international markets. |
| | <ul style="list-style-type: none">Reputation risk: In case of quality and safety accidents, it may lead to the damage of the company's brand image and reputation, lowering market trust and affecting subsequent business expansion. | Short-to-medium term | Increase in operating costs Decrease in operating income | |
| | <ul style="list-style-type: none">Policy and regulatory risk: Regulations related to chemicals management are becoming increasingly stringent, and if not familiar with or do not comply with the requirements of the regulations, the Company may be exposed to legal risks, such as being ordered to suspend production and rectify the situation if restricted chemicals are used in violation of the regulations. | Medium-to-long term | Decrease in operating income | |
| Opportunities | <ul style="list-style-type: none">Product/service opportunities: Developing and using safe and high-quality materials can increase the added value of products and expand business areas. | Medium-to-long term | Decrease in operating costs Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).

Management of Impact, Risk and Opportunity

◆ Total Quality Management ◆

◆ Quality Management Process ◆



Being capable of comprehensive product inspection, the Company conducts preventive testing for quality problems that may arise in each process to ensure the quality of the product. For emerging or potential quality issues, preventive testing is prioritized with schemes such as error and fool proofing, and equipment automation. The Company continuously improves the reliability of testing equipment through inspector's visual check, calibration of testing equipment, benchmark testing with third parties, and enhances the competence of testing personnel's quality skills through newcomer training and internal training, including QC training, quality analysis and improved tools training, etc.

The Company standardizes the procedures of nonconformity management through two dimensions, namely business process and field process, forming a closed-loop of identification, marking, segregation, evaluation, disposal and improvement, and clarifying the responsible departments for each process, so as to strictly control the quality. Besides, the Company formulates systems such as "Procedures for the Control of Marking, Traceability and Recall" and carries out product recall drills on a regular basis in strict accordance with the relevant laws and regulations of its own country or exporting countries.

Customer Service Management

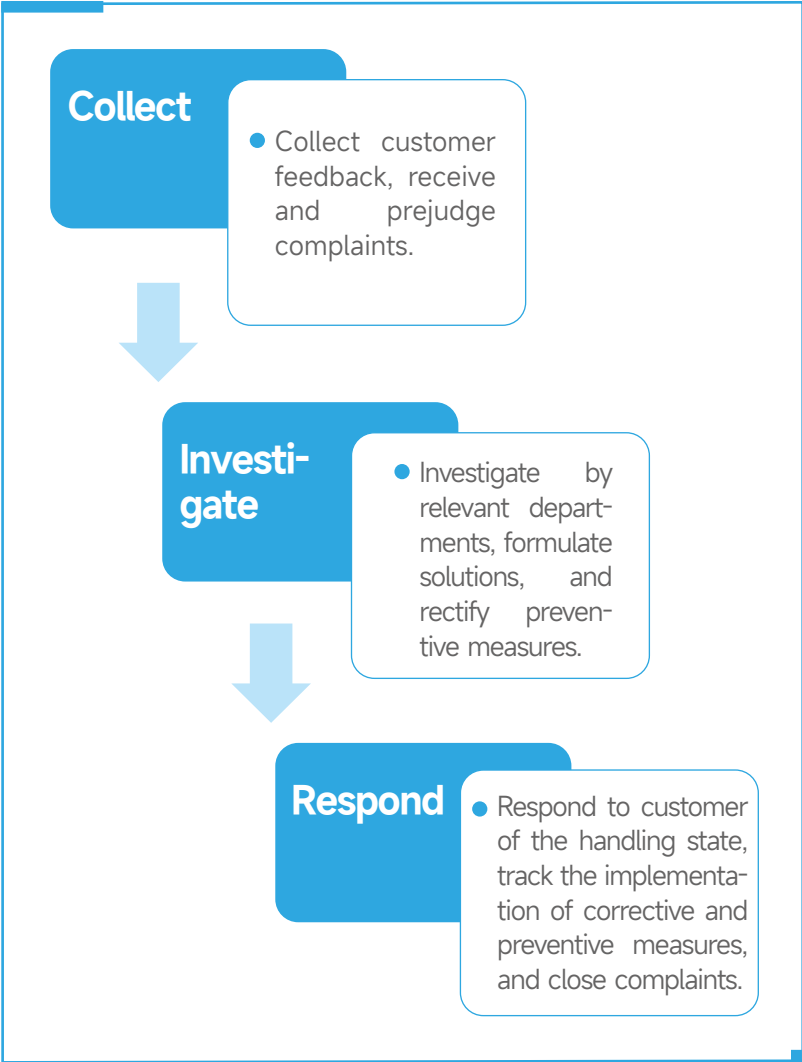
Adhering to the service concept of "customer demand-centered", the Company continuously strengthens customer service before, during and after sales, and formulates system documents such as "Management Measures for Measurement of Customer Satisfaction" to constantly improve management efficiency and standardization.

Measures and Progress on Customer Management

| Management Measures | Specific Progress |
|---|--|
| Sales and after-sales services | <ul style="list-style-type: none">Well-developed service network: Build an independent popular color system and respond to customer needs in time. |
| | <ul style="list-style-type: none">Every year, Italian color experts are invited to predict the domestic and international trends of woolen knitwear in the next 1-2 years, and the theme colors of the seasons spring/summer and autumn/winter are released in March and August every year. Through the leading of fashion trends and digital analysis of customer demands, precise stocking service is launched to provide rapid response to customer demands.Develop differentiated products according to the special needs of the market and customers.Collaborate with customers to carry out traceability activities and help brand customers to enhance their brand image with premium origin and fine quality. |
| Management of customer communication and satisfaction | <ul style="list-style-type: none">Professional service team: Deploy sufficient salespersons and technicians, provide one-on-one exclusive service to quality customers. |
| | <ul style="list-style-type: none">By the end of 2024, the Company has set up offices and marketing teams in the US, UK, France, Germany, Japan, South Korea, and Northern Europe, etc., covering most provinces in China and more than 20 countries and regions overseas, with local marketings personnel reporting directly to the head office to localize customer communications.Professional technical service team, together with sales, provide customers with pre-sale, in-sale and after-sale on-site technical advice and support in a timely and rapid manner. |
| | <ul style="list-style-type: none">Diversified communication approaches and channels: Display the Company's cutting-edge innovative achievements by participating in exhibitions and exchange meetings, build new media platforms, create internationalized website to disseminate various news and activities of the Company. |
| | <ul style="list-style-type: none">In 2024, the Company participated in exhibitions such as SPINEXPO SHANGHAI for international fashion yarns and knitwear (spring/summer and autumn/winter), FILO International Yarn Show, PERFORMANCE DAYS functional fabric fair, ISPO MUNICH, etc., and brand events of 「LIVE the X attitude」 series in Florence, Italy.The Company promoted all types yarns to the corporate customers and end consumers through four major new media platforms, namely Official Account, Tik Tok, Xiaohongshu (the red note), and WeChat Video Channel. By the end of 2024, the number of Official Account followers has exceeded 21,500, and the number of Tik Tok followers has exceeded 7,000.In 2024, XINAO TEX and XINAO CASHMERE updated their websites based on the new brand vision to strengthen brand recognition, enhance user experience by optimizing navigation and interaction design, and adapting to multi-device display. |
| | <ul style="list-style-type: none">Regular visits: Pay regular visits to customers, collect their comments on the Company. |
| | <ul style="list-style-type: none">The Company took the initiative to pay interactive visits to key customers and collected their relevant or specific requirements on service, quality, products, and fed back the corresponding requirements to the responsible departments for resolution and action. |
| | <ul style="list-style-type: none">Customer satisfaction survey: Send "Customer Satisfaction Questionnaire" to customers both at home and abroad every year. |
| | <ul style="list-style-type: none">Investigated the user experience and product experience in the entire process of pre-sales, in-sales, and post-sales. In 2024, XINAO TEX, NEW CHUWA and HOUYUAN TEX conducted customer satisfaction surveys and all achieved a satisfaction score of 90 or higher. |

The Company establishes a timely and effective mechanism for handling customer complaints, formulates management documentations such as the "Procedures for the Control of Handling Customer Complaint", specifies that a specially-assigned person is in charge of customer complaints, and standardizes the efficiency of responding to customer claims and demands. The Company also establishes a customer complaint management system in the OA system to enhance the efficiency of recording and handling of customer issues. The Company receives customer complaints in a timely manner through channels such as customer feedback phone (0573-88455805) and the Company's official website, and categorizes all complaints and ensures that "every complaint will be closed".

Process for Handling Customer Complaints



◆ Responsible Use of Chemicals

In terms of chemical management, the Company has established a chemical management committee, with the director of the committee responsible for providing guidance on the overall approach to chemical management, the heads of functional departments and subsidiaries monitoring the progress towards chemical management objectives, and the specialist of chemical management responsible for the overall implementation of the chemical management manual.

The Company strictly complies with laws and regulations on the registration, use, disclosure and management of chemicals as well as customer requirements, and expects to minimize the use of chemicals in order to reduce the impact of chemicals on human health and the environment. Based on its own chemical management policy and management organization, the Company carries out the life cycle management of chemicals covering procurement, access, evaluation and use to ensure the safety use of chemical in an all-round way.



◆ Life Cycle Management of Chemicals ◆

Chemical Procurement

When purchasing chemicals, require suppliers to provide documentations such as qualifications and certifications, material safety data sheet (MSDS) and chemical safety labels, and identify the content of hazardous substances in the products or components they provide.



Chemical Access

When admitting chemicals, formulate internal control standards and management processes for chemical substances that are in line with its own operations and in accordance with international, national and industrial standards such as RoHS and REACH, and implement and regularly update chemical control lists and catalogues.



Chemical Evaluation

When evaluating new chemical, analyze and manage the risks that they may pose to operational safety, human health, and the environment, and confirm the acceptance and effectiveness of the risk control measures.



Chemical Use

When using the chemicals, register the detailed information of chemicals involved in all products, services and activities to identify the hazardous characteristics of chemicals, and clearly stipulate that the receipt of chemicals must be registered and documented by specialized personnel.

Indicator and Objective

◆ Indicator, Objective and Annula Progress of the Safety and Quality of Products and Services ◆

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Handling rate of complaints from customers | 100% | 100% |


Data Security & Customer Privacy

The Company attaches great importance to data security and customer privacy, and strictly complies with the requirements of laws, regulations and documents such as the *Data Security Law of the People's Republic of China*, the *Sybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Regulations for the Protection of Personal Information of Telecommunications and Internet Users*, and the *Regulations of the Peoples Republic of China for Safety Protection of Computer Information Systems*, etc., and the relevant systems and policies cover all the business lines and data management work. Data management work. During the reporting period, the Company did not experience any data security incidents or leakage of customers' privacy, nor did it experience any litigation cases arising from the abovementioned matters.

The Company has established a three-tier management system of information security, namely, "Information Security Leading Group, Information Security Prevention and Control Group and Information Security Emergency Response Group". The Information Security Leading Group is chaired by the general manager of the Company, who is the first person responsible for the Company's information security and the overall supervision and management, overall planning, decision-making and disposal of the Company's information security; the Information Security Prevention and Control Group is led by the information center, with the participation of various business functions to carry out the construction of information security and day-to-day governance work on a regular basis; and the Information Security Emergency Response Team, led by the company's management representative, with the participation of the vice presidents in charge of each function and the leaders of core business departments, is responsible for dealing with all kinds of information security incidents and accidents, and carrying out emergency drills from time to time to cope with potential risks and enhance its data disaster tolerance and security capabilities against risks.


The Company stores all customer information and data in the information system, which can only be effectively accessed and extracted through specific authorization to prevent malicious disclosure. The Company strictly controls the date such as production capacity, raw materials and processes generated during the production process and does not support arbitrary export. Meanwhile, the Company sets access rights for sales personnel at all levels through the ERP system to protect customers' information such products and colors, and prohibits sales personnel from using customized products and colors for other customers' orders.

◆ Measures to Protect Information Security ◆




Login log analysis

Perform routine login of log analysis on critical information systems to identify potential cyber attacks and malicious access.




Dynamic verification code

Set dynamic verification code for systems such as collaborative platforms that are universal, mobile, and highly applicable to different places to increase the cost and difficulty of malicious accesses and attacks.



Terminal security control

Install firewalls and network antivirus software on front-end hardware for cyber security.



Cyber attack and defense drill

Participate in the cyber attack and defense drill coordinated by the cyber security supervision brigade of the public security bureau, and make response, rectification and security improvement according to the report of the cyber security attack and defense drill.



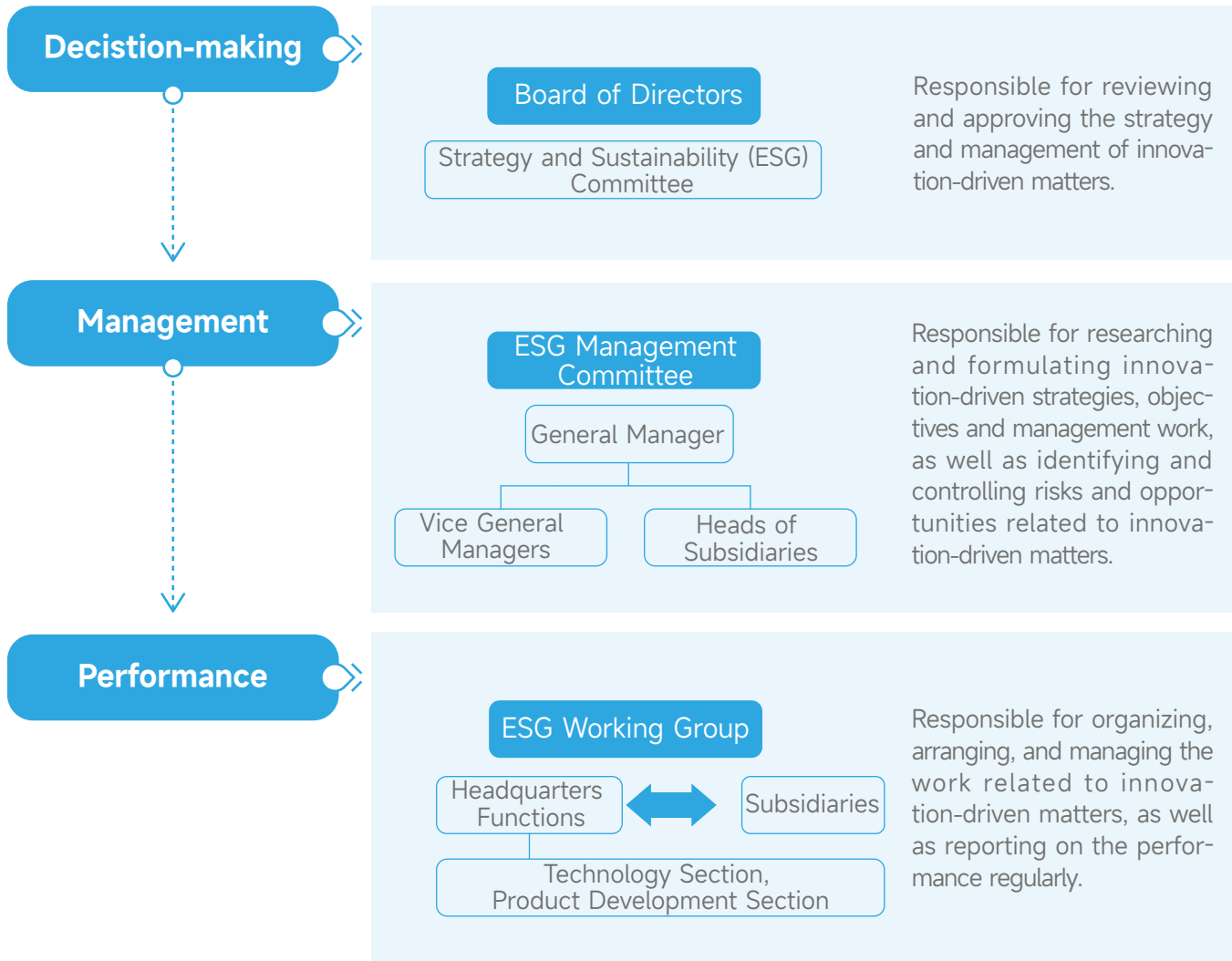
Innovation-driven

Overview

The Company strictly follows relevant laws, regulations and policy documents such as the Law of the People's Republic of China on Scientific and Technological Progress and the Outline of the National Strategy for Innovation-Driven Development to ensure compliance and high standards of execution in technology R&D and product innovation.

Governance

Governance Structure of Innovation-driven



Strategy

In the process of innovation and R&D, the Company may face the risks of failure in technology development, failure to effectively protect the innovation achievements, prolongation of the R&D cycle, and launch of more advantageous products by competitors. In response to the above risks, the Company has set up a professional technical team to carry out technical feasibility demonstration, formulate detailed project plan and budget monitoring mechanism to ensure the stability of innovative R&D.

Innovation-driven related Risks, Opportunities and Management Measures

| | Risks and Opportunities | Duration of Impact | Financial Impact | Management Measures |
|---------------|--|----------------------|------------------------------|---|
| Risks | <ul style="list-style-type: none">Market risk: If competitors launch more technologically advantageous or cost-effective products, the Company's existing products may face the risk of being replaced. | Short-to-medium term | Decrease in operating income | <ul style="list-style-type: none">Continuously pay attention to the technological dynamics of the industry, layout basic research and frontier technology exploration in advance, and establish technology reserves.Establish long-term and stable industry-university-research cooperation to accelerate the application of innovative achievements.Strengthen market research, deeply understand consumer needs and market trend changes, explore potential market demand and application scenarios, and provide direction guidance for innovative R&D. |
| | <ul style="list-style-type: none">Technology risk: If technical data, design solutions or innovations in the R&D process are not effectively protected, they may face the risk of being stolen, copied or misused by external competitors or wrongdoers. | Short-to-medium term | Increase in operating costs | |
| Opportunities | <ul style="list-style-type: none">Market opportunity: Consumers' attention to environmentally friendly, sustainable and functional products is increasing, environmentally friendly and functional products can open up the green and high-end consumer market and expand the Company's market competitiveness. | Medium-to-long term | Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).

Management of Impact, Risk and Opportunity

Following the principle of "combining innovation and standardization, economic practicality and aesthetics, design & production and sales", the Company forms a unique R&D system by virtue of its in-depth understanding of the industry, and through innovations in terms of product R&D, quality testing, technology and production process, skill training for talents, and reform of system.

◆ Layout of R&D innovation Projects and Annual Progress ◆

| Innovation Dimensions | Main Contents | Annual Progress |
|-----------------------|---|---|
| Product | Focus on low-carbon fashion Develop green products | <ul style="list-style-type: none">XINAO TEX developed chlorine-free shrinkproof wool and zero-carbon lyocell blended yarn, which was selected in the "2024 Compilation of Green and Low-Carbon Technologies in Textile Industry".XINAO CASHMERE cooperated with fiber companies to develop blended products of degradable materials and protein fibers, breaking through the application limitation of protein fibers.XINAO CASHMERE utilized recycled cashmere, wool, recycled nylon and zero-carbon tencel and developed 4 products of recycled series, which were highly valued by the market. |
| | Focus on high-end market Develop differentiated products | <ul style="list-style-type: none">XINAO CASHMERE developed 6 products of fancy yarn series, with obvious sense of texture, high-class and elegant colors, which were unanimously recognized by textile and garment brands.XINAO TEX developed high count wool yarn in 130s, high twist extremely fine wool yarn, elastic core-spun cashmere yarn. |
| | Focus on Broad-band strategy Develop multi-scenario products | <ul style="list-style-type: none">Designed and produced 6 sample swatches of worsted woven home textile fabric such as cut pile and boiled wool.Cooperated with a leading automobile interior decoration enterprise to develop yarn for automobile interior decoration products, which has shown initial success.Designed and developed high-count wool fancy yarn, which has been introduced to the market. |
| Technology | Breakthrough and upgrade key technologies | <ul style="list-style-type: none">XINAO TEX made great breakthroughs in key technologies such as compact spinning hairiness and low-pilling yarns.XINAO TEX engaged in the application and enhancement of key technologies such as shrinkage of wool fiber in hot water, application of wool yarn on motorcycle cushion, and embedded spinning. |
| | Participate in the development of industry technical standards | <ul style="list-style-type: none">XINAO TEX participated in the standard <i>Worsted fabric GB/T26382-2024</i>, which has been promulgated and implemented.XINAO CASHMERE has presided over the formulation of the group standard "Technical Specification for Low Phosphorus Decolorization of Colored Cashmere", which has been published and implemented.XINAO CASHMERE participated in the formulation of the national standard <i>Textiles – Quality labelling specification for dehaired cashmere</i>, which has been submitted to the competent authorities of the State for review. |

Relying on the experienced R&D team and extensive and in-depth external cooperation, the Company has established innovative R&D centers in Jiaxing (Zhejiang Province), Yinchuan (Ningxia Province), Italy and Scotland, forming a R&D system which is standardized, efficient, and sustainable. By the end of 2024, the Company has built the National Development Base of Woolen Yarns Product, Enterprise Technology Center of Zhejiang Province, Enterprise Research Institute of Zhejiang Province, Ningxia Research Center of Cashmere Engineering Technology, and XINAO TEX, HOUYUAN TEX and XINAO CASHMERE have been recognized as national high-tech enterprises.

The Company maintains a high level of R&D investment, continues to promote the construction of scientific research platform, and enhances the R&D capability. In 2024, the Company invested a total of **110.70 million yuan** in R&D, accounting for **2.29%** of the operating income. As of the end of 2024, the Company has **483** R&D personnel, accounting for **11.32%** of the total number of employees, of which **4** have senior titles and **67** have intermediate titles; **5** have master's degrees and **76** have bachelor's degrees, and the overall R&D team size and strength is in the leading position in the industry.



Indicator and Objective

◆ Innovation-driven related Indicator, Objective and Annual Progress ◆

| Indicator | Objective | Progress in 2024 |
|--|--------------------|------------------|
| The proportion of R&D investment to operating income | Not less than 2.5% | 2.29% |
| The proportion of R&D personnel | Not less than 10% | 11.32% |

In 2024

Number of invention patents applied

6

Number of invention patents authorized

2

Number of effective patents

144

Number of invention patents applied to the main business

24

Supply Chain Security

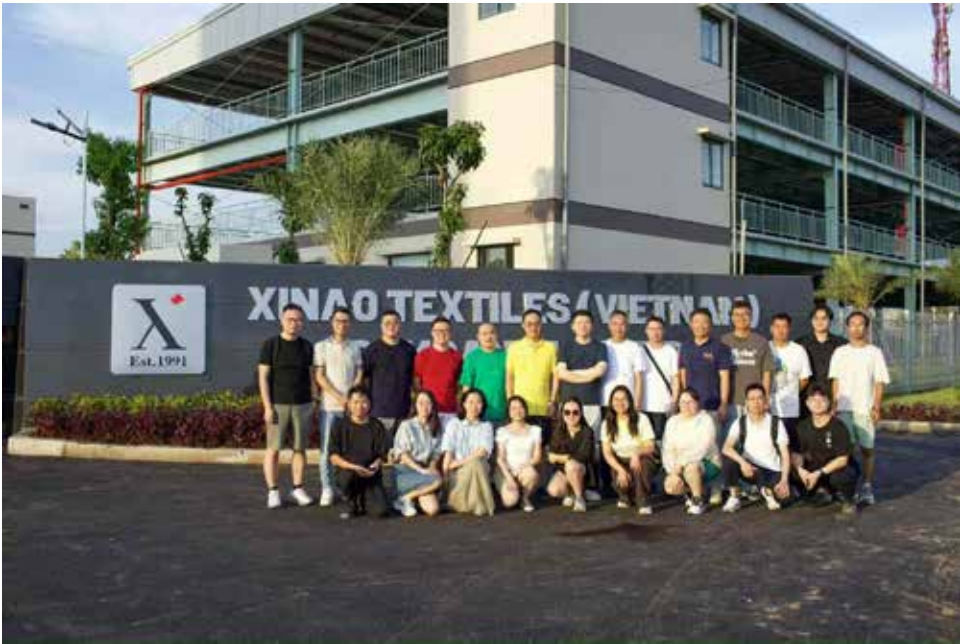
According to the degree of influence of purchased materials on finished products, the Company classifies purchased materials into four categories: I (raw materials), II (outsourced processing), III (accessories) and IV (others).

The Company has built a sound supply chain governance structure, with the Purchasing and Outsourcing Section responsible for overall planning, supplier evaluation and management. The Company has formulated "Supplier Management Procedures" and "Procedures for the Control of Purchasing and Outsourcing Process" to clarify the requirements related to the categorization, inclusion, evaluation and daily management of suppliers, and apply different control levels to different categories of suppliers.

Supply chain disruption risks can have a significant impact on the Company's business, such as delays in product availability and product quality issues. Identified risks to the Company's supply chain management include liability risks and reputational risks due to lax supplier access and poor supplier ESG performance.

◆ Risks and Opportunities related to Supply Chain Security ◆

| Types of Risk or Opportunity | Description | Financial Impact |
|-------------------------------|--|------------------------------|
| Liability Risk | <ul style="list-style-type: none">The direct introduction of new suppliers without adequate qualification, sample testing or on-site evaluation leads to fluctuations in the quality of supply, increased delivery uncertainty, and possible risks of supply chain disruption and financial compensation to customers. | Increase in operating costs |
| Reputational Risk | <ul style="list-style-type: none">Poor performance on ESG aspects of suppliers, such as excessive pollutant emissions, improper waste disposal, labor rights issues, or business ethics violations, may expose the Company to risks of supply chain disruptions, reputational damage, etc. | Increase in operating costs |
| Product & Service Opportunity | <ul style="list-style-type: none">Through sample testing, comparative analysis and on-site evaluation, suppliers are promoted to improve product quality and technical capabilities, which is conducive to the Company's new product development and technological innovation. | Increase in operating income |



Grand opening of XINAO Vietnam, building a diversified supply chain system

◆ Supplier Management Process ◆

| Management Process | | Description |
|--|---|---|
| Inclusion of new suppliers | Application | <ul style="list-style-type: none">Request for new supplier inclusion when existing qualified suppliers cannot meet requirements of cost, delivery or quality. |
| | Qualification survey of potential suppliers | <ul style="list-style-type: none">Suppliers are required to have a certain production scale, as well as competitiveness in terms of capacity, quality, price, transportation, service and brand. Provide relevant certificates such as their product quality certificates, quality and environmental system certificates, as well as environmental protection commitment letters. Fill out the "Supplier Information Registration Form". |
| | Approval of sample from suppliers | <ul style="list-style-type: none">The potential suppliers will be included as new suppliers after their submitted samples being approved. |
| | On-site assessment | <ul style="list-style-type: none">Verify the qualification of suppliers, review the implementation and operation of their quality management (raw materials, process, outgoing quality control, etc.) and environmental system.Fill in the "Supplier On-site Survey Form" and "Supplier Social Responsibility Assessment Form", and those not reaching 80 scores won't be included in the qualified suppliers until their rectifications are completed. |
| | Inclusion of newly qualified suppliers | <ul style="list-style-type: none">Sign documents such as the "Supplier Commitment on Social Responsibility" and the "Supplier Commitment on Anti-Bribery/Anti-Corruption" with new suppliers to prevent social responsibility risks for suppliers. |
| Daily management of qualified suppliers | Assessment management | <ul style="list-style-type: none">Make statistical analysis monthly for Class I and Class II suppliers on their quality indicators, cost indicators for delivery, and environmental information. The assessment cycle is half a year for Class I suppliers, and one year for Class II suppliers.Include supply quality, contract fulfillment, service provision and support capability, price competitiveness, self-improvement ability, quality system, environmental protection, safety, etc., in supplier evaluation, evaluate suppliers regularly and fill in "Supplier Assessment Form" to reduce supply chain risks. |
| | Review | <ul style="list-style-type: none">If a Class I supplier is rated C in the assessment cycle, relevant departments shall organize on-site review, propose rectification items, and track the rectification results.If a Class I supplier is rated A in the assessment cycle, it will be rewarded with an increase in the procurement ratio and a reduction in the payment cycle. |
| Disqualification of suppliers from eligibility | | <ul style="list-style-type: none">quality accidents or whose supplies have been continuously unqualified shall be disqualified. |
| | | <ul style="list-style-type: none">onsecutive year shall be disqualified. When it is required to supply again, it will be re-evaluated as a new supplier. |

The Company develops sustainable supply chain management in synergy with its core businesses of R&D, production and sales, and achieves environmental protection and social responsibility goals through optimizing the supply chain to reduce costs, improve product quality, and assist outsourced processing units, so as to enhance the long-term competitiveness of the enterprise. At the same time, the Company actively builds a fair, open, transparent and responsible supply chain, incorporates sustainable development requirements into the terms of new supplier access audit, implements environmental and social responsibility risk management for suppliers, and ensures that products and services meet the requirements of sustainability from the source.

In addition, the Company gives priority to suppliers with excellent performance in environmental protection, energy saving and emission reduction, and promotes the greening of raw materials and packaging materials. The Company prioritizes the procurement of energy-saving and environmentally friendly products. In the purchase of projects, IT equipment, office furniture and office computers, the Company requires suppliers to provide products or services that are in compliance with national and industry standards and green purchase standards, and prioritizes suppliers that provide energy-saving and environmentally friendly products to further strengthen its focus on environmental protection and resource utilization.



Supplier Audit

Rural Revitalization and Social Contribution



The Company strictly abides by the laws, regulations, and policy documents such as the *Law of the People's Republic of China on Donation for Public Welfare*, the *Charity Law of the People's Republic of China*, the *Law of the People's Republic of China on Promotion of Rural Revitalization*, and the *Measures for Implementation of the Accountability System for Rural Revitalization*, etc. In 2024, the Company formulated the "Management System for External Donation" to further regulate the behavior of external donation.

The Company insists on common prosperity and wealth to the good, and actively explores the in-depth integration of public charity and business operation, forming a new pattern of "bringing employees to do charity and integrating business into charity". Since 2023, the Company has pledged **60 million yuan** to Tongxiang Charity Association for its fund titled "XINAO Charity Common Prosperity Fund of Tongxiang Charity Association". Each year, **3 million yuan** of annual value-added proceeds from the Chrity Common Prosperity Fund are used for social charity programs such as student assistance and poverty relief, beautiful vil-lage, and ecological civilization, etc.

Overview of the targeted use of Common Prosperity Fund in 2024



- **300,000 yuan** was used for various kinds of aid by Tongxiang Charity Association.
- **600,000 yuan** was used as charitable assistance for families in difficulty in Chong-fu town.
- **200,000 yuan** was used as relief fund for workers.
- **500,000 yuan** was used as XINAO education fund for assisting students and teachings in Chongfu Town, **100,000 yuan** for assisting students and teachings of Tongxiang Senior High School, and **150,000 yuan** for assisting students and teachings as well as school anniversary of Tongxiang No. 2 Middle School.
- **50,000 yuan** was used for "Five-color" care project in Chongfu Town.



- **1 million yuan** was used for construction of beautiful village and charitable assistance in Chongfu Town.



- **100,000 yuan** for the construction of ecological civilization practice and education base at Alxa Planting Center in Inner Mongolia.

In addition, the Company focuses on educational sponsorship, directional donation and increase in rural incomes, and actively carries out public welfare activities and responds to social needs in a timely manner.

Overview of Rural Revitalization and Social Contribution in 2024



- Shanghai Donghua University Education Development Foundation sponsored students and teaching **300,000 yuan**.



- Donated **50,000 yuan** to Tongxiang General Artificial Intelligence Research Institute.
- Donated **300,000 yuan** to Hanqu Economic Cooperative of Chongxing Town, Lingwu City.
- XINAO EU donated **800 euros** for cancer research.
- T&D UK made a charitable donation of **2,500 pounds**.
- Donated daily necessities such as rice, flour, and cooking oil worth **35,000 yuan** to underprivi- leged residents in Lingwu's Dongtan Village and Jingling New Village.
- Donated various stationery worth **10,400 yuan** to Lingwu Fifth Kindergarten.



- Purchased beef and agricultural products worth **97,400 yuan** from Lingwu Chongxing Town Hanqu Economic Cooperative.

In terms of volunteer activities, the Company has formed a volunteer team centered on CPC members. By the end of 2024, the Company and its subsidiary XINAO CASHMERE had a total of **6** Party branches, **175** Party members, **3** probationary party members and **6** active applicants. The Company adheres to the work of party building as the overall leader, focuses on party building with group construction, and continuously enhances the cohesion, combat power and influence of the party organization. The Company encourages its employees to participate in social welfare undertakings in the form of volunteers, and collaborates with party organiza- tions at all levels of the Company to provide support for employee volunteer activities in terms of funds, resources, and platforms, etc.

The Company actively responds to the call of the government and relevant departments of the operation location, and carries out regular and specific volunteer activities with a focus on the construction of urban civilization, en- vironmental protection, and public health. In 2024, the Company organized volunteers to offer condolences and care to needy families in their villages from time to time and carry out civilized persuasion, environmental hygiene inspection and rectification, etc.



Empowering Governance Excellence

Priority actions on governance dimensions

- Anti-commercial Bribery and Anti-corruption
- Anti-unfair Competition

The SDGs to which this chapter is dedicated



Anti-commercial Bribery and Anti-corruption

Overview

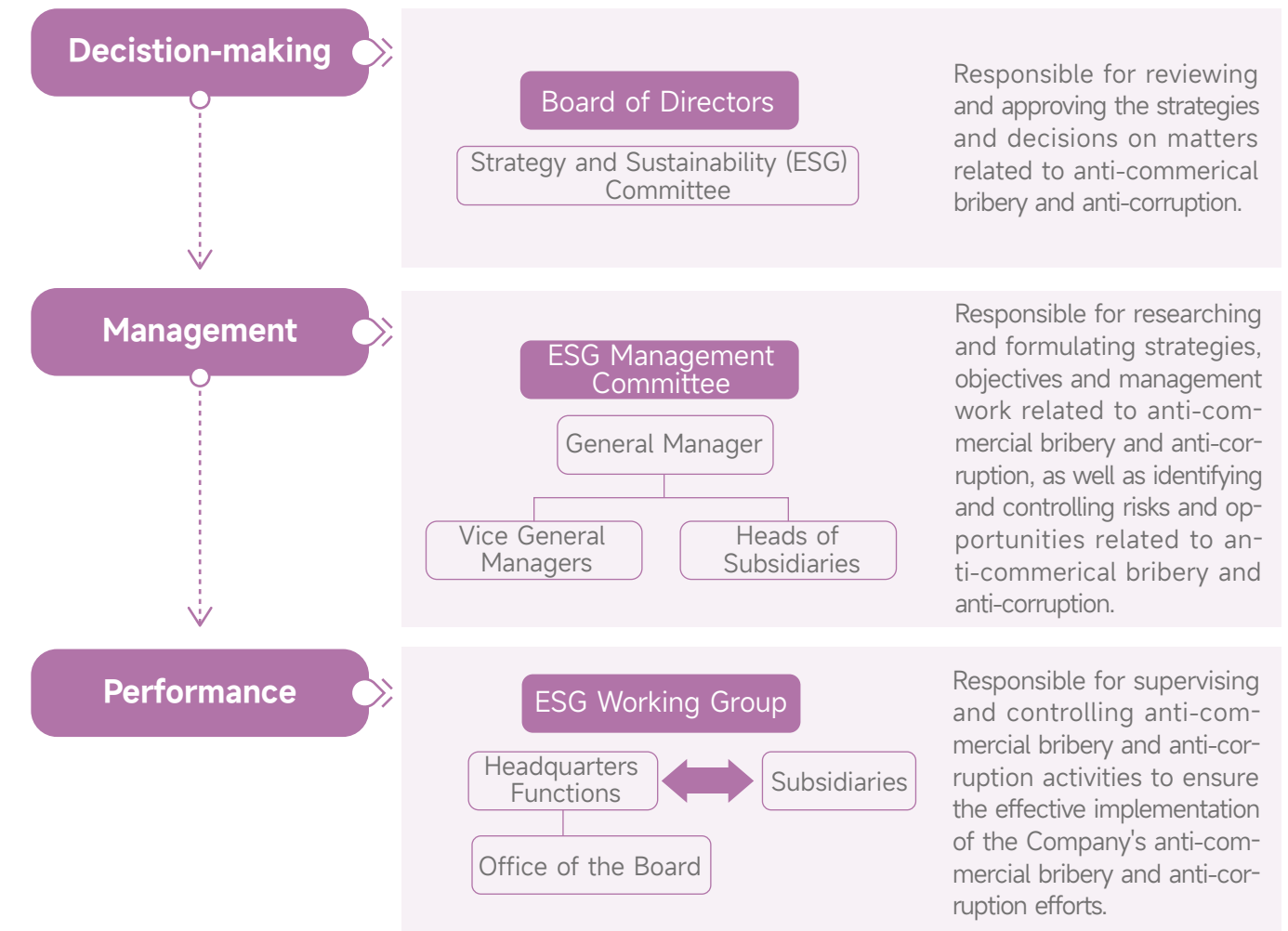
The Company is committed to upholding professionalism, honesty and integrity in all business dealings and commercial relationships, conducting its business in strict compliance with the United Nations Convention Against Corruption as well as all applicable laws and regulations such as the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Civil Procedure Law of the People's Republic of China*, the *Criminal Procedure Law of the People's Republic of China*, etc., always aiming to create a fair, transparent and honest working and business environment, emphasizing and continuously creating a corporate culture of integrity and honesty, and strictly resisting any corrupt behavior that adversely affect the integrity and reputation of the Company.

During the reporting period, there were no commercial bribery or corruption related incidents and litigation cases.



Governance

◆ Governance Structure of Anti-commercial Bribery and Anti-corruption ◆



In terms of system construction, the Company has formulated “Administrative Procedures for Anti-Commercial Bribery”, which clearly defines commercial bribery and corruption, such as offering or accepting improper benefits, kickbacks, and bribe gifts, as well as the corresponding penalties, ranging from warnings and fines to termination of labor contracts, and even pursuing legal responsibility. At the same time, the Company established the template of “Anti-commercial Bribery Agreement” and required all new suppliers to sign it to constrain their behavior in business dealings, and required directors, supervisors and procurement practitioners to sign the “Clean Practice Agreement”.

Strategy

In international operations, laws from different regions may impose different compliance requirements on the Company's business, and suspected ethical or legal violations may also pose significant risks to the Company's business and result in fines or reputational damage. In day-to-day operations, there are risks of violations of laws and regulations such as commercial bribery, misappropriation of company assets, procurement fraud, false travel reimbursement, etc. These behaviors can increase operation and management costs, erode the company's clean culture, and cause disorder and confusion in operation and management activities.

Risk and Opportunities related to Anti-commercial Bribery and Anti-corruption & Management Measures

| Risks and Opportunities | | Duration of Impact | Financial Impact | Management Measures |
|-------------------------|---|------------------------------|------------------------------|---|
| Risks | <ul style="list-style-type: none">Liability risk: In the purchase process, suppliers may bribe purchasing personnel to obtain orders or seek more favorable conditions for cooperation, influencing purchase decisions and leading to inflated procurement costs and lower quality of raw materials; in the bidding and implementation of projects such as equipment renewal and plant construction, there is the risk that contractors may bribe to obtain the project or cut corners, and the Company may face compensation liabilities to shareholders, customers and other stakeholders due to internal mismanagement. | Short-to-medium-to-long term | Increase in operating costs | <ul style="list-style-type: none">Establish transparent business processes for purchase, sales, etc., and ensure that all transactions are conducted based on the principles of fairness, impartiality and openness.Enhance compliance review of partners in the process of signing contracts and conducting business.Incorporate anti-commercial bribery and anti-corruption into the values and culture of the Company, and strengthen employees' awareness of reputation protection through internal training and publicity. |
| | <ul style="list-style-type: none">Reputation risk: In the sales process, sales personnel may provide customers with improper benefits such as kickbacks and bribes in order to fulfill their performance, which undermines fair competition in the market and damages the reputation of the enterprise. | Medium-to-long term | Increase in operating costs | |
| Opportunities | <ul style="list-style-type: none">Market opportunity: Actively participating in anti-commercial bribery and anti-corruption initiatives can help enterprises build a more complete internal management system, eliminate improper transactions through strict control of all aspects such as purchase, sales, and production, thereby enhancing operational efficiency and market competitiveness. | Medium-to-long term | Increase in operating income | |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).



Management of Impact, Risk and Opportunity

The Company actively identifies and evaluates anti-commercial bribery and anti-corruption related impacts, risks and opportunities in the course of its operations, as well as the possibility of occurrence, degree of impact and scope of impact, etc. For the identified risks, the Company adopts the method of periodically summarizing and updating the risk list to ensure the accuracy and completeness of risk identification. The Company regulates its business partners with the same high standards, and actively builds a corporate atmosphere that advocates clean and good governance to create together a responsible value chain and business ecosystem.

Management Measures against Commercial Bribery and Corruption

Incorruptible Culture

- Incorruptible training:** Regularly organize employees to participate in online or offline anti-commercial bribery and anti-corruption training, including for directors, supervisors, middle and senior managers, grass-roots employees, etc., to ensure that they continue to update their knowledge and strengthen compliance awareness; Anti-commercial bribery and anti-corruption courses are included in the induction training of new employees to enable them to understand the company's compliance requirements through case studies and interpretation of regulations.
- Incorruptible cooperation:** The Company signs an Anti-Commercial Bribery Agreement with its major suppliers, and suppliers who violate the incorruptible terms will be blacklisted.

In 2024



Number of trainings on anti-commercial bribery and anti-corruption

2

Number of suppliers that have signed "Anti-Commercial Bribery Agreement"

268

Complaint & Report

- The Company has established a sound reporting system and acceptance process, giving feedback on complaints and reports, encouraging and accepting supervision from all sectors of society.

Report hotline: 0573-88226086

Report e-mail: sjhg@xinaotex.com

Informer Protection

- The Company strictly protects the personal information of informers, prohibits any form of unlawful discrimination or retaliation, or hostile acts against those involved in the investigation, and deals severely with those involved in illegal disclosure of information about informers and retaliation against informers.

Indicator and Objective

Indicator, Objective and Annual Progress of Anti-Commercial Bribery and Anti-Corruption

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Coverage rate of anti-commercial bribery and anti-currupction training for directors | 100% | 100% |
| Coverage rate of anti-commercial bribery and anti-currupction training for management staff | 100% | 100% |
| Coverage rate of anti-commercial bribery and anti-currupction training for grass-roots staff | 100% | 92.26% |

Anti-unfair Competition

Overview

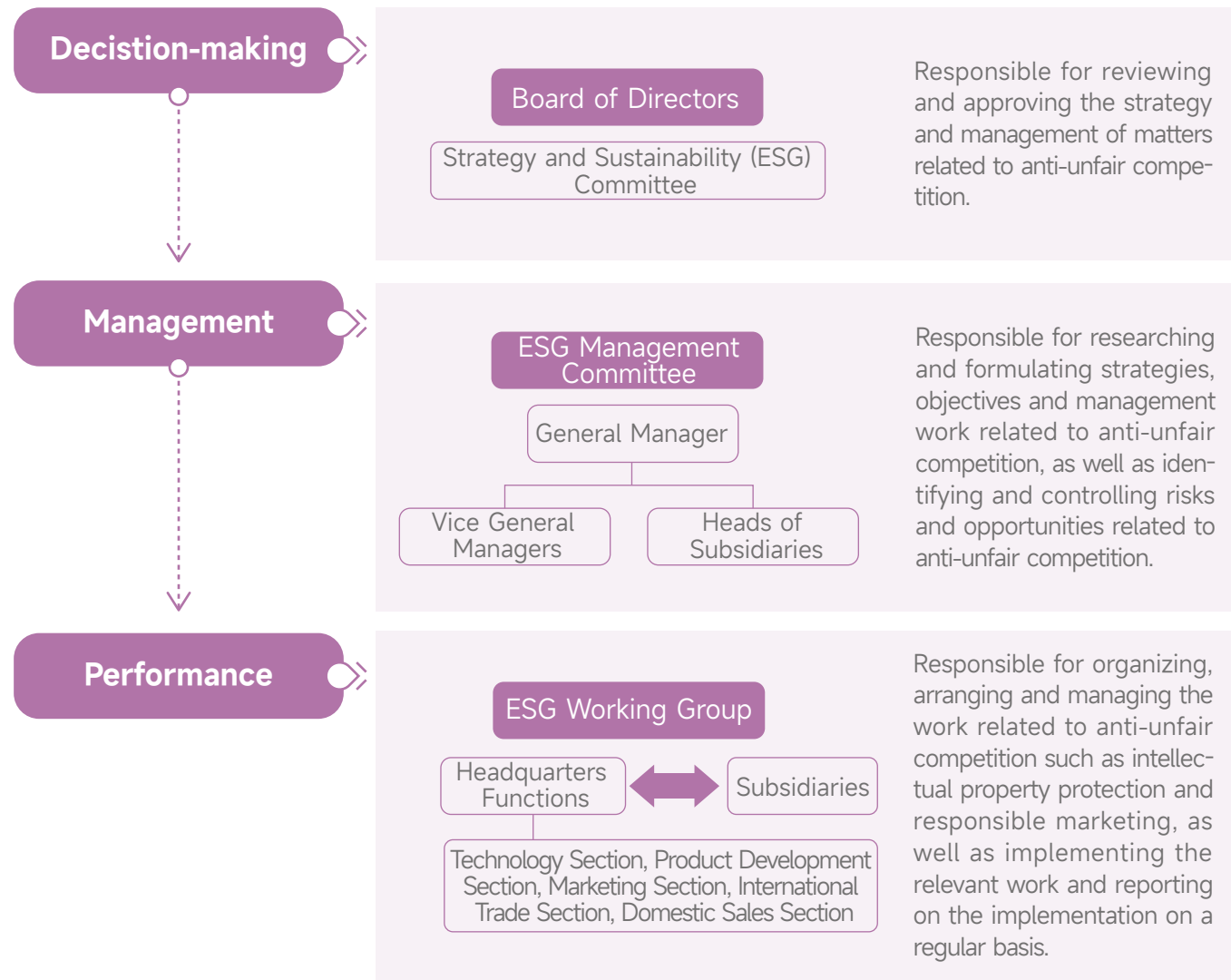
The Company complies with the laws and regulations such as the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, etc., and takes the documents such as the “Rules for the Implementation of the Patent Law of the People's Republic of China”, the “Guidelines for Patent Examination”, the “Regulations on the Implementation of the Trademark Law of the People's Republic of China”, and the “Guidelines for Trademark Examination and Trial” as guidelines for its anti-unfair competition management efforts.

During the reporting period, the Company did not incur any litigation or significant administrative penalties resulting from unfair competition behavior.



Governance

◆ Governance Structure of Anti-unfair Competition ◆



In terms of system construction, the Company formulated management systems such as “Administrative Procedures against Unfair Competition”, clarified the review process, standards and responsible subjects of publicity contents, and stipulated that the publicity information must be true, accurate and lawful, and must not contain false or exaggerated contents.



Strategy

Upholding the business philosophy of fairness and impartiality, the Company has adopted a multi-dimensional management strategy in anti-unfair competition such as protection of intellectual property rights and responsible marketing, etc. In terms of intellectual property protection, the Company attaches great importance to it, and registers patents, trademarks and copyrights of its innovations in a timely manner, strengthens daily monitoring to prevent itself from infringing and being infringed upon, and continues to pioneer and innovate on the track of legal compliance. In terms of responsible marketing, the Company puts an end to improper behaviors such as false propaganda and business defamation, and promotes the development of the enterprise with positive marketing, so as to create a fair and orderly market competition environment and achieve sustainable development of the enterprise.

◆ Risks and Opportunities related to Anti-Unfair Competition & Management Measures ◆

| Risks and Opportunities | | Duration of Impact | Financial Impact | Management Measures |
|-------------------------|---|------------------------------|------------------------------|---|
| Risks | <ul style="list-style-type: none">Liability risk: In the course of daily operation, there are risks of trademark infringement, patent infringement, copyright infringement and trade secret disclosure, etc. In the face of infringement lawsuits, the Company may have to bear compensation liabilities and stop the infringing behavior, which will bring economic losses to the enterprise. | Short-to-medium-to-long term | Increase in operating costs | <ul style="list-style-type: none">Assign specialized personnel responsible for the application, maintenance and management of patents, trademarks and copyrights.Continuously invest funds for technology R&D and product innovation, develop new technologies, processes and products with independent intellectual property rights, so as to improve the core competitiveness of the enterprise. |
| | <ul style="list-style-type: none">Reputation risk: In order to attract consumers, enterprises exaggerate the characteristics of their products such as performance, quality, environmental protection, etc., which may lead to a crisis of trust among consumers and damage their reputation. | Short-to-medium term | Decrease in operating income | |
| Opportunities | <ul style="list-style-type: none">Market opportunity: Enterprises can effectively protect their trademarks, patents, copyrights and business secrets, and realize the transformation of the commercial value of intellectual property rights through patent licensing, brand cooperation, etc., thus expanding the market and obtaining more cooperation opportunities. | Medium-to-long term | Increase in operating income | <ul style="list-style-type: none">Strictly scrutinize the content of product publicity to ensure that the publicity information is true, accurate, not exaggerated, not false, and avoid misleading consumers. |

Note: The time frame is defined as short term (1 year or less), medium term (1 year to 5 years) and long term (more than 5 years).

Management of Impact, Risk and Opportunity

The Company regularly identifies the impacts, risks and opportunities related to anti-unfair competition in the course of its operations, as-sesses the possibility of occurrence, degree of impact and scope of impact of the identified risks, formulates strategies and contingency plans for different risks, and evaluates the effectiveness of its anti-unfair competition management work to ensure the effectiveness of risk response measures. At the same time, the Company establishes good cooperative relationships with peers and upstream and downstream enterprises to actively seize market opportunities in light of market demand and its own advantages.

◆ Mangement Measures of Anti-unfair Competition◆

| Types | Specific Measures |
|---|--|
| <div> Intellectual Property Protection</div> | <ul style="list-style-type: none">• Training: Organize trainings on intellectual property rights for relevant departments to enhance employee’s awareness of intellectual property rights. Respect the intellectual property rights of others and prohibit employees from improperly obtaining, improperly disclosing, improperly using and improperly disposing of the intellectual property rights of others.• Layout: Patenting core technologies in new product development to form a layout of patent protection. At the same time, identify the blind area for the protection of core technology through analysis of existing and industry patents, and guide effectively the directions of R&D and operation.• Novelty check: Relevant department conducts novelty checks to determine whether intellectual property rights infringement will occur before carrying out activities involving intellectual property rights, such as scientific and technological innovation, new product sales, and external exhibitions. Make full use of intellectual property literature to formulate the right research direction and technological routes before the R&D and technological transformation of new technologies, new processes, and new products to raise the threshold of R&D, and avoid repetitive developments or IP infringement disputes. |
| <div> Responsible Marketing</div> | <ul style="list-style-type: none">• Compliance: Carry out responsible marketing work in strict compliance with national laws and regulations as well as industry-related regulations, and deliver true, accurate, effective and easy-to-understand information to clients and consumers about product characteristics, service efficiency, potential risks, safety instructions, operation and maintenance methods, etc. through channels of official company website, exhibitions, product launches, new media, etc.• Scrutiny: Scrutinize all released new product detail sheets and brochures to ensure that there are no contents or descriptions that infringe or violate the requirements of the advertising law. |

Indicator and Objective

◆ Indicator, Objective and Annual Progress of Anti-unfair Competition ◆

| Indicator | Objective | Progress in 2024 |
|--|-----------|------------------|
| Number of incidents resulting in litigation or significant administrative penalties due to the company’s unfair competition behavior | 0 | 0 |



ESG Data Sheets and Notes

In accordance with the principle of "comparability", the Company discloses the data performance reflecting the effectiveness of the Company's ESG management and, to the possible extent, retrospectively adjusts the corresponding data for historical years. In 2024, the Company further improved the data collection process, adjusted the statistical scope of some data to optimize the disclosure of data, and retroactively adjusted some of the disclosed data from previous years.

The scope of data statistics for the reporting period is consistent with the scope of the Company's consolidated financial statements, unless otherwise stated.

◆ Data Sheet on Environmental Dimensions ◆

Data Sheet on Tackling Climate Change

| Indicators | | Unit | 2022 | 2023 | 2024 |
|---|------------------------------------|---------------------------------|------------|------------|------------|
| Total greenhouse gas emissions | | tCO ₂ e | 103,095.24 | 110,601.04 | 124,294.69 |
| Scope I total greenhouse gas emissions ¹ | | tCO ₂ e | 6,234.30 | 5,505.43 | 6,875.94 |
| Scope II total greenhouse gas emissions ² | | tCO ₂ e | 97,058.11 | 105,346.94 | 117,622.85 |
| Greenhouse gas emissions per unit of product ³ | | tCO ₂ e/t | 3.97 | 4.08 | 4.02 |
| Greenhouse gas emissions per unit of revenue ⁴ | | tCO ₂ e/million yuan | 26.10 | 24.92 | 25.68 |
| Greenhouse gas emissions directly reduced by emission reduction measures ⁵ | | tCO ₂ e | / | / | 16,939.54 |
| By scope | Scope I | tCO ₂ e | / | / | 3,552.68 |
| | Scope II | tCO ₂ e | / | / | 13,386.86 |
| By emission reduction measure | Re-engineer the production process | tCO ₂ e | / | / | 154.39 |
| | Retrofit equipment | tCO ₂ e | / | / | 4,492.69 |
| | Improve technique | tCO ₂ e | / | / | 681.97 |
| | Replace fuel | tCO ₂ e | / | / | 2,402.56 |
| | Others ⁶ | tCO ₂ e | / | / | 9,207.93 |

Data Sheet on Pollutant Discharges

| Indicators | Unit | 2022 | 2023 | 2024 |
|---|------------------------------|--------------|--------------|---------------|
| Total wastewater discharges | m ³ | 1,189,203.51 | 1,273,986.83 | 1,434,805.87 |
| Industrial wastewater discharges | m ³ | 1,107,048.51 | 1,189,010.83 | 1,315,409.87 |
| Domestic wastewater discharges | m ³ | 82,155.00 | 84,976.00 | 119,396.00 |
| Wastewater discharge per unit of product ⁷ | m ³ /t | 45.74 | 47.05 | 46.43 |
| Wastewater discharge per unit of revenue ⁸ | m ³ /million yuan | 301.07 | 287.04 | 296.40 |
| Total waste gas emissions | m ³ | / | / | 28,521,610.54 |
| Waste gas emission per unit of product ⁹ | m ³ /t | / | / | 922.96 |
| Waste gas emission per unit of revenue ¹⁰ | m ³ /million yuan | / | / | 5,891.94 |

Data Sheet on Waste Disposal

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|-----------------|----------|-----------|-----------|
| Total waste generation | t | 9,192.32 | 11,143.20 | 13,433.76 |
| Total hazardous waste generation | t | 25.95 | 15.62 | 15.31 |
| Total non-hazardous waste generation | t | 9,166.37 | 11,127.58 | 13,418.45 |
| Total non-hazardous industrial waste generation | t | 8,689.07 | 10,610.51 | 12,841.14 |
| Total non-hazardous domestic waste generation | t | 348.24 | 364.08 | 390.24 |
| Total hazardous waste generation per unit of product ¹¹ | kg/t | 1.00 | 0.58 | 0.50 |
| Total hazardous waste generation per unit of revenue ¹² | kg/million yuan | 6.57 | 3.52 | 3.16 |
| Total non-hazardous waste generation per unit of product ¹³ | t/t | 0.35 | 0.41 | 0.43 |
| Total non-hazardous waste generation per unit of revenue ¹⁴ | t/million yuan | 2.32 | 2.51 | 2.77 |

Data Sheet on Environmental Compliance Management

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|------------|----------|----------|----------|
| Annual environmental expenditure | 10,000 CNY | 1,717.68 | 1,279.78 | 1,512.56 |
| Penalties for major administrative punishment or criminal liability imposed by relevant ecological and environmental authorities for environmental incidents during the reporting period | 10,000 CNY | 0 | 0 | 0 |

Data Sheet on Energy Utilization

| Indicators | | Unit | 2022 | 2023 | 2024 |
|---|--|------------------|--------------|--------------|--------------|
| Direct energy consumption ¹⁵ | Non-renewable energy consumption | tce | 2,921.69 | 2,604.63 | 3,194.52 |
| | Natural gas | m ³ | 1,966,132.40 | 1,735,950.19 | 2,192,146.00 |
| | Gasoline | l | 102,897.91 | 121,067.37 | 111,943.04 |
| | Diesel | l | 106,083.88 | 103,763.96 | 102,556.37 |
| | Liquefied petroleum gas | m ³ | 90.74 | 51.26 | 43.32 |
| | Renewable energy consumption | tce | 0 | 0 | 504.22 |
| | Solar water heating | MWh | 0 | 0 | 4,102.72 |
| Indirect energy consumption ¹⁵ | Non-renewable energy consumption | tce | 24,554.29 | 26,662.02 | 29,611.10 |
| | Consumption of purchased conventMWhwer | MWh | 101,434.76 | 109,504.60 | 124,187.05 |
| | Total consumption of purchased steam | t | 127,788.46 | 139,585.95 | 151,686.16 |
| | Renewable energy consumption ¹⁶ | tce | 1,082.62 | 1,489.31 | 2,340.70 |
| | Consumption of purchased green-certified power ¹⁶ | MWh | 0.00 | 800.00 | 7,799.60 |
| | Consumption of purchased photovoltaic power | MWh | 8,809.00 | 11,318.04 | 11,245.98 |
| Energy consumption | Total energy consumption | tce | 28,558.60 | 30,755.96 | 35,650.54 |
| | Consumption of direct energy | tce | 2,921.69 | 2,604.63 | 3,698.74 |
| | Consumption of indirect energy | tce | 25,636.91 | 28,151.33 | 31,951.80 |
| | Total energy consumption per unit of product ¹⁷ | tce/t | 1.10 | 1.14 | 1.15 |
| | Total energy consumption per unit of revenue ¹⁸ | tce/million yuan | 7.23 | 6.93 | 7.36 |
| Renewable energy utilization | Renewable energy consumption ¹⁹ | MWh | 8,809.00 | 12,118.04 | 23,148.30 |
| | Share of renewable energy consumption ²⁰ | % | 3.79 | 4.84 | 7.98 |
| Clean energy utilization | Clean energy consumption | MWh | 30,086.10 | 30,104.16 | 46,871.29 |
| | Natural gas | m ³ | 1,966,132.40 | 1,735,950.19 | 2,192,146.00 |
| | Share of natural gas ²¹ | % | 70.72 | 60.79 | 50.61 |
| | Solar energy | MWh | 8,809.00 | 11,318.04 | 15,348.70 |
| | Share of solar energy ²² | % | 29.28 | 36.62 | 32.75 |
| | Others | MWh | 0.00 | 800.00 | 7,799.60 |
| | Share of others ²³ | % | 0.00 | 2.59 | 16.64 |

Data Sheet on Water Resources Utilization

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|----------------|--------------|--------------|--------------|
| Water withdrawal | t | 1,569,113.76 | 1,693,988.95 | 1,823,490.16 |
| Municipal water supply | t | 827,555.00 | 907,959.00 | 1,050,674.00 |
| Surface water | t | 454,790.00 | 501,587.00 | 481,019.00 |
| Ground water | t | 78,344.30 | 83,953.00 | 61,520.00 |
| Rain water | t | 58,578.00 | 60,904.00 | 78,591.00 |
| Purchased steam water | t | 127,788.46 | 139,585.95 | 151,686.16 |
| Water withdrawal per unit of product ²⁴ | t/t | 60.36 | 62.56 | 59.01 |
| Water withdrawal per unit of revenue ²⁵ | t/million yuan | 397.26 | 381.67 | 376.69 |
| Reuse water consumption | t | 933,583.26 | 1,287,519.24 | 1,196,000.29 |
| Cooling reuse water consumption | t | 2,658.00 | 10,450.00 | 37,529.67 |
| Reclaimed reuse water consumption | t | 774,376.00 | 1,076,746.00 | 910,192.00 |
| Steam condensate consumption | t | 111,207.20 | 117,224.90 | 142,565.80 |
| Other reuse water consumption | t | 67,400.06 | 83,098.34 | 105,712.82 |
| Total water consumption ²⁶ | t | 2,502,697.02 | 2,981,508.19 | 3,019,490.45 |
| Water reuse rate ²⁷ | % | 37.30 | 43.18 | 39.61 |

Data Sheet on Circular Economy

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|------|------|------|-----------|
| Waste cyclic utilization | t | / | / | 187.07 |
| Share of recycled waste ²⁸ | % | / | / | 1.38 |
| Total resource consumption | t | / | / | 51,520.65 |
| Renewable resource consumption | t | / | / | 33,413.17 |
| The proportion of renewable resource consumption to the total resource consumption ²⁹ | % | / | / | 64.85 |

- Note 1: [Calculation method] Scope I greenhouse gas emissions are generated from the consumption of natural gas, gasoline, diesel and liquefied natural gas of the Company, unorganized emissions from fire extinguishers, and process emissions from carbon-containing chemicals, which are calculated with reference to the *Accounting methods and reporting guidelines of greenhouse gas emissions for industrial enterprises in other sectors*. The calculation method for unorganized emissions of refrigerants refers to *IPCC Chapter 7 Supplementary Material*.
- Note 2: [Calculation method] Scope II greenhouse gas emissions are generated from the Company's purchased conventional power and steam, which are calculated by a market-based approach. The emission factor for purchased conventional power of T&D UK adopts the emission coefficient of 0.22535 tCO₂/MWh for FY2022 published in *2024 Government Gas Conversion Factors for company reporting* by the UK government. The emission factor for the remaining purchased conventional power adopts the emission coefficient of 0.5856 tCO₂/MWh published jointly by the Ministry of Ecology and Environment and the National Bureau of Statistics in the *Announcement on the Release of the CO₂ Emission Factor of Power in 2022 (December 2024)*. The emission factor for purchased heat adopts 0.11 tCO₂/GJ with reference to the *Accounting methods and reporting guidelines of greenhouse gas emissions for industrial enterprises in other sectors*.
- Note 3: [Calculation method] Greenhouse gas emissions per unit of product = Total greenhouse gas emissions / Output.
[Note of scope] Output refers to is the total output of each productive enterprise within the scope of the consolidated statements presented in the form of final sales of products after internal consolidation and offset, the same below.
- Note 4: [Calculation method] Greenhouse gas emissions per unit of revenue = Total greenhouse gas emissions / Revenue.
- Note 5: [Calculation method] The greenhouse gas emission reductions directly resulting from the emission reduction measures refer to the total amount of greenhouse gas emission reductions resulting from the emission reduction measures (incomplete statistics) taken by each company up to the end of the reporting period, with 2020 as the base year.
- Note 6: [Note of scope] Other emission reduction measures are greenhouse gas emissions reduced by the use of photovoltaic power and green-certified power.
- Note 7: [Calculation method] Wastewater discharge per unit of product = Total wastewater discharges / Output.
- Note 8: [Calculation method] Wastewater discharge per unit of revenue = Total wastewater discharges / Revenue.
- Note 9: [Calculation method] Waste gas emission per unit of product = Total waste gas emissions / Output.
- Note 10: [Calculation method] Waste gas emission per unit of revenue = Total waste gas emissions / Revenue.
- Note 11: [Calculation method] Total hazardous waste generation per unit of product = Total hazardous waste generation / Output.
- Note 12: [Calculation method] Total hazardous waste generation per unit of revenue = Total hazardous waste generation / Revenue.

- Note 13: [Calculation method] Total non-hazardous waste generation per unit of product = Total non-hazardous waste generation / Output.
- Note 14: [Calculation method] Total non-hazardous waste generation per unit of revenue = Total non-hazardous waste generation / Revenue.
- Note 15: [Calculation method] The types of direct energy consumption include natural gas, raw coal, gasoline, diesel, liquefied petroleum gas, and solar water heating, and the types of indirect energy consumption include purchased conventional power, purchased steam, purchased green-certified power, and purchased photovoltaic power. The basis for converting various types of energy into standard coal coefficient is the *General rules for calculation of the comprehensive energy consumption (GB/T 2589-2020)*.
- Note 16: [Note of change] In 2024, the Company increased its consumption of green-certified power, hence the increase of the renewable indirect energy consumption.
- Note 17: [Calculation method] Total energy consumption per unit of product = Total energy consumption / Output.
- Note 18: [Calculation method] Total energy consumption per unit of revenue = Total energy consumption / Revenue.
- Note 19: [Note of change] In 2024, the Company increased its consumption of solar water heating and green-certified power, hence the increase of the renewable energy consumption.
- Note 20: [Calculation method] Share of renewable energy consumption = Renewable energy consumption / Total energy consumption x 100%.
- Note 21: [Calculation method] Share of natural gas = Natural gas consumption / Clean energy consumption x 100%.
- Note 22: [Calculation method] Share of solar energy = Solar energy consumption / Clean energy consumption x 100%.
- Note 23: [Calculation method] Share of others = Other clean energy (green-certified power) consumption / Clean energy consumption x 100%.
- Note 24: [Calculation method] Water withdrawal per unit of product = Water withdrawal / Output.
- Note 25: [Calculation method] Water withdrawal per unit of revenue = Water withdrawal / Revenue.
- Note 26: [Calculation method] Total water consumption = Water withdrawal + Reuse water consumption.
- Note 27: [Calculation method] Water reuse rate = Reuse water consumption / Total water consumption x 100%.
- Note 28: [Calculation method] Share of recycled waste = Waste cyclic utilization / Total waste generation x 100%.
- Note 29: [Calculation method] The proportion of renewable resource consumption to the total resource consumption = Renewable resource consumption / Total resource consumption x 100%.

◆ Data Sheet on Social Dimensions ◆

Data Sheet on Employment and Employee Rights

| Indicators | | Unit | 2022 | 2023 | 2024 |
|---|--|------------|--------|--------|--------|
| Total number of employees (end of period) | | People | 3,806 | 3,979 | 4,265 |
| By gender | Male | People | 1,495 | 1,577 | 1,703 |
| | Female | People | 2,311 | 2,402 | 2,562 |
| By form of employment | Full-time labour contracting | People | 3,381 | 3,502 | 3,785 |
| | Part-time | People | 11 | 12 | 11 |
| | Labor dispatching | People | 0 | 0 | 0 |
| | Other forms of employment ¹ | People | 414 | 465 | 469 |
| By age | 30 and under | People | 600 | 588 | 814 |
| | Between 30 to 50 | People | 2,406 | 2,478 | 2,494 |
| | 50 and above | People | 800 | 913 | 957 |
| Number of employee turnover | | People | 572 | 745 | 798 |
| Employee turnover rate ² | | % | 13.07 | 15.77 | 15.76 |
| Labor contract signing rate ³ | | % | 100 | 100 | 100 |
| Social insurance coverage rate ^{4,5} | | % | 100 | 100 | 100 |
| Number of employees included in collective negotiation agreement (end of period) ⁶ | | 人 | 3,379 | 3,474 | 3,675 |
| Number of employees subject to periodic performance or career development appraisal (end of period) | | 人 | 985 | 1,001 | 1,004 |
| Proportion of employees subject to periodic performance or career development appraisal in all employees ⁷ | | % | 25.88 | 25.21 | 23.54 |
| Remuneration per capita ⁸ | | 10,000 CNY | 8.98 | 9.59 | 9.80 |
| Income generation per capita ⁹ | | 10,000 CNY | 103.78 | 111.54 | 113.50 |

Data Sheet on Occupational Health & Safety

| Indicators | | Unit | 2022 | 2023 | 2024 |
|--|--|-------------|-------|-------|--------|
| Number of employees in occupational disease risk positions | | People | 1,986 | 1,958 | 2,121 |
| Morbidity rate of occupational diseases | | % | 0 | 0 | 0 |
| Position transfer rate due to occupational contraindications ¹⁰ | | % | 100 | 100 | 100 |
| Amount invested in work-related injury insurance for employees | | 10,000 CNY | / | / | 149.91 |
| Coverage rate of work-related injury insurance for employees ¹¹ | | % | / | / | 100 |
| Amount invested in workplace safety liability insurance for employees | | 10,000 CNY | / | / | 3.25 |
| Coverage rate of workplace safety liability insurance ¹² | | % | / | / | 100 |
| Number of general work-related accidents among employees | | accident(s) | 60 | 64 | 73 |
| Number of other safety accidents | | accident(s) | 0 | 0 | 0 |

Data Sheet on Employee Training & Development

| Indicators | | Unit | 2022 | 2023 | 2024 |
|--|--|----------------|-------|-------|--------|
| Total number of employees trained (end of period) | | People | 3,797 | 3,966 | 4,096 |
| Total number of participations of employee trainings | | Person-time(s) | / | / | 55,319 |
| Coverage rate of employee training ¹³ | | % | 99.76 | 99.67 | 96.04 |
| Amount of expenditure on employee training | | 10,000 CNY | 92.76 | 37.28 | 218.38 |

Data Sheet on Safety and Quality of Products and Services

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|------------|------|------|------|
| Total number of complaints received about products and services | Case(s) | 607 | 518 | 619 |
| Handling rate of complaints on products and services ¹⁴ | % | 100 | 100 | 100 |
| Proportion of products recalled due to safety and health concerns to all products sold ¹⁵ | % | 0 | 0 | 0 |
| Amount involved in major liability accident damages related to safety and quality of products and services that occurred during the reporting period | 10,000 CNY | 0 | 0 | 0 |

Data Sheet on Data Security & Customer Privacy

| Indicators | Unit | 2022 | 2023 | 2024 |
|---|------------|------|------|------|
| Specific amount involved in data security incidents | 10,000 CNY | 0 | 0 | 0 |
| Specific amount involved in customer privacy breaches | 10,000 CNY | 0 | 0 | 0 |

Data Sheheet on Innovation-Driven

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|------------|-----------|-----------|-----------|
| Amount of investment in R&D | 10,000 CNY | 10,736.44 | 11,120.66 | 11,069.89 |
| Proportion of R&D investment to revenue ¹⁶ | % | 2.72 | 2.51 | 2.29 |
| Number of R&D personnel (end of period) | People | 363 | 405 | 483 |
| Proportion of R&D personnel ¹⁷ | % | 9.54 | 10.18 | 11.32 |
| Number of patents applied during the reporting period | Patent(s) | 23 | 22 | 9 |
| Of which number of invention patents applied | Patent(s) | 0 | 2 | 2 |
| Number of patents authorized during the reporting period | Patent(s) | 28 | 17 | 19 |
| Of which number of invention patents authorized | Patent(s) | 0 | 5 | 6 |
| Accumulated number of valid patents | Patent(s) | 137 | 156 | 144 |
| Number of invention patents applied to the main business | Patent(s) | 20 | 22 | 24 |

Data Sheet on Supply Chain Security

| Indicators | Unit | 2022 | 2023 | 2024 |
|---|-------------|------|------|-------|
| Total number of suppliers | Supplier(s) | 737 | 775 | 827 |
| Total number of suppliers in Chinese Mainland | Supplier(s) | 557 | 596 | 646 |
| Total number of suppliers in Hong Kong, Macau, Taiwan, and overseas | Supplier(s) | 180 | 179 | 181 |
| Number of suppliers certified by quality management system | Supplier(s) | / | / | 172 |
| Proportion of suppliers certified by quality management system ¹⁸ | % | / | / | 20.80 |
| Number of suppliers certified by environmental management system | Supplier(s) | / | / | 135 |
| Proportion of suppliers certified by environmental management system ¹⁹ | % | / | / | 16.32 |
| Number of suppliers certified by occupational health and safety management system | Supplier(s) | / | / | 132 |
| Proportion of suppliers certified by occupational health and safety management system ²⁰ | % | / | / | 15.96 |
| Number of suppliers assessed on environmen, labor, ethics, etc | Supplier(s) | 34 | 34 | 94 |
| Number of qualified suppliers assessed on environment, labor, ethics, etc | Supplier(s) | 34 | 34 | 85 |
| Proportion of qualified suppliers assessed on environment, labor and ethics, etc. ²¹ | % | 100 | 100 | 90.43 |
| Number of suppliers with anti-commerical bribery agreements | Supplier(s) | 23 | 224 | 268 |

Data Sheet on Equal Treatment of SMEs

| Indicators | Unit | 2022 | 2023 | 2024 |
|---|------------|------|------|-----------|
| Balance of accounts payable (including notes payable) at the end of the reporting period | 10,000 CNY | / | / | 45,378.22 |
| Ratio of balance of accounts payable (including notes payable) to total assets at the end of the reporting period ²² | % | / | / | 7.98 |
| Amount overdue at the end of the reporting period | 10,000 CNY | / | / | 29.12 |
| Amount overdue to SMEs at the end of the reporting period | 10,000 CNY | / | / | 29.12 |

Data Sheet on Rural Revitalization and Social Contribution

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|----------------|--------|--------|--------|
| Cash expenditures for projects of poverty alleviation and rural revitalization ²³ | 10,000 CNY | 20.00 | 202.84 | 249.74 |
| Value of expenditure on goods for projects of poverty alleviation and rural revitalization | 10,000 CNY | 5.26 | 1.60 | 3.50 |
| Number of people benefiting from projects of poverty alleviation and rural revitalization | People | / | / | 18,601 |
| Cash expenditure for projects of external donations and public benefits ²³ | 10,000 CNY | 20.00 | 326.84 | 367.62 |
| Value of expenditure on goods for projects of external donations and public benefits | 10,000 CNY | 7.70 | 10.60 | 4.54 |
| Number of participations of employees in volunteer activities | Person-time(s) | 46 | 50 | 20 |
| Total hours of volunteer service of employees | Hour(s) | 145.00 | 100.00 | 40.00 |

- Note 1: [Note of scope] Other forms of employment include retired retainers, temporary workers, etc.
- Note 2: [Calculation method] Employee turnover rate = Total number of employee turnover (deducting retirees of the right age) / (Total number of employee turnover + Total number of employees) x 100%.
- Note 3: [Calculation method] Labor contract signing rate = Number of employees who have signed labor contracts / Number of employees who should have signed labor contracts × 100%.
- Note 4: [Note of scope] The Company buys accident insurance for employees in other forms of employment than full-time labor contracts.
- Note 5: [Calculation method] Social insurance coverage rate = Number of employees covered by social insurance (end of period) / Number of full-time labor contract employees (end of period) ×100%.
- Note 6: [Note of scope] 100% coverage of collective negotiation agreement in companies and subsidiaries that are unionized.
- Note 7: [Calculation method] Proportion of employees subjects to periodic performance or career development appraisal in all employees = Number of employees subjects to periodic performance or career development appraisal (end of period) / Total number of employees (end of period) x 100%.
- Note 8: [Note of scope] The statistical caliber is for employees of production enterprises.
- Note 9: [Calculation method] Income generation per capita = Revenue / Total number of employees (end of period).
- Note 10: [Calculation method] Position tansfer rate due to occupational contraindications = Number of employees transferred due to occupational contraindications / Total number of employees with occupational contraindications x 100%.

- Note 11: [Calculation method] Coverage rate of work-related injury insurance = Number of employees insured against work-related injuries / Total number of employees who should be insured against work-related injuries x 100%.
- Note 12: [Calculation method] Coverage rate of workplace safety liability insurance = Number of employees covered by workplace safety liability insurance / Total number of employees required to be covered by workplace safety liability insurance by the local Emergency Management Agency x 100%.
- Note 13: [Calculation method] Coverage rate of employee training = Total number of employees trained (end of period) / Total number of employees (end of period) x 100%.
- Note 14: [Calculation method] Handling rate of complaints on products and services = Total number of complaints on products and services handled / Total number of complaints on products and services x 100%.
- Note 15: [Calculation method] Proportion of products recalled due to safety and health concerns to all products sold = Number of products recalled due to safety and health concerns / Total number of products sold x 100% .
- Note 16: [Calculation method] Proportion of R&D investment to revenue = Amount of investment in R&D / Revenue x 100%.
- Note 17: [Calculation method] Proportion of R&D personnel = Number of R&D personnel (end of period) / Total number of employees (end of period) x 100%.
- Note 18: [Calculation method] Proportion of suppliers certified by quality management system = Number of suppliers certified by quality management system / Total number of suppliers x 100%.
- Note 19: [Calculation method] Proportion of suppliers certified by environmental management system = Number of suppliers certified by environmental management system / Total number of suppliers x 100%.
- Note 20: [Calculation method] Proportion of suppliers certified by occupational health and safety management system = Number of suppliers certified by occupational health and safety management system / Total number of suppliers x 100%.
- Note 21: [Calculation method] Proportion of qualified suppliers assessed on environment, labor and ethics, etc. = Number of qualified suppliers assessed on environment, labor and ethics, etc. / Number of suppliers assessed on environment, labor and ethics, etc.
- Note 22: [Calculation method] Ratio of balance of accounts payable (including notes payable) to total assets at the end of the reporting period = Balance of accounts payable (including notes payable) at the end of the reporting period / Total assets x 100%.
- Note 23: [Note of change] Since 2023, the Company has been donating 3 million yuan annually from the proceeds of the self-titled Charity Common Prosperity Fund, hence the cash expenditure for projects of poverty alleviation and rural revitalization and projects of external donations and public benefits in 2023 and 2024 has increased compared with that in 2022.

◆ Data Sheet on Governance Dimensions ◆

Data Sheet on Corporate Governance

| Indicators | Unit | 2022 | 2023 | 2024 |
|---|---------|-------|-------|-------|
| Number of board of directors | People | 9 | 9 | 9 |
| Number of female directors on the board | People | 2 | 2 | 2 |
| Percentage of female directors on the board | % | 22.22 | 22.22 | 22.22 |
| Number of independent directors on the board | People | 3 | 3 | 3 |
| Percentage of independent directors on the board | % | 33.33 | 33.33 | 33.33 |
| Number of employee supervisors on the supervisory board | People | 1 | 1 | 1 |
| Number of general meetings of shareholders held | Time(s) | 1 | 4 | 3 |
| Number of board meetings held | Time(s) | 9 | 8 | 10 |
| Number of supervisory board meetings held | Time(s) | 7 | 8 | 9 |

Data Sheet on Anti-commercial Bribery and Anti-corruption

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|---------|------|------|-------|
| Total number of directors covered by anti-commercial bribery and anti-corruption training | People | / | / | 9 |
| Percentage of directors covered by anti-commercial bribery and anti-corruption training | % | / | / | 100 |
| Total number of management staff covered by anti-commercial bribery and anti-corruption training | People | / | / | 67 |
| Percentage of management staff covered by anti-commercial bribery and anti-corruption training | % | / | / | 100 |
| Total number of grass-roots employees covered by anti-commercial bribery and anti-corruption training ¹ | People | / | / | 3,873 |
| Percentage of grass-roots employees covered by anti-commercial bribery and anti-corruption training | % | / | / | 92.26 |
| Number of corruption cases proposed and concluded against the issuer or its employees during the reporting period | Case(s) | / | / | 0 |

Data Sheet on Anti-unfair Competition

| Indicators | Unit | 2022 | 2023 | 2024 |
|--|------------|------|------|------|
| Amount involved in litigation or significant administrative penalties due to the company's unfair competition behavior during the reporting period | 10,000 CNY | / | / | 0 |

Note 1: [Note of scope] The Management is the head or higher level of executives of each section of the Company and its subsidiaries, and the employees other than the management are classified as grassroots employees.

Guide Index

◆ Guide Index against the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Sustainability Report (Trial)* ◆

| Dimension | No. | Topic | Corresponding Article | Corresponding Chapter |
|-----------------------------------|-----|---|-----------------------|--|
| Environmental | 1 | Tackle climate change | Article 21 to 28 | 4.1 Tackle Climate Change |
| | 2 | Pollutant discharge | Article 30 | 4.2 Pollutant Discharge |
| | 3 | Waste disposal | Article 31 | 4.3 Waste Disposal |
| | 4 | Conservation of ecosystems and biodiversity | Article 32 | 4.4 Conservation of Ecosystems and Biodiversity |
| | 5 | Environmental compliance management | Article 33 | 4.5 Environmental Compliance Management |
| | 6 | Energy utilization | Article 35 | 4.6 Energy Utilization |
| | 7 | Water resources utilization | Article 36 | 4.7 Water Resources Utilization |
| | 8 | Circular economy | Article 37 | 4.8 Circular Economy |
| Social | 9 | Rural revitalization | Article 39 | 5.6 Rural Revitalization and Social Contribution |
| | 10 | Social contribution | Article 40 | 5.6 Rural Revitalization and Social Contribution |
| | 11 | Innovation-driven | Article 42 | 5.4 Innovation-Driven |
| | 12 | Ethics of science and technology | Article 43 | The Company is not an entity engaged in such activities as scientific research and technology development in an ethically sensitive domain such as life science and artificial intelligence. |
| | 13 | Supply chain security | Article 45 | 5.5 Supply Chain Security |
| | 14 | Equal treatment of SMEs | Article 46 | The balance of the Company's accounts payable (including notes payable) did not exceed 30 billion yuan, accounting for no more than 50% of the total assets, and there was no situation in which overdue payments to SMEs were required to be disclosed to the public through the National Enterprise Credit Information Publicity System. |
| | 15 | Safety and quality of products and services | Article 47 | 5.2 Safety and Quality of Products and Services |
| | 16 | Data Security & Customer Privacy | Article 48 | 5.3 Data Security & Customer Privacy |
| | 17 | Employees | Article 50 | 5.1 Employees |
| Sustainability-related governance | 18 | Due deilgence | Article 52 | 2.2 Due Diligence, Stakeholder Communication |
| | 19 | Stakeholder communication | Article 53 | 2.2 Due Diligence, Stakeholder Communication |
| | 20 | Anti-commercial bribery and anti-corruption | Article 55 | 6.1 Anti-Commercial Bribery and Anti-Corruption |
| | 21 | Anti-unfair competition | Article 56 | 6.2 Anti-Unfair Competition |

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