

2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT





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About this Report

Notes

This Report, the first Environmental, Social and Governance (ESG) Report released by Shenzhen Kaizhong Precision Technology Co., Ltd., discloses the Company's practices and performance in environmental, social, corporate governance (ESG) and other responsible areas to all stakeholders.

Preparation basis

This Report refers to the Global Reporting Initiative (GRI)'s Sustainability Reporting Standards and the Self-Regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No. 3 - Preparation of Sustainability Reports, and aligns with the United Nations Sustainable Development Goals (SDGs).

Scope

Organization: Shenzhen Kaizhong Precision Technology Co., Ltd. and its subsidiaries.

Period: January 1, 2024 to December 31, 2024, with time extended for some content.

Release cycle: This Report is an annual report.

Source

The financial data in this Report are derived from the 2024 annual financial report, and other data are derived from the Company's internal documents and actual records of operations. The financial data in this Report are in RMB. In case of any inconsistency with the Company's annual financial report, the latter shall prevail.

References

For ease of presentation, Shenzhen Kaizhong Precision Technology Co., Ltd. is referred to as "Kaizhong Precision" and "the Company" in this Report.

How to obtain this Report

This Report is available in both simplified Chinese and English. In case of any differences between the two versions, the simplified Chinese version shall prevail. The electronic version of this Report is available on the Company's official website (<http://www.kaizhong.com>), the Shenzhen Stock Exchange (<http://www.szse.cn>) and the CNINFO website (<http://www.cninfo.com.cn>).

Contact information

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Message from the Chairman

Faced with the dual challenges of intensifying global climate challenges and escalating resource demands, and under the strategic guidance of the state's promotion of high-quality economic development, we have consistently placed environmental protection and social responsibility at the forefront of corporate development. In 2024, the Company integrated ESG concepts into strategic decision-making and operational practices. While providing customers with integrated solutions for core precision components, we vigorously promoted the construction of a sustainable development management system in an all-round way, continuously improved the corporate governance mechanism, accelerated the green and low-carbon transformation, and actively fulfilled our social responsibilities.

In retrospect, we achieved in 2024, remarkable results in technological innovation, green and low-carbon development, digital transformation, corporate governance, and fulfillment of social responsibility. These achievements should be attributed to the wisdom and hard work of all employees, and also to the strong support of partners and all sectors of society. On behalf of the Board of Directors, I would like to express my sincere gratitude to all peers and partners for their long-term support for the development of Kaizhong Precision!

Improve corporate governance and consolidate the foundation for development

Sound corporate governance is the fundamental guarantee for the sustainable development of an enterprise. We continued in 2024 to optimize our governance structure and strengthen internal control and comprehensive risk management systems, ensuring corporate compliance in operations. Attaching great importance to the protection of the rights and interests of stakeholders such as shareholders, employees, customers and suppliers, we have been striving to build a mutually beneficial and win-win ecosystem. By incorporating ESG concepts into the decision-making process, we have improved our sustainable development management and created greater comprehensive value for all stakeholders.

Adhere to innovation-driven development and strengthen core advantages

We consistently regard innovation as the core driving force for development. In 2024, the Company continued to increase its R&D investment, focusing on breakthroughs in key technologies of intelligent manufacturing and green manufacturing while maintaining its technological leadership in the field of precision components. On the one hand, we seized the opportunities in new energy vehicles, intelligent connected vehicles and other industries, and carried out in-depth cooperation with top international customers to jointly develop solutions for high-performance precision components; on the other hand, we actively promoted the innovative application of new materials and new technologies to inject green momentum into industrial upgrading. In terms of digital transformation, we actively accelerated the construction of a digital factory system that integrates intelligent manufacturing systems, industrial big data platforms and Internet of Things technologies, forming a virtuous cycle of "data-driven R&D - intelligently-optimized production", and providing all-round support for the transformation of high-end precision manufacturing towards intelligence and greenness.

Deepen green development and implement "dual carbon" commitment

Achieving green and low-carbon development is not only a global consensus, but also one of our responsibilities. In 2024, we significantly reduced energy consumption per unit of output value and carbon emission intensity through a package of measures including process innovation, energy-saving equipment upgrades and energy management system optimization. We accelerated the construction of green factories in an all-round way, increasing the proportion of renewable energy utilization and building an efficient and low-carbon production and operation system. Meanwhile, we worked closely with supply chain partners to jointly promote the construction of green supply chains, contributing to the realization of the country's "dual carbon" goals through practical actions.

Commit to social responsibility and share in collective progress

As a responsible corporate citizen, we always integrate social responsibility into the genes of corporate development. In 2024, we continued to improve our employee career development system and to create a fair and inclusive growth platform; we actively participated in public welfare undertakings such as community building and education support; meanwhile, we also deepened cooperation with the government, industry associations and other parties to jointly promote the healthy and sustainable development of the industry. Looking ahead, we will continue to uphold the concept of sustainable development, with improved corporate governance as a guarantee, technological innovation as an engine, and green transformation as a direction, and work hand in hand with all stakeholders to jointly create greater economic, environmental and social value. We firmly believe that with the joint efforts of us all and the sustained support of partners and all sectors of society, the Company will usher in a more brilliant tomorrow!

Chairman Zhang Haoyu

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About the Company

Shenzhen Kaizhong Precision Technology Co., Ltd. ("Kaizhong Precision", stock code: 002823) is a national high-tech enterprise and a leading enterprise in the commutator industry. As a professional in the customization and development of various high-tech commutators, collector rings, connectors and other precision components, the Company specializes in precision components business, and focuses on the development of three core EV technologies (battery, motor, and electronic control systems), intelligent driving systems, automotive lightweighting solutions. Our products are widely used in fields of automotive electrification and intelligent driving, hydrogen energy, energy storage, rail transit, aviation, communications, consumer electronics, health care, smart home and office, smart equipment, photovoltaic power generation equipment, etc.

The Company possesses proprietary intellectual property rights and capabilities in the R&D, design, and manufacturing of precision stamping/bending molds, plastic injection molds, automated precision machining lines, and automated inspection systems. With a fully integrated industrial chain, we deliver integrated solutions for high-end precision components to global clients. Relying on advanced manufacturing technology and first-class product quality, the Company has earned wide recognition from many well-known customers through continuous innovation.



Corporate Governance

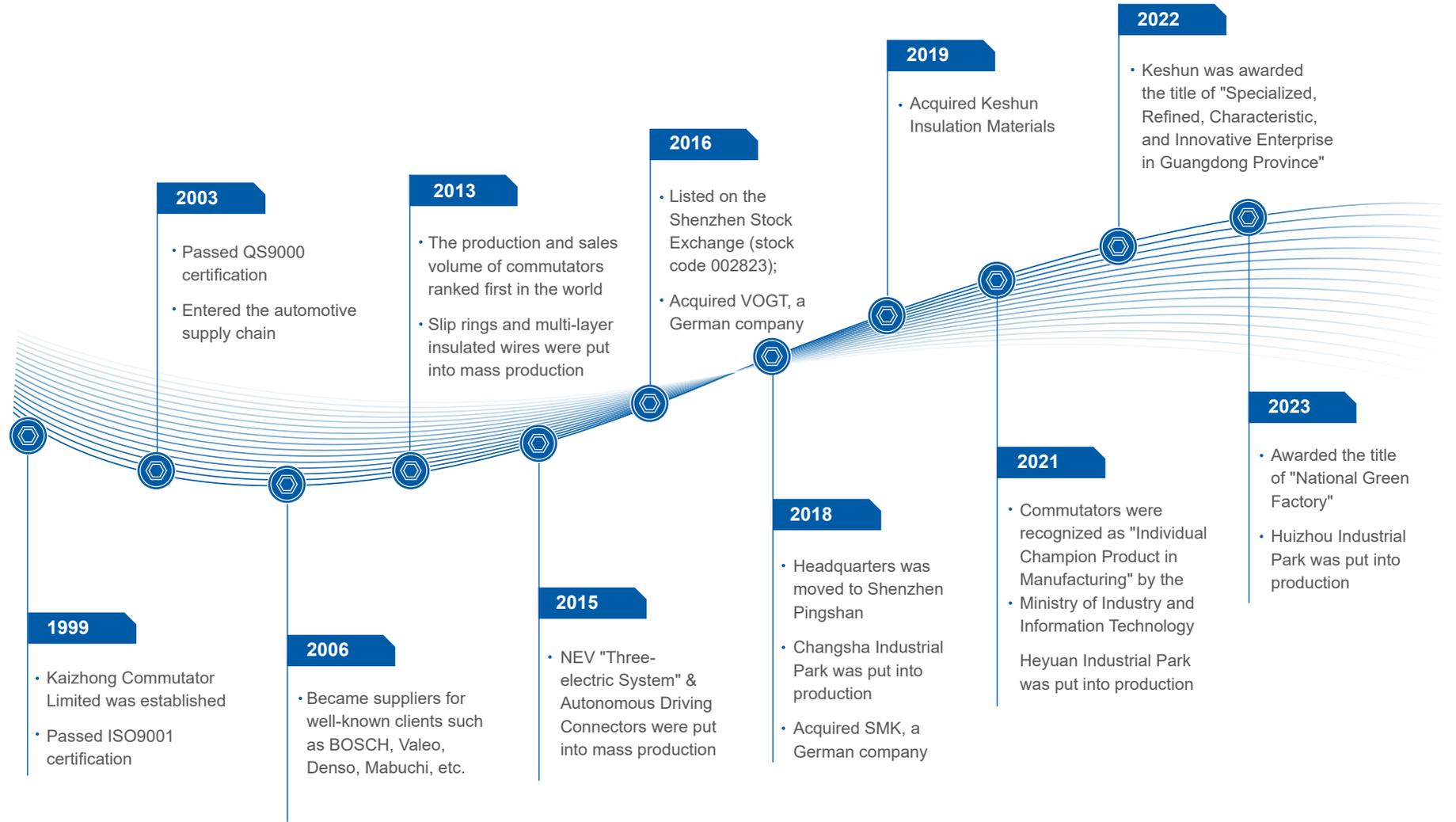
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The Company's development history



Recognition and honors



National Green Factory



High-tech enterprise certificate



Innovative Enterprise in Guangdong Province



Excellent supplier in China's new energy vehicle industry



China Patent Excellence Award



Intelligent Manufacturing Maturity Assessment (Level 3) Certificate



Exemplary Enterprise in Labor Law Compliance and Integrity



Individual Champion Product in Manufacturing



Honorary Certificate of Shenzhen Renowned Brand

Research and technology centers

- Research Center of the Mechanical Industry Micro Commutator Engineering
- Technology Research Center of Micro Commutator Engineering of Guangdong Province
- Engineering Technology Research Center in Guangdong
- Shenzhen Enterprise Technology Center
- Heyuan Engineering Technology Center

Academician expert workstation

- Academician Expert Enterprise Workstation in Guangdong

Innovation and Practice Bases

- Postdoctoral Innovation and Practice Base
- Application Demonstration Base, National Mold Key Laboratory Industry-University-Research Base
- Microforming Technology Experimental Base, Beijing Research Institute of Mechanical and Electrical Technology
- Mold Experimental Base, Huazhong University of Science and Technology



Financial Performance

Revenue RMB 3,049.6076 million	Net profit attributable to shareholders RMB 170.1108 million
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Governance Performance

<p>Board diversity</p> <p>Independent directors account for 33.33%</p> <p>Female directors account for 44.44%</p>	<p>Investor relations management</p> <p>Cninfo responded to 97 inquiries</p> <p>Cash dividends: RMB 108.3 million</p>	<p>Anti-graft and anti-corruption</p> <p>100% of employees received anti-corruption training</p> <p>Rate of employees signing anti-bribery commitment: 100%</p>	<p>Information security and privacy protection</p> <p>Information security training completion rate: 100%</p> <p>0 major information security incidents</p>
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Operational Performance

<p>R&D innovation</p> <p>240 authorized and valid patents</p> <p>R&D investment: RMB 76.0642 million</p>	<p>Product quality</p> <p>The annual average number of PPM (product defects per million) was 0.08</p> <p>0 product recall</p>	<p>Customer service</p> <p>Customer complaint handling rate: 100%</p> <p>Customer satisfaction: 98.5%</p>	<p>Supply chain management</p> <p>100% of suppliers conducted environmental and social impact assessments</p> <p>Conducted ESG training for suppliers 2</p> <p>The rate of suppliers signing the Integrity Cooperation Commitment of Suppliers: 100%</p> <p>With 100% of suppliers participating in it</p>
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People-oriented Performance

Employee recruitment

Labor contract signing rate:

100%

462

ethnic minority employees

Newly recruited female employees accounted for

33.18%

Employee turnover rate:

6.28%

Social insurance coverage rate:

100%

9

disabled employees

Employee communication and care

Employee satisfaction:

91.78%

Staff training and development

Conducted

1,411

employee training sessions

Occupational health and safety

40

Red Cross first aid workers

Satisfaction with organizational atmosphere:

3.95 points (out of 5 points)

The average training time per employee was

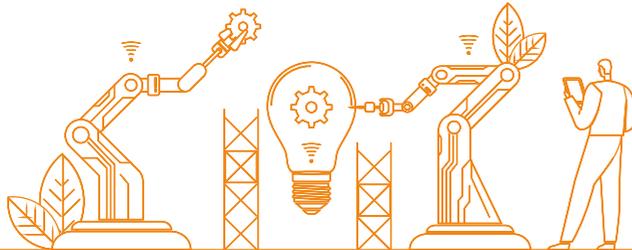
82.76 hours

108

employees holding safety management certificates

Production safety investment:

RMB **1.0845** million



Environmental Performance

Environmental protection

Environmental protection investment:

RMB **9.9911** million

Greenhouse gas emissions

Total greenhouse gas emissions:

107,195.93 tCO₂e

Carbon intensity:

0.0091 tCO₂e/ RMB mn

Water resource management

Water resource recycling rate:

24%

Waste management

54.24%

of waste is recycled

01

Sustainability Governance

Kaizhong Precision integrates the concept of sustainable development into its strategic decision-making and daily operations, committed to making continuous progress in the fields of environmental, social and governance (ESG). In order to effectively fulfill its commitments to various stakeholder groups, the Company continued to optimize its sustainable development governance structure and built a management system covering the entire value chain. Through regular strategic evaluation and dynamic adjustment mechanisms, the Company regularly reviewed and continuously optimized its sustainable development strategies and policies to ensure that various commitments were transformed into quantifiable and traceable practical results, while promoting the harmonious coexistence of the enterprise, society and the environment, and seizing sustainable development opportunities in the new era.

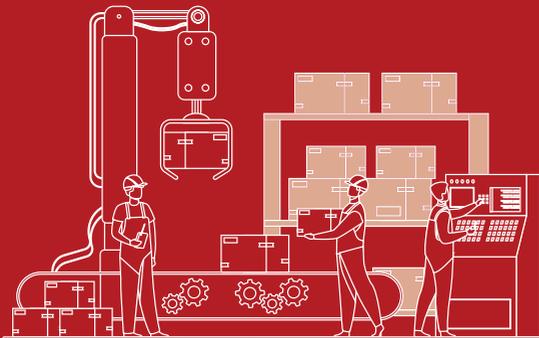
- Sustainability Management
- Responding to SDGs' Targets
- Stakeholder Communication
- Analysis of substantive issues



Sustainability Management

Sustainable development is a core component of Kaizhong Precision's business management philosophy and an important cornerstone for us to achieve long-term value growth. The Company always places sustainable development at a strategic level, continuously improves its ESG management system, and strengthens the Board of Directors' supervision and decision-making functions on sustainable development issues. We established a scientific and efficient sustainable development governance structure, formulated clear management policies, and closely centered on the Company's strategic goals and business development directions to dynamically optimize sustainable development plans to ensure their foresight, feasibility and effectiveness.

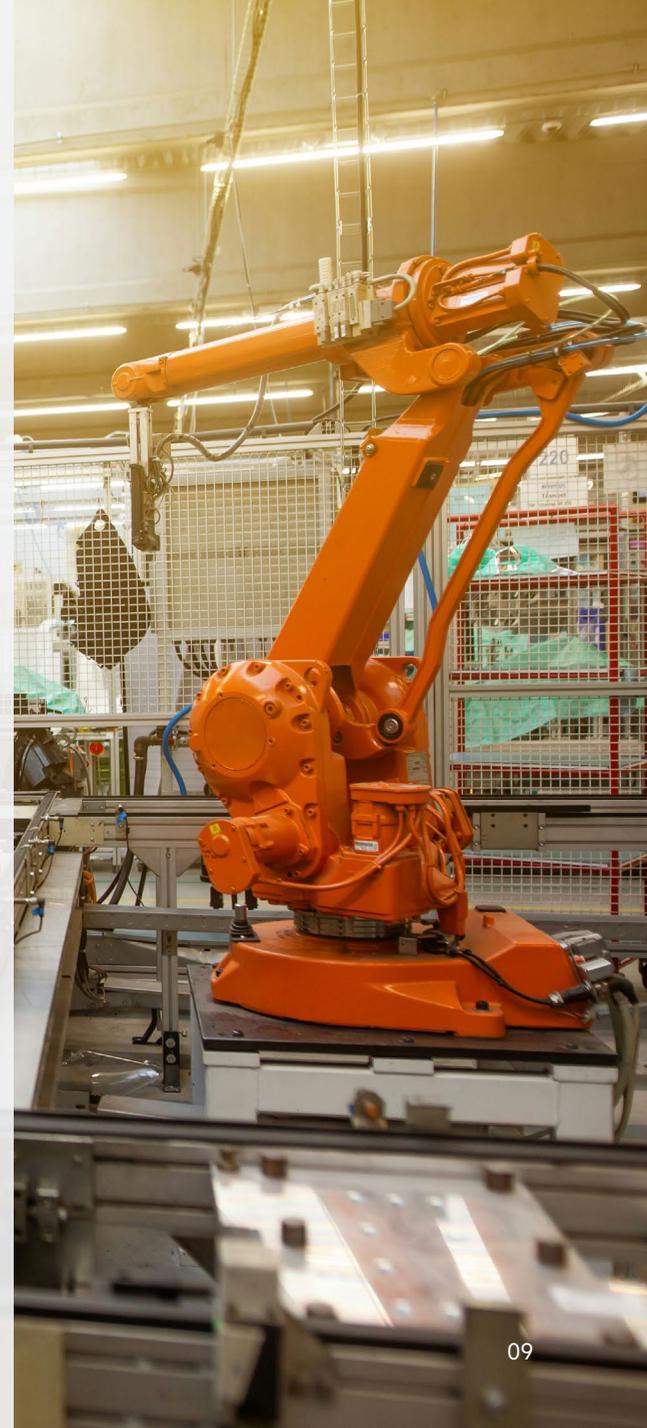
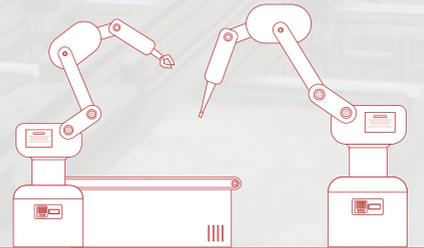
Through systematic management and continuous improvement, the Company is committed to deeply integrating the concept of sustainable development into every aspect of corporate operations, promoting the coordinated growth of economic, environmental and social values, and creating a more sustainable future for stakeholders.



Sustainable development management policy

The Board of Directors of Kaizhong Precision attaches great importance to the global ESG development trends and changes in the macroeconomic environment, incorporating sustainable development management into the core of strategic decisions. Through continuous communication with internal and external stakeholders, combined with the Company's strategic roadmap, operating realities and feedback from all parties, we systematically identified risks and opportunities in the ESG field and dynamically adjusted management strategies to ensure that ESG concepts and practices always kept pace with the development of the times.

Under the supervision and guidance of the Board of Directors, we established a normalized assessment mechanism for ESG risks and opportunities, deeply integrating sustainable development into strategic decisions and business operations, and promoting the steady improvement of the Company's long-term value.



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Sustainable development management system

During the reporting period, Kaizhong Precision formulated the ESG Management System and established an ESG management system with a complete structure, clear hierarchy, clear rights and responsibilities, and efficient operation, and provided unified leadership, decision-making, and organization for the implementation of related work.

Sustainability governance structure

Board of Directors

As the leadership and decision-making body for ESG work, the Board of Directors is responsible for determining the Company's ESG development direction and goals, reviewing and approving major issues such as the Company's ESG governance structure and important systems, and reviewing the Company's ESG report.

Strategy Committee of the Board of Directors

As the research and guidance body for ESG work, the Strategic Committee of the Board of Directors is responsible for studying and making recommendations on major issues such as ESG strategic planning and goals, the construction of the ESG management system, supervising and inspecting the implementation of ESG work, and reviewing and submitting the Company's ESG-related reports to the Board of Directors.

ESG Working Group of the Strategy Committee of the Board of Directors

Composed of senior officers of the Company, relevant persons in charge of relevant functional departments and subsidiaries, the ESG Working Group of the Strategy Committee of the Board of Directors is responsible for implementing the Company's ESG development strategy and goals, organizing and arranging various executive units to implement ESG work, understanding the demands, opinions and suggestions of stakeholders, analyzing substantive issues, and executing the information collection, preparation and disclosure of ESG reports. Meanwhile, it also summarizes the problems and achievements in ESG work, and provides feedback on ESG work to the Strategy Committee of the Board of Directors and offers suggestions.

ESG units composed of various departments and subsidiaries of the Company

Assume the main responsibility within the scope of duties, be responsible for implementing ESG work tasks in accordance with the Company's overall plan and report on the implementation status regularly.

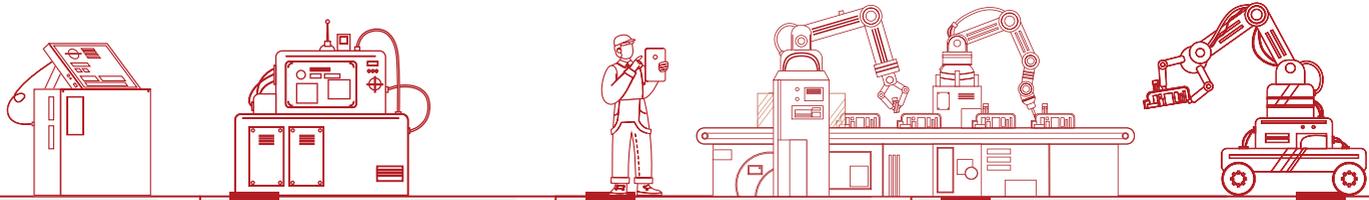
Incorporate ESG management into operational management decisions

The Company has integrated ESG management into its strategic and operational management decision-making system. For matters involving major project investment decisions, social benefit assessment should be an important basis for decision-making by the Company's Board of Directors and management. The Company encourages investors to integrate ESG factors with other important factors when making financial forecasts and valuations, and to comprehensively consider and adjust various variables when making investment decisions.



Responding to SDGs' Targets

Kaizhong Precision takes actions on highly important substantive issues, hoping to benefit mankind's common sustainable development goals through corporate value creation. In response to the United Nations Sustainable Development Goals (SDGs), the Company has been taking the following actions.



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- Continue to build and optimize the sustainable development management system
- Promote board diversity
- Strengthen compliance operations
- Actively communicate with investors
- Transparent information disclosure
- Zero tolerance for corruption
- Protection of whistleblowers
- Comprehensive protection of information and data security



- Increase R&D benefits and continue scientific research innovation
- Improve the quality management system
- Strictly implement product quality testing and after-sales service
- Organize and carry out quality culture activities
- Intelligent manufacturing applications
- Customer relationship management and customer satisfaction survey
- Conduct responsible marketing training
- Improve the supplier management system
- Conduct environmental and social impact assessments on suppliers
- Declaration of non-use of conflict minerals



- Improve the environmental management system
- Continue to invest in environmental protection
- Actively promote green and environmentally friendly packaging materials
- Build a complete water resource recycling system
- Carry out technical transformation projects to save energy and reduce consumption
- Set reasonable carbon intensity targets
- Climate Change Risk Management
- Strictly manage the three wastes to ensure that no environmental accidents occur
- Awarded the title of National Green Factory



- Promote high-quality employment
- Equal employment and non-discrimination
- Anti-harassment
- Prohibition of child labor
- Fight against forced labor
- Freedom of association and collective bargaining
- Protect the rights of female workers
- Provide a competitive salary system
- Provide perfect benefits for employees
- Implement employee stock ownership plans
- Conduct employee satisfaction surveys
- Convene the Staff and Workers' Congress
- Employee Complaints and Handling
- Provide high-quality employee training courses
- Define a clear employee development path



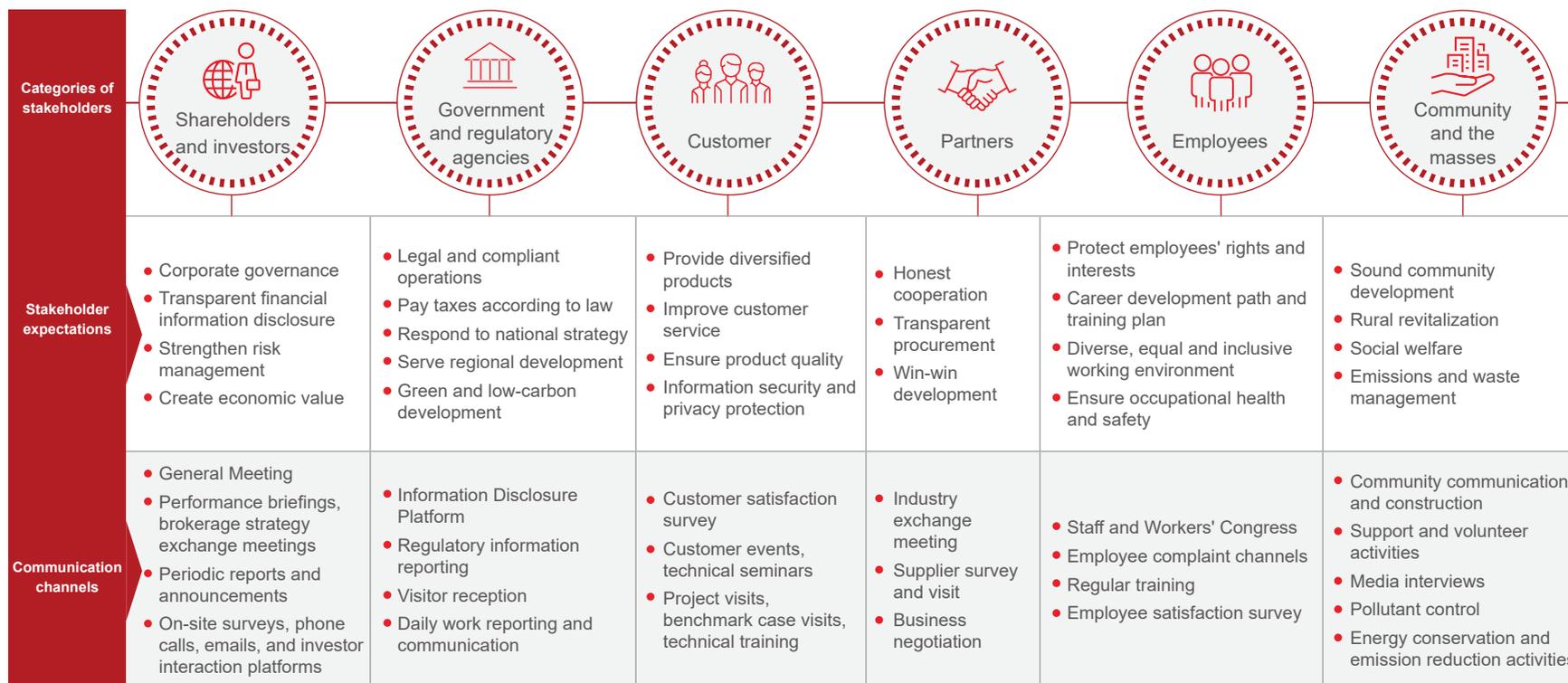
- Carry out charitable activities
- Contribute to rural employment
- Carry out tree planting activities



Stakeholder Communication

Kaizhong Precision attaches great importance to the rights and needs of stakeholders, maintains two-way communication with stakeholders, deeply understands their needs, ensures responses and improvements to important issues, injecting positive impetus into the Company's sustainable development. Based on a deep understanding of the opinions of all parties, we have taken positive measures to respond to relevant needs, integrated the concept of sustainable development into corporate culture and strategy, and promoted the Company's sustainable development through communication with stakeholders. During the reporting period, the Company selected out key stakeholder groups based on standard guidelines such as the Sustainability Reporting Standards (GRI Standards 2021), and recorded and responded to the issues of common concern of stakeholders. In the future, the Company will continue to deepen this practice and work with all parties to create long-term value.

Regular communication mechanism with stakeholders



Analysis of substantive issues

During the reporting period, Kaizhong Precision, based on the national macro-policy orientation, domestic and international social responsibility standards research, industry benchmarking, and combined with the Company's business development strategy, operating management, and issues of concern of stakeholders, conducted an analysis of substantive issues through identification, assessment, and confirmation work processes, and selected out 25 substantive ESG-related issues for 2024, actively responding to stakeholder demands. The Company ranked substantive ESG-related issues by importance based on "importance to the Company's development" and "importance to stakeholders", which helped determine the focus and priority of sustainable development management work this year and set long-term ESG goals and specific objectives.

Steps for assessing substantive issues



Benchmarking and screening of issues

Based on the Company's business development and ESG management status, referring to the latest national sustainable development policies, mainstream domestic and international sustainable development standards, and benchmarking against the disclosure practices of outstanding peers and the focuses of mainstream ESG rating agencies in the capital market, we comprehensively identified ESG issues related to the Company.

Stakeholder communication

The Company keeps a close eye on social needs and policy trends, including regulatory requirements, sustainable development status and capital market trends, committed to maintaining communication and exchanges with stakeholders through multiple channels, establishing and maintaining necessary sound relationships, and understanding the opinions of various stakeholder groups on sustainable development issues.

Assess the importance of the issues

Conduct an analysis of substantive issues to identify the issues most relevant to the Company's sustainable development. Based on the interests of stakeholders, we evaluated the relevance of the issues of concern to the Company's development and the impact on stakeholders, ranked the issues in order of importance, and identified seven very important issues.

List of substantive issues



Very important issues

- Product quality and safety
- Occupational health and safety
- Optimize customer service
- Product R&D and innovation
- Equal employment and protection of rights and interests
- Sustainable supply chain
- Business ethics and anti-corruption



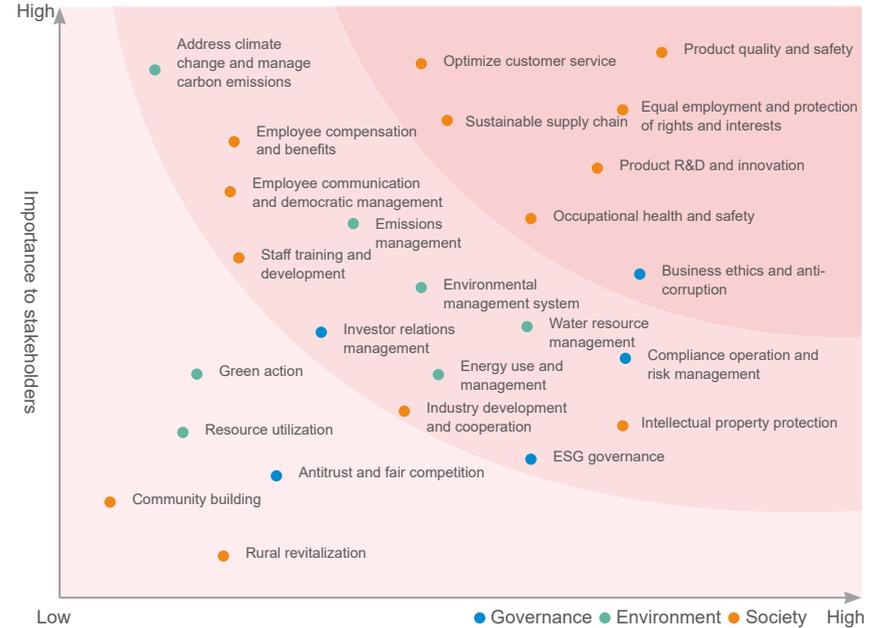
Important issues

- Employee compensation and benefits
- Compliance operation and risk management
- Emissions management
- Environmental management system
- Energy use and management
- Employee communication and democratic management
- Employee training and development
- Investor relations management
- Address climate change and manage carbon emissions
- Water resource management
- Intellectual property protection
- ESG governance
- Industry development and cooperation



Secondary important issues

- Green action
- Resource utilization
- Antitrust and fair competition
- Community building
- Rural revitalization



02

Corporate Governance

In today's complex and ever-changing business environment, Kaizhong Precision has always regarded sound corporate governance as the fundamental guarantee for corporate development. Based on compliant operations, the Company adheres to the bottom line of business ethics. By establishing a sound supervision mechanism and continuously conducting integrity education, we are committed to creating a clean corporate culture while maintaining a zero-tolerance attitude towards any form of corruption. The Company strictly adheres to the principle of fair competition and while respecting every competitor, firmly resists unfair competition and monopolistic practices. Through continuous self-innovation and pursuit of excellence, we are committed to maintaining a healthy and orderly market order and promoting the sustainable development of the industry.

- Sound Corporate Governance
- Strengthen Integrity Building
- Information Security and Privacy Protection



Sound Corporate Governance

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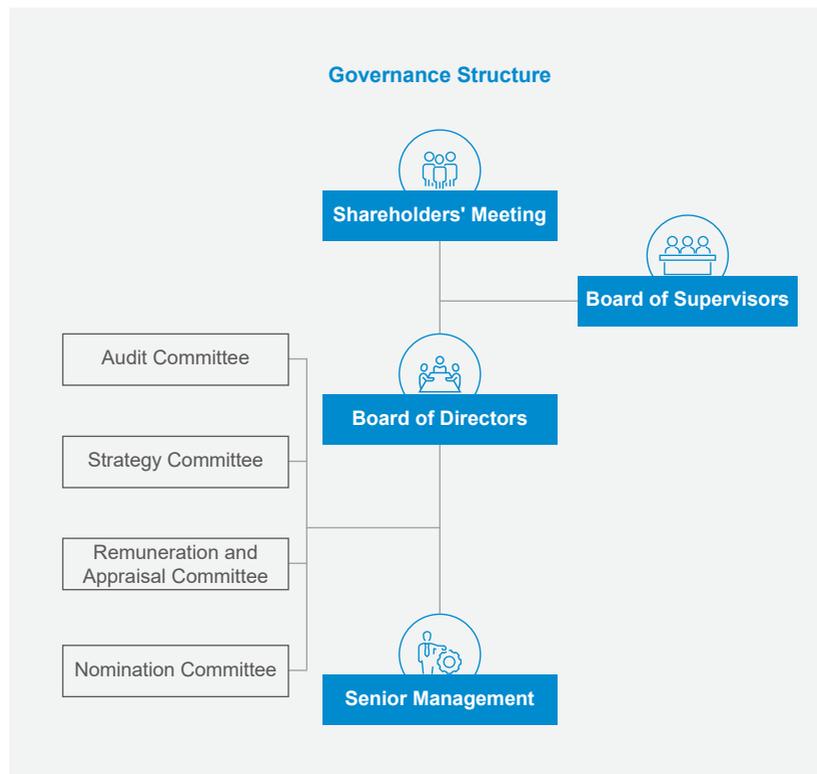
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Kaizhong Precision continues to improve its corporate governance structure, attaching great importance to the protection of investors' rights and interests. We have established a decision-making, execution and supervision mechanism with clear rights and responsibilities and efficient operation to ensure that the Company's business management is conducted in a standardized and orderly manner, laying a solid foundation for sustainable development. For detailed information on the current status of corporate governance and the appointment of directors, supervisors and senior officers, please refer to Section 4 Corporate Governance of the 2024 Annual Report.

Governance structure

In strict accordance with the Company Law of People's Republic of China, the Securities Law of People's Republic of China, the Governance Guidelines for Listed Companies, the Guidelines for the Articles of Association of Listed Companies, the Share Listing Rules of the Shenzhen Stock Exchange, and the Self-regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No.1 - Standardized Operation of Listed Companies on the Main Board, Kaizhong Precision has built a mechanism of mutual coordination and checks and balances among the power organs, decision-making bodies, supervision institutions and management. The governance structure features clear rights and responsibilities, close cooperation and efficient operation. The corporate governance structure consists of the General Meeting, the Board of Directors and its Strategy Committee, Audit Committee, Nomination Committee, Remuneration and Appraisal Committee, and the Board of Supervisors to ensure the standardization and independence of strategic decisions.



Management responsibilities

As the Company's authority body, the General Meeting exercises the powers to decide the Company's business policies and investment plans, review and approve the reports of the Board of Directors and the Board of Supervisors, the Company's profit distribution plan and loss compensation plan, and amend the Company's Articles of Association in accordance with the law to protect the rights and interests of shareholders.

As the Company's decision-making body responsible to the General Meeting, the Board of Directors exercises the powers to convene the General Meeting, report on work, decide on business plans and investment programs, formulate financial budgets and final accounts, profit distribution and loss compensation plans, adjust registered capital, plan major company restructuring, set up internal management agencies, appoint and remove senior officers, and formulate basic management systems in accordance with the law to ensure scientific and efficient corporate governance and safeguard the interests of shareholders and the Company.

As the Company's internal supervisory body, the Board of Supervisors earnestly performs its supervisory duties, supervises the Company's legal operations, financial status, and the legality of the performance of duties by directors and senior officers, ensures the legality and compliance of the Company's operations, and promotes the Company's healthy, stable and sustainable development.

Professionalization of the Board of Directors

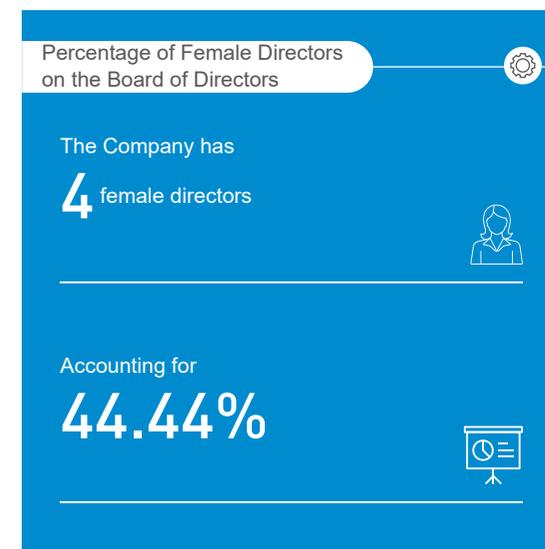
The Board of Directors operates with clearly defined responsibilities, upholding a strong sense of accountability and professionalism. Through rigorous execution of duties, the Board of Directors leverages professional expertise, forward-looking vision, and diligent commitment to provide wisdom and scientific decision support for the Company's strategic planning, operation management, risk control and other key areas to ensure the efficient operation of the corporate governance structure and to protect the legitimate rights and interests of investors. As of the end of the reporting period, the Company's Board of Directors had 9 members, including 6 non-independent directors and 3 independent directors, with independent directors accounting for 33.33%.

The Company's Board of Directors has established the Strategy Committee, the Audit Committee, the Nomination Committee, and the Compensation and Appraisal Committee. Meanwhile, we have formulated rules of procedure for each special committee to define the personnel composition, responsibilities and powers, and decision-making procedures of each committee. During the reporting period, each special committee faithfully performed its respective duties in accordance with the actual situation of the Company and its own rules of procedure with a serious, responsible, diligent and honest attitude, and provided scientific and professional opinions and references for the decision-making of the Board of Directors.



Board diversity

The Company adheres to the principles of "employing people based on their talents" and "board diversity". When appointing directors, we fully consider multiple factors such as candidates' gender, age, cultural background, education level, professional knowledge and skills, major experience and years of service, committed to building a scientific, efficient, diverse and inclusive governance structure. Currently, the Company has 4 female directors, accounting for 44.44%, fully reflecting the concept of gender equality, diversity and inclusiveness. The members of the Board of Directors come from a variety of fields including industry, technology, law, finance and accounting, with comprehensive professional knowledge and skills. This diverse professional background provides rich perspectives and deep wisdom for the Company's decision-making, and effectively guarantees the scientific operation and efficient decision-making of the Board of Directors.



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Investor relations management

In order to strengthen the communication between the Company and investors and potential investors, enhance investors' understanding of the Company, protect the legitimate rights and interests of investors, especially small and medium-sized investors, and continuously improve the level of corporate governance, Kaizhong Precision, in strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidelines for Investor Relations Management of Listed Companies and the Share Listing Rules of the Shenzhen Stock Exchange and other relevant laws and regulations, normative documents and the Company Articles of Association, as well as its actual situation, has formulated the Investor Relations Management System and the Investor Visit Reception Management System. These systems have defined the organizational structure and responsibilities of investor relations management, and improved the content and methods of investor relations management, demonstrating the great importance that the Company attaches to the maintenance of investor relations.

Investor communication channels

The Company has established a multi-channel, all-round communication platform to improve the efficiency of interaction with investors and provide investors with high-quality services. The Board of Directors has a board secretariat under it, which is responsible for coordinating information communication and exchanges with investors, and communicating with investors on issues of concern through the Company's official website, investor hotline, email, and the cninfo platform of the Shenzhen Stock Exchange. In addition, the Company has established and improved channels for communication with investors. Through on-site surveys, telephone conferences, performance briefings, and online collective reception days for investors, we have helped investors gain an in-depth understanding of the Company's operations and development, and listened carefully to investors' opinions and suggestions on the development of the Company.

Types of investor inquiries

During the reporting period, the Company responded to 97 inquiries on the cninfo platform of the Shenzhen Stock Exchange.



Investor returns

In order to establish a scientific, continuous and stable shareholder return mechanism, increase the transparency and operability of profit distribution policy decisions, and effectively protect the legitimate rights and interests of public investors, the Company has formulated the Shareholder Return Plan for the Next Three Years (2023-2025) in accordance with the China Securities Regulatory Commission's Notice on Further Implementation of Matters Concerning Cash Dividends of Listed Companies, the Guidelines for the Supervision of Listed Companies No. 3 - Cash Dividends of Listed Companies and the Self-regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No. 1 - Standardized Operations of Listed Companies on the Main Board and other relevant laws, regulations and the Company Articles of Association, taking into account the short-term and long-term interests of shareholders to ensure the continuity and stability of the Company's profit distribution policy. During the reporting period, the Company distributed a total of RMB108.3 million in dividends.

During the reporting period,

The Company distributed a total of
RMB 108.3 million in dividends



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Compliance management

Kaizhong Precision regards compliance management as the cornerstone of the Company's stable development. The Company integrates compliance requirements into various business and management processes, committed to building a complete and efficient risk management and internal control system, enhancing risk awareness and response capabilities, and ensuring the accuracy and transparency of information disclosure.

Transparent disclosure

The Company always adheres to the principles of "fairness, justice and openness" to regulate information disclosure and protect the legitimate rights and interests of investors. In accordance with the Information Disclosure Management Measures for Listed Companies, the Listing Rules of the Shenzhen Stock Exchange and other relevant laws and regulations and the Company Articles of Association, the Company has formulated and strictly implemented the Information Disclosure Management System and the Internal Reporting System for Major Information, which have defined the information disclosure procedures, responsible parties and confidentiality requirements, ensuring that information disclosure is true, accurate, complete and timely, while faithfully fulfilling information disclosure obligations. The Company's documents for regular or ad hoc disclosure are published in designated media. All disclosed content is open and transparent and is subject to supervision by regulators and investors. Meanwhile, the Company also enhances the sense of responsibility of directors, supervisors and senior officers through internal training to ensure compliance with information disclosure. In the future, we will continue to improve our information disclosure system, serve investors with higher transparency and responsibility mechanisms, and create greater value for the sustainable development of the Company and society.

Internal control

In strict accordance with the Basic Norms for Internal Control and its supporting guidelines, the Company has formulated the Internal Control Management System, established and improved an effective internal control system, set up three lines of defense for risk management and internal control, and carried out internal control management work in an all-round way.





The Company carried out the internal control evaluation work in an orderly manner in stages, covering preliminary preparation, data collection, on-site testing, report preparation and communication to ensure the comprehensiveness, importance and objectivity of the internal control evaluation. The Company conducts an internal financial and non-financial audit of its major wholly-owned subsidiaries every year, conducts special audits every quarter, and publishes the Internal Control Self-Appraisal Report on schedule to ensure the implementation of the Company's internal control management system.



The Audit Department conducted training on the Basic Norms for Internal Control

The Audit Department organized in September 2024, a training on the Basic Norms for Internal Control and its supporting guidelines, aiming to convey external regulatory requirements to the Company's personnel involved in the design, implementation, execution and supervision of internal control, and to provide relevant standards and inspection results. The training content covered the background, application guidelines, evaluation guidelines and differences in audit guidelines of the Basic Norms for Internal Control and its supporting guidelines.

The training emphasized the importance of the internal control system, pointing out that the Company's internal control system should cover all management work and ensure that all decisions and activities are carried out under a sound internal control system. In addition, the training also covered the core requirements of regulatory laws, including formulating and improving internal control systems and manuals, establishing an internal control self-appraisal mechanism, conducting internal control evaluations, and issuing evaluation reports.

Through this training, employees gained a better understanding of the establishment and operation of the internal control system, and how to improve the Company's management efficiency and risk prevention capabilities through internal control.

Risk management

We have established a risk management committee to organize, coordinate and supervise the implementation of the Company's risk management work. This system ensures that we can promptly identify, evaluate and take effective countermeasures to safeguard the Company's long-term development and the interests of investors when facing various risks. Meanwhile, the Company has established a major risk warning mechanism and an emergency response mechanism for emergencies, defined risk warning standards, formulated emergency plans for possible major risks or emergencies, specified responsible personnel, and standardized handling procedures to ensure that emergencies are handled promptly and properly.

In addition, we have also established a comprehensive risk indicator platform, incorporating key metrics including customer, supply chain, legal affairs, and EHS (Environment, Health, and Safety) incidents into the platform for management, using this as a basis to assess each department and enhance their sense of responsibility and risk prevention capabilities. Through a complete risk management system and digital tools, the Company can accurately identify and efficiently respond to risks, continuously optimizing its internal governance level, and laying a solid foundation for sustainable development.

Strengthen Integrity Building

Kaizhong Precision operates in good faith and in accordance with the law, continuously improves the construction of its business ethics system, and actively promotes the construction of an honest culture, committed to creating an honest and clean working environment.

Business ethics

Consistently believing in the values of "integrity and honesty", Kaizhong Precision is committed to establishing and maintaining high standards of business ethics in strict accordance with the Company Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the United Nations Convention against Corruption and other relevant laws and regulations.

We have formulated and promulgated a series of systems such as the Code of Business Conduct and the Anti-Fraud and Whistleblowing Management System to ensure that employees' behavior complies with ethical standards and legal requirements, adhering to the bottom line of "zero tolerance" for fraud and corruption.

The Company has set up multiple reporting channels, including mailboxes, e-mails, telephones, letters, etc., to encourage all stakeholders to report and expose all kinds of violations of business ethics.

Reporting Channels



Email box of General Manager or email box of the Audit Department: audit@kaizhong.com



Hotline: 0755-66852689 extension 6353



Training on anti-fraud and anti-commercial bribery

On November 22, 2024, the Company issued a notice on organizing a company-wide study on the Anti-Fraud and Anti-Commercial Bribery. The training was conducted both online and offline. Online training was delivered via the Kaizhong E-Learning Platform, covering all employees with registered accounts, while offline training was specifically arranged for production line employees. The training content included the types of fraud, common crimes and preventive measures, aiming to enhance employees' legal compliance awareness and anti-fraud capabilities. The training achieved extensive coverage and remarkable results, and equipped employees with methods to identify fraudulent activities and effective response strategies, laying a solid foundation for fostering a transparent and ethical work environment within the Company.



Training site

Whistleblower protection system

Attaching great importance to the protection of whistleblowers, the Company has formulated the Anti-Fraud and Whistleblowing Management System, which clearly defines the protection requirements for whistleblowers with a "zero tolerance" attitude, including strictly prohibiting the disclosure of whistleblower information, allowing anonymous or pseudonymous reporting, and strictly protecting whistleblower information in all links such as registration, acceptance, investigation, and custody. It is strictly prohibited to retaliate against whistleblowers, and any form of retaliation will be subject to criminal prosecution in accordance with national laws and regulations.



Antitrust and fair competition

Guided by its core value of integrity, the Company strictly abides by the Anti-Unfair Competition Law of the People's Republic of China, the Model Provisions on Protection of Anti-Unfair Competition, the Anti-Monopoly Law and other domestic and foreign laws, regulations and relevant standards. The Company has formulated the Code of Business Ethics and Conduct, which incorporates anti-trust and unfair competition provisions. It explicitly prohibits employees from using illegal means to obtain trade secrets or confidential information from third parties, and strictly forbids monopolistic practices, bribery, fraud, or any other forms of unethical competition in business operations. Meanwhile, the Company adheres to fundamental principles throughout its production and operational processes, causing no damage to other enterprises' business reputation or public image; undermining no creditworthiness of competitors or their business activities; and refraining from misleading the public. These commitments collectively demonstrate our dedication to maintaining a fair and equitable market competition landscape.

In addition, the Company requires suppliers to respect and comply with all applicable fair trade, competition and antitrust laws and regulations and not to engage in any anti-competitive discussions or enter into any anti-competitive agreements, including illegal manipulation of prices, market share, customer allocation or other illegal restrictive practices at any level of the production or distribution chain.

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During the reporting period,



The number of anti-corruption and anti-bribery reporting incidents was

0



All employees participated in anti-corruption and anti-fraud training

100%



All employees signed the anti-bribery commitment

100%



During the reporting period,



The Company did not face any litigation regarding unfair competition



Information Security and Privacy Protection

Kaizhong Precision implements the information security management policy of "ensuring information security, meeting customer needs, implementing risk management, and achieving continuous improvement", attaches great importance to information security and privacy data protection, and strives to protect the rights and interests of employees and customers. By formulating a series of information security management systems such as the Information Security Management Manual, the Personal Information Protection Management System, and the Physical and Environmental Safety Management Procedures, we continuously improve the information security management system to provide employees with a safe service environment.

During the reporting period,

System availability:

99.9%

Important data backup completion rate:

100%

Information security training completion rate:

100%

Number of information leaks:

0

Number of major information security incidents:

0

Information security management

In order to comprehensively protect information and data security, Kaizhong Precision organizes security vendors to conduct security testing activities on the Company's main IT systems every year. A 10-person team consisting of the Company's network administrator, system administrator, security equipment engineer, and supplier technical experts conducts vulnerability scanning and ransomware risk investigation on the Company's main IT systems. By deploying security probes, XDR and other equipment in the data center, the team can discover vulnerabilities and weaknesses in the system, and perform targeted patching operations on the system to improve the security and stability of the system.

In order to enhance the Company's emergency response capabilities for information security incidents, standardize the process for handling information security accidents, improve fault recovery efficiency, shorten fault recovery time, and ensure production continuity, the Company has established an emergency response management team, formulated the Information System Emergency Plan, and defined emergency contacts, emergency response processes and measures. During the reporting period, the Company organized and carried out two information security emergency drills: handling of power outages and core network failures in the data center. For power outages in the data center, a simulated power outage was conducted in the IT room of Pingshan Plant, and simulated operations were performed for both normal and abnormal startup of the emergency circuit to ensure normal operation of the system. For core network failures, the Company built a test platform to simulate core network equipment failures, used replacement equipment, imported configuration files, replaced the current core equipment, and quickly restored normal network operation.

In addition, the Company also conducted a number of information security training sessions for all employees. The training content included awareness campaigns on information security and company-specific information security protocols., aiming to enhance employees' awareness of information security.

Information security certification

As of the end of the reporting period, Kaizhong Precision had passed the ISO 27001 information security management system certification and TISAX trusted information security assessment certification, and the certification covered the Company's entire business scope.



ISO 27001 Certificate



TISAX Certificate

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Privacy protection

Attaching great importance to the protection of partners' privacy data, Kaizhong Precision has ensured that all business activities are carried out under the premise of legality and compliance. The Company strives to create a trustworthy business landscape. The Company has ensured that company information and partner privacy are strictly protected by strengthening information access rights and file outbound control, improving information encryption methods, and carrying out privacy protection training.



Asset management

Asset classification: We have formulated the Information Classification and Control Management Procedure to identify the Company's main information assets and supporting assets, and define the classification of information assets.

Protection of confidential assets: Through an effective data backup mechanism, major information assets are effectively protected, and strict requirements are imposed on confidential information obtained in the course of work. Personnel involved should keep it properly, individuals are not allowed to bring it home or to any public place, and confidential information must not be disclosed.

Display of sensitive information: We have developed detailed desensitization standards based on different businesses and departments, and used masks to provide security protection for sensitive information in the information system.



File outbound management

Software development: Enterprise WeChat, company mailbox, Internet behavior control system, desktop control system, and document encryption system are combined to strictly control the outbound sending of files.

Channel restrictions: Only two channels, corporate WeChat and email, are available for sending files, and all other channels are closed.

Audit for outbound sending: We regularly organize audits of corporate WeChat and email to prevent illegal leakage of internal information.



Access rights management

Permission control: We have formulated strict permission control measures for information systems and internal shared files, stipulating that only specific authorized personnel can have access to specific information.

Authority review: We regularly review the allocation and recovery of authority to ensure that authority allocation is reasonable and controllable.



Personnel management

Identification of sensitive positions: We identify information security sensitive positions, conduct effective background checks on personnel in sensitive positions, and require all employees to sign information security confidentiality agreements.

Privacy protection training: We provide employees with privacy protection-related training and assessments.

Management of outsiders: Outsiders entering the factory must strictly register necessary identity information and purpose of visit. All collected information must be clearly informed of its purpose and storage period, and their consent must be obtained. When outsiders enter sensitive areas, they should be accompanied by designated personnel and restricted from using equipment with functions such as recording, video recording, photography, and information storage.

During the reporting period,

The Company did not have any incidents of infringement of customer privacy or leakage of customer privacy data.



03

Innovation and Operation

In response to the country's "14th Five-Year Plan" and its "Made in China 2025" strategic guidelines, Kaizhong Precision has seized the development opportunities of the transformation of the precision components industry towards high-end, intelligent, and green development. Adhering to the philosophy of innovation-driven development, we are committed to becoming a global leading integrated solution provider for precision components by continuously promoting technological upgrades and deepening industry collaboration. While strictly implementing quality management to ensure excellent product quality, the Company has built an operation local network to quickly respond to customer needs, and created a sustainable supply chain system to achieve synergy across the entire industry chain. Our aim is to create value with customers for win-win results.

- R&D Innovation
- Intelligent Manufacturing
- Quality Management
- Supply Chain Management



R&D Innovation

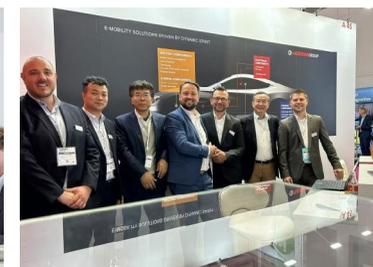
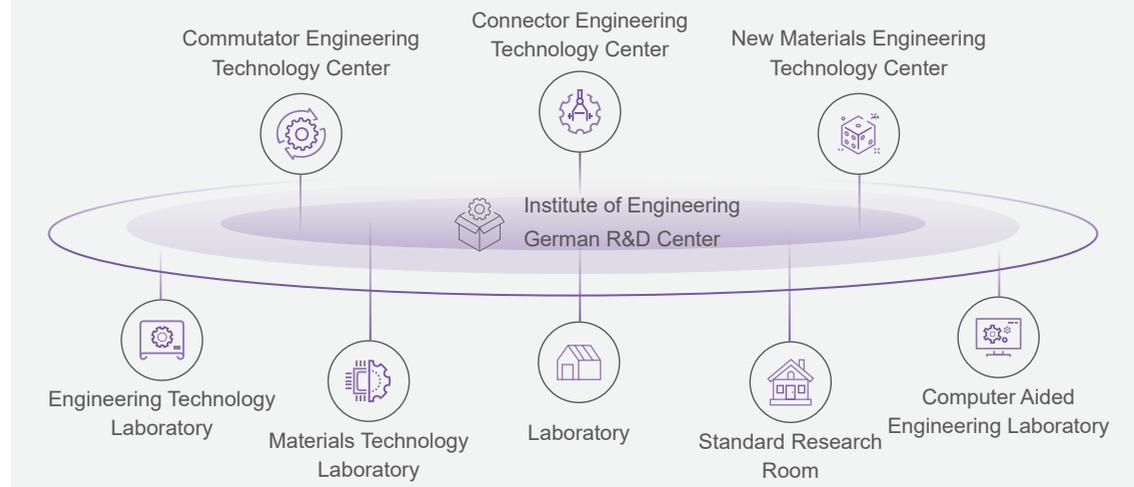
Regarding science and technology as the core driving force for development, Kaizhong Precision is committed to creating a dynamic R&D environment and establishing a fair incentive mechanism so that every employee can give full play to their innovative talents. Guided by customer needs and future market trends, the Company strengthens collaborative R&D between industry, academia and research, promotes the introduction and cooperation of scientific research talents, constantly pursues technological progress, continues high-intensity R&D investment, develops new quality productive forces, and transforms it into market results, continuously creating value for customers. The Company has built an independent intellectual property system to ensure that its technological advantages are consolidated.

Innovation system

Kaizhong Precision attaches importance to and strengthens the construction of the scientific and technological innovation system. In order to coordinate the Company's technical resources and enhance its technological competitiveness, we have established the Engineering Technology Research Institute and the German R&D Center to efficiently coordinate R&D resources and information and realize the sharing of technical capabilities and platforms, covering product development, new material preparation, intelligent manufacturing processes and equipment, pilot and experimental verification and other innovative capabilities.

Meanwhile, in order to continuously strengthen R&D momentum and fully mobilize the enthusiasm of R&D personnel, the Company uses innovative incentive systems such as the R&D Project Management Measures, the R&D Incentive Management Measures, and the Intellectual Property Incentive Management Measures as a guarantee to reward individuals and teams who have made outstanding contributions to technological innovation. These efforts have promoted the Company's continuous breakthroughs in core technology fields.

Structure of the Institute of Engineering Technology



As of the end of the reporting period,

The Company has a total of **363** researchers and developers, accounting for **9.86%** of all employees. Meanwhile, the Company made long-term, continuous and high-intensity R&D investment in the fields of R&D and innovation. This year's R&D investment was RMB **76.0642** million, accounting for **2.49%** of the audited total operating income for the year.



Intellectual property rights

Kaizhong Precision adheres to the intellectual property management policy of "intellectual property promotes innovation and enhances global competitiveness" and strictly abides by the Intellectual Property Law of the People's Republic of China, the Patent Law of the People's Republic of China and other national laws and regulations. The Company has continuously established and improved the intellectual property management system, formulated and implemented the Intellectual Property Management System Manual and other systems to control intellectual property maintenance, implementation, licensing, and transfer. While attaching importance to the protection of its own intellectual property rights, the Company also respects the intellectual property rights and trade secrets of others.

As of the end of the reporting period,

The Company had authorized

240 valid patents



The Company had passed the intellectual property management system certification. The certification certificate is in its validity period.

Including **68** invention patents



168 utility model patents



4 international patents



The Company's Intellectual Property Management System Certification Certificate and Patent Certificate



The Intellectual Property Training Plan is formulated every year and intellectual property training conducted at different levels for the Company's management, intellectual property specialists, scientific researchers, purchasing personnel and sales personnel so that all employees have a deep understanding of the intellectual property management work guidelines, goals, respective responsibilities, as well as the basic knowledge of intellectual property laws, regulations, systems and standards. These efforts have continuously enhanced the scientific and technological innovation capabilities of our scientific researchers and the management level of intellectual property management personnel.

During the reporting period,

The Company had conducted a total of

5 internal intellectual property-

related training sessions, covering basic knowledge of intellectual property, intellectual property mining, and standards for writing briefing documents.





Open collaboration

Kaizhong Precision has consistently attached great importance to industry exchanges and cooperation, actively joined industry associations and participated in industry forums and summits. It is the initiator of the National Innovation Institute of Digital Design and Manufacturing and a director unit of the Industry Alliance. The Company actively participates in the revision of industry standards. During the reporting period, we participated in the research of 5 national standards, industry standards and group standards, promoting knowledge sharing and business cooperation. Meanwhile, we organized more than 500 external technical exchanges, academic seminars and exhibitions to promote the circulation of knowledge, and jointly carried out more than 100 technical research projects with mainstream automobile companies to accelerate industrial upgrading.

In addition, the Company also took the initiative to carry out in-depth cooperation with experts from well-known scientific research institutes to form internal and external synergy. Based on customers' demand for higher performance of multi-layer insulated wires in terms of environmental protection and high frequency and high voltage, the Company cooperated deeply with the Shenzhen Institute for Advanced Polymer Materials of the Chinese University of Hong Kong to develop two high-performance insulation materials and complete the construction of material preparation capabilities.



Participation in the annual meeting of the Micromotor Industry Association

In October 2024, Kaizhong Precision, as a member representative of the Micro-Special Motor and Components Branch of the China Electronic Components Association, was invited to attend the annual meeting held by the Micro Motor Industry Association. Focusing on the cutting-edge technologies, key technologies, and core technologies of micro-special motors and bringing together representatives of outstanding companies in the industry to carry out in-depth discussions on how to effectively promote the sustainable development of the micro-special motor industry, the event aimed at promoting the transformation, upgrading and sustainable prosperity of the industry through in-depth exchanges and cooperation.

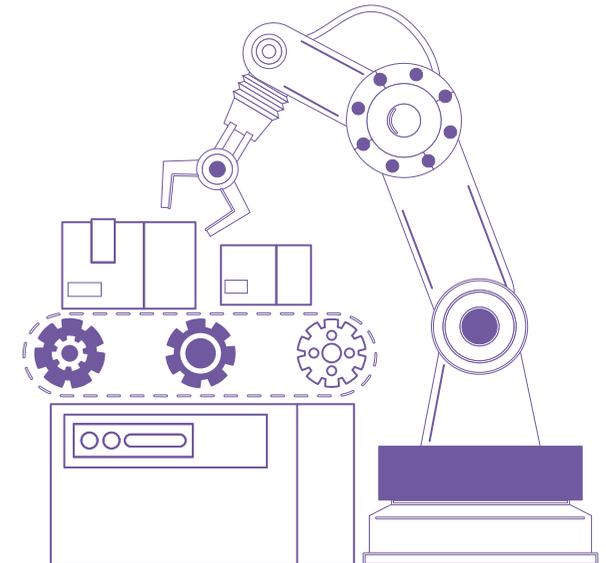
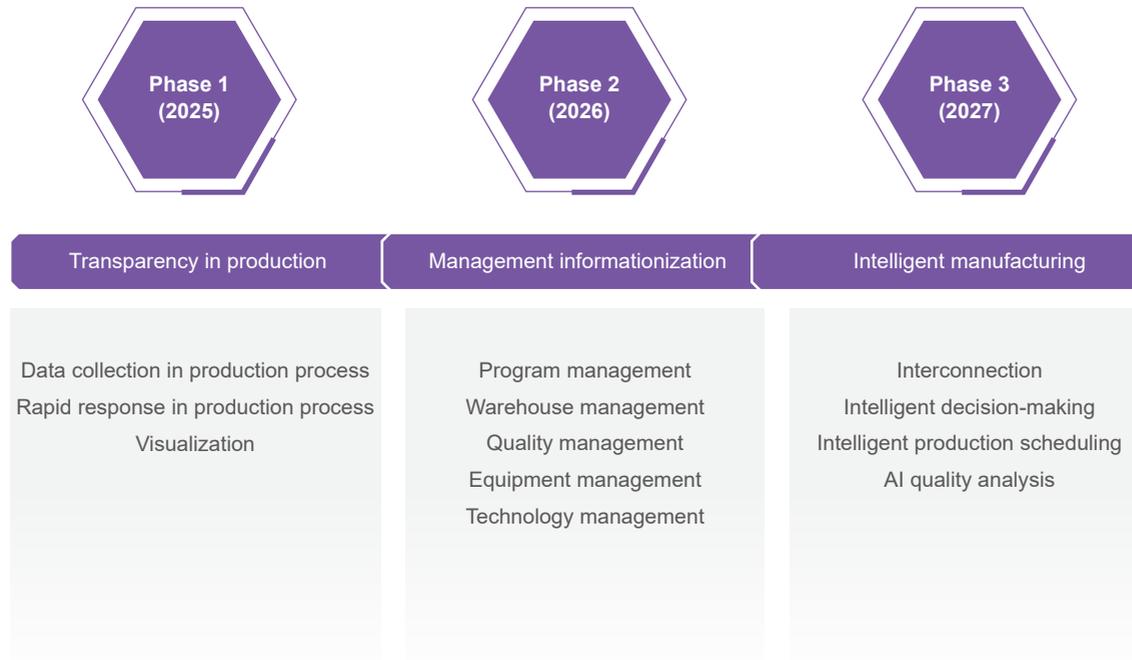


Intelligent Manufacturing

As an advanced enterprise in the field of intelligent manufacturing of precision components, Kaizhong Precision aims to build an "industry lighthouse factory", promoting digital transformation in an all-round way and building an intelligent manufacturing system covering the entire value chain including production, quality control, warehousing, and logistics.

Intelligent operation

In the field of intelligent manufacturing, Kaizhong Precision has formulated an implementation plan for the MOM system, and has further expanded the depth and breadth of automation and informatization in key areas such as planning and scheduling, process management, equipment management, quality management, inventory management, data integration and analysis. We strive to gradually achieve the transformation goal of intelligent manufacturing in all aspects of operations, while providing solid technical support and management guarantees for the Company's sustainable development and value creation.



Intelligent manufacturing achievements

Relying on multiple information platforms and with the support of cutting-edge technologies such as artificial intelligence, the Internet of Things and 5G, Kaizhong Precision has built an intelligent manufacturing system and an intelligent operation system. Through full-range collaboration in human resources management, financial management, safety management, product R&D, production and manufacturing, and supply chain management, the Company has achieved lean management of the entire value chain, improved production efficiency and product quality, and provided more flexible and efficient solutions for production.

Established platforms			
■ ERP system	■ PLM system	■ CRM system	■ Model manager
■ SPC system	■ PM System	■ OA system	■ Cost control system

Platforms under construction			
■ MES platform	■ Digital financial platform	■ Contract management platform	■ HCM platform

Planning and construction platform	
■ MOM platform	■ Intelligent park

Based on the intelligent manufacturing system, the Company actively applies artificial intelligence, automation and information technology to continuously improve the intelligence level and operational efficiency of each production base and to adapt to the rapidly changing market demand. The Company has successfully built multiple information and technology platforms, achieving full-scenario coverage from order management, process management, spare parts inventory management to document management while ensuring efficient coordination of process control and decision-making.



Intelligent manufacturing applications

(1) Automatic visual inspection system

The Company has actively introduced automatic visual inspection equipment with deep learning capabilities in multiple domestic production bases to replace traditional manual inspection methods, and achieved accurate and rapid product inspection, and real-time monitoring of product quality status and production progress, significantly improving inspection efficiency and accuracy, product quality and production efficiency, and optimizing production management processes.

(2) Flexible full-process automatic production line

The company's Huizhou factory has invested in multiple automated production lines, realizing the automation of the entire process from stamping, injection molding, assembly to inspection. These production lines not only have fast switching functions and can flexibly respond to the production needs of different products, but are also equipped with advanced real-time monitoring systems that can grasp the production status in real time and ensure the stability and continuity of production. Besides, with powerful data analysis capabilities, these production lines can also optimize production processes, improve production efficiency and reduce production costs through in-depth mining and analysis of production data.

(3) Fully automatic extrusion production platform

The Company has independently developed an extrusion automation platform. With its advanced technical architecture and deep learning algorithms, the platform has successfully realized unmanned operation of the extrusion process, significantly improving production efficiency and enhancing the stability and consistency of product quality. By integrating an efficient automatic monitoring system, the platform can collect production data in real time and conduct in-depth analysis, thereby optimizing the production process and achieving precise quality control. In addition, with its quick switching function, the platform can flexibly adapt to the production needs of different products, further enhancing production flexibility and market response speed.

(4) Intelligent Manufacturing of the Processing Center of Pingshan Production Base, Shenzhen

Thanks to the application of advanced production management systems such as MES (Manufacturing Execution System) and Mold Manager, the Company has achieved real-time monitoring of production equipment and production progress. Through these systems, we can efficiently carry out order management, process management, spare parts inventory management and document management, achieving full-scenario coverage and significantly improving production efficiency and product quality while providing strong support for the Company's intelligent production and lean management.

Quality Management

Kaizhong Precision attaches great importance to product quality management and strictly implements the quality policy of "participation by all, prevention first, continuous improvement, and long-term and stable satisfaction of customers' demand". By building a systematic quality management system and obtaining external certification, we have formulated a sound internal management system to continuously improve the quality management level of all links in the product life cycle and create safe and quality products for customers.

High-quality products and services are the guarantee for the Company to gain a good reputation. With its outstanding pursuit of quality and innovative spirit, perfect quality management system, full industrial chain layout and high-quality customer service, the Company has earned high recognition and deep trust from many world-class customers, enjoyed a good reputation among world-class customers, and won many honorary awards from customers, further consolidating its competitiveness in the field of global precision components.



Global Excellent Supplier (4 consecutive times), Excellent Supplier in China, Innovation Award for China



Excellent Supplier, Excellent Supplier in China, Best Quality Award for Plants in Jiangsu



Excellent Supplier in China, Global Excellent Supplier, Innovation Award for Asia Pacific



Excellent Supplier



Global VIP Supplier, VWS Excellent Supplier in China, Global Excellent Supplier, VWS Best Quality Award for China



Excellent Quality Award



Excellent Quality Award, Excellent Competitiveness Award, Best Cooperation Award for Plants in Hangzhou, Excellent Supplier Award for Plants in West Asia, Global Contribution Award



Excellent Quality Award

Quality management system

Kaizhong Precision has built a systematic product quality management system based on ISO 9001 quality management system requirements, IATF16949 quality management system for automotive production parts and related service parts organizations, ISO 14001 environmental management system specifications and user guidelines, and ISO 45001 occupational health and safety management system specifications. In strict accordance with relevant national laws, regulations and relevant professional standards, we have formulated the System Management Manual, laying a solid foundation for the operation of the product management system to achieve standardized and efficient operations. In addition, we have formulated the Internal Audit Plan for Quality Management System and conducted internal inspections on the implementation of the Company's quality management system every year to evaluate the conformity, suitability and effectiveness of the management system.

During the reporting period,

The Company planned and carried out

16 internal audits



16

external supervisory audits



Certification of Major Management Systems

Shenzhen Kaizhong Precision Technology Co., Ltd.

IATF 16949, ISO 14001, ISO 45001, ISO 9001, ISO 50001, ISO 17025, ISO 27001, TISAX

Huizhou Kaizhong Precision Technology Co., Ltd.

IATF 16949, ISO 14001, ISO 45001, ISO 9001

Heyuan Kaizhong Precision Manufacturing Technology Co., Ltd.

IATF 16949, IATF90001, ISO 14001, ISO 45001

Heyuan Keshun Insulation Materials Co., Ltd.

IATF 16949, ISO 9001

Changsha Kaizhong Electrical Technology Co., Ltd.

IATF 16949

SMK Systems Metal Composite Materials Co., Ltd.

IATF16949, ISO 50001, ISO 14001

Laboratory certification

The Company strictly follows the requirements of ISO17025 system to ensure that product testing and measurement meet quality requirements. Product testing items cover appearance, performance, environmental reliability, corrosiveness, etc., and calibration items include temperature, pressure, electromagnetic and other contents. Equipped with advanced testing equipment such as precision measurement, reliability testing, mechanical properties testing, electrical properties testing, polymer material analysis, metal material testing, and environmental testing, the Laboratory has the ability to internally calibrate length, electrical, and mechanical measuring equipment. As of the end of the reporting period, the Laboratory had obtained CNAS certification and passed a number of regular reviews such as measurement audits and proficiency verification.



Hazardous substance management

The Company is committed to promoting the protection of the earth's environment and pollution prevention activities. In strict accordance with the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive), the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH Regulation), the Persistent Organic Pollutants Regulation (POPs Regulations), the Battery Directive, the U.S. Toxic Substances Control Act (TSCA), China's Management Measures for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products and other domestic and foreign hazardous substance standards and regulations, the Company has formulated the Control Standards for Prohibited Substances to effectively control raw materials, processes, shipments and other links to ensure that the products provided do not contain prohibited substances. These efforts have continuously improved product quality.

In addition, when cooperating with suppliers, the Company requires that the products (including raw materials, parts, semi-assemblies and/or finished products) supplied by suppliers must comply with the restrictions of the REACH regulations, the EU Persistent Organic Pollutants (POPs) Regulation, the EU ELV Directive and the RoHS Directive, and must not contain environmentally prohibited chemicals specified in the relevant regulations. Meanwhile, raw material suppliers are required to provide effective environmental-related substance testing reports from third-party laboratories that comply with regulatory standards such as RoHS and REACH to ensure that the raw materials and components in the supply chain meet the requirements on the restriction of hazardous substances.

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Process quality control

Kaizhong Precision adopts process quality control measures such as automated production, automatic detection, and process error-proofing design, and combines intelligent technical means such as machine vision to reduce the product abnormality rate and impact during the production process. In the actual operation of quality control, by using QRQC, 8D and other quality tools to analyze the root causes of abnormalities, we have achieved continuous optimization and improvement in building the core competitiveness of the "zero defect" production system.

After-sales service

In order to respond to customer needs quickly and promptly and ensure that customer demands are resolved efficiently, the Company has formulated and implemented a series of internal systems, including the Customer Complaint and Return Resolution Protocol and the On-Site After-Sales Service Management System, which clearly define the responsibilities and work processes of the after-sales technical team, and ensure that the Company's domestic and international teams can respond to customer demands within 24 hours and solve quality problems on customer sites efficiently and with high quality.

Being well aware that after-sales service is an important guarantee for customer satisfaction, the Company continues to strengthen the quality of after-sales service and improve the professional skills and service level of the after-sales team through regular training. By establishing a customer feedback mechanism, we can collect customer opinions in a timely manner to further optimize the service process. In addition, the company also pays attention to communication and collaboration with customers. Through regular return visits and customer satisfaction surveys, it deeply understands customer needs and further improves service quality.

During the reporting period,

The Company did not see any product recall incidents caused due to quality reasons

Building of quality culture

Attaching importance to customer demands, Kaizhong Precision continuously improves product quality, and conveys quality management concepts to every employee by organizing quality culture construction activities every year. During the reporting period, we organized a total of 80 quality and safety-related internal and external training sessions, covering all employees of the Company. The total training time was approximately 300 hours, and the training topics covered management system, quality management tools, quality audit capability, etc. The training popularized quality management knowledge among all employees, instilled product quality management awareness in the hearts of employees, and thereby improved the Company's product quality management level.



Employees participated in "Zero-Defect" quality activities

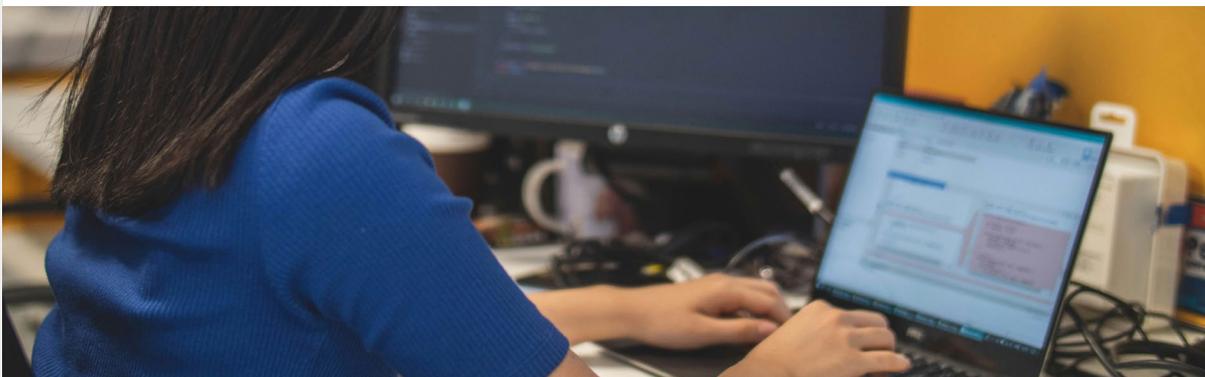
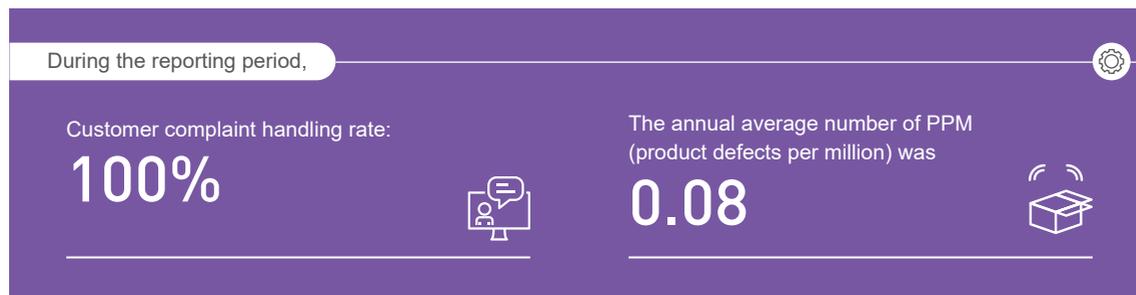
From October to December 2024, the Company organized the "zero defect" quality culture knowledge competition for all employees of each product line with the theme of "Pursue zero defects, create unlimited possibilities". Through the form of a quality knowledge competition with prizes, the Company promoted the "zero defect" quality culture, popularized quality management-related knowledge, and enhanced the quality management awareness of all employees. With a participation rate of employees from business lines reaching over 80%, this quality activity effectively stimulated employees' enthusiasm for learning and promoted the construction of the Company's quality culture.



Customer service

Consistently regarding "continuously creating value for customers" as its mission and upholding the core value of "customer first", Kaizhong Precision is committed to providing customers with valuable services based on customer needs and to designing personalized services and professional countermeasures for them.

The Company sets annual sales targets every year based on its product development plan. By timely collecting information such as industry trends, customer needs, and competitor dynamics, we have been developing new customers in new market areas, strengthening relationships with old customers, and increasing the market share of existing products. Meanwhile, we continue to innovate and improve product and service quality, timely adjust and optimize marketing strategies, continuously improve customer satisfaction and product market competitiveness. In addition, we have established long-term and stable cooperative relationships with customers, creating value for customers and contributing to the sustainable development of the Company. In the past three years, the number of customer complaints has not exceeded the target value of customer complaints set for the year.



Customer relation management

The Company has formulated the procedure document for the Customer Satisfaction Evaluation, continuously improved the customer satisfaction evaluation system, defined the responsibilities and authorities of each department in maintaining customer satisfaction, and regularly conducted internal satisfaction evaluations, customer scorecard reviews, and customer satisfaction surveys every year through internal quarterly satisfaction evaluations and annual evaluations by external customers. Regular inspections are conducted on the quality of products and services provided by the Company. The inspection dimensions include product quality, service quality, timeliness of delivery, and environment. Improvement plans are formulated for projects that do not meet the requirements to find directions for improvement and continuously improve customer satisfaction.



The Company collects customer comments on its products and services through a variety of channels and methods. These channels include customer communication activities, customer online portals, market share analysis, dealer reports, customer testimonials and claims guarantees. Attaching great importance to customer feedback, the Company promptly transmits the customer demand information obtained to the relevant departments, respond quickly and make continuous optimization and improvement to ensure that products and services always meet customer expectations.



"Kaizhong Tech Day" activities

On September 20, 2024, the Company organized a large-scale "Kaizhong Tech Day" event at the request of its customers. The event deepened customers' understanding of Kaizhong Precision through PPT, video explanations and other forms. During the event, on-site and online audiences had in-depth discussions and exchanges on technical details such as the Company's busbar cost-reduction design plan, soft connection technology, electroplating process, welding process, fisheye needle application, and Kaizhong's mold making and copper material making techniques. Through this event, we fully displayed our technical process to customers, which played a positive role in promoting the Company's technological advantages, process level, and product quality, and laid the foundation for future technical communication and development of new business.



In addition, when conducting business cooperation with each customer, the Company attaches great importance to customer information security and protection of their rights and interests, requiring all employees who have access to confidential information to sign a confidentiality agreement, or clearly including confidentiality clauses in relevant contracts. We have strictly defined the scope and authority of use of confidential information, ensuring customer information security and fully safeguarding the legitimate rights and interests of customers.

Responsible marketing

During the market promotion and marketing process, the Company is committed to following the highest standards of business conduct, strictly abiding by various national laws and regulations such as the Advertising Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. We regularly conduct the training courses of the Code of Business Conduct, and strictly prohibit exaggerated publicity, false publicity and other behaviors, enhancing sales personnel's compliance awareness while resolutely maintaining a transparent environment for sales promotion. In addition, we strictly review the release and management of external promotional materials, and expand the Company's influence and brand effect on the basis of ensuring that external promotional information and product information are authentic and reliable.

During the reporting period,



The Company's responsible marketing training averaged

22.5 hours per person



covering all marketing employees

100%



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Supply Chain Management

A stable and sustainable supply chain is one of the key factors for the enterprise to maintain long-term competitiveness. Upholding the concept of sustainable development, Kaizhong Precision is committed to creating a green and responsible supply chain. We actively work with supply chain partners to jointly assume our social responsibilities. While establishing and improving its supplier management mechanisms, the Company regularly conducts supplier knowledge and lean management training so as to promote the sustainable development of the supply chain and help the enterprise and its partners to achieve green development.

Supplier management system

Committed to building a stable and responsible supply chain, Kaizhong Precision has formulated the Supplier Management Manual to manage suppliers from the aspects of supplier development, review, performance rating, annual review, improvement, etc., to establish high standards for supplier behavior norms in terms of labor rights and environmental responsibilities and to promote the process-based, standardized and efficient supplier management.

Supplier access

The Company develops new suppliers based on the five principles of "quality system requirements, automotive industry priority, supply chain security, classified development, and market competitiveness." In terms of quality system, we give priority to suppliers that have passed IATF16949, ISO 9001, and ISO 14001 management system certification. Suppliers engaged in special work and service processes are required to have corresponding professional qualifications to ensure compliance and safety of their work.

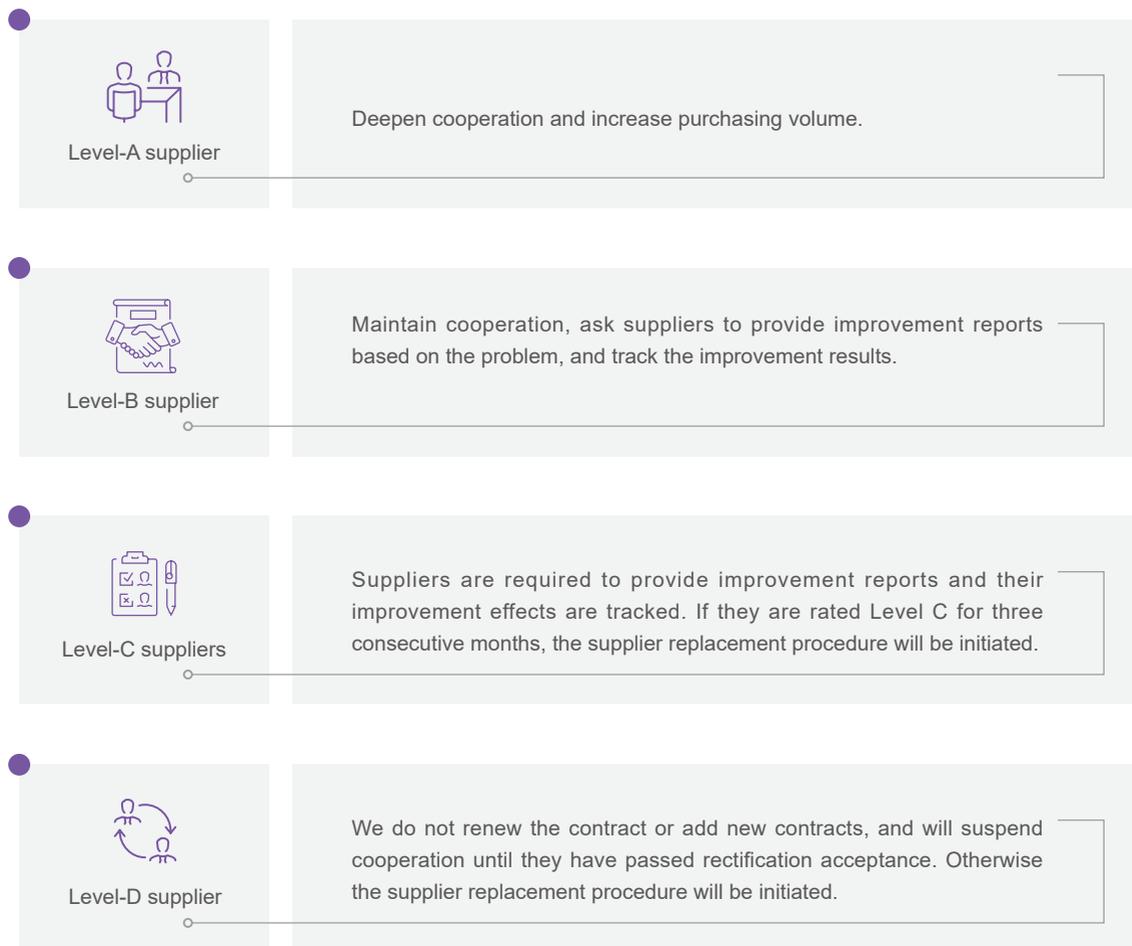
Management system certification requirements for suppliers

ISO9001, IATF16949, ISO14001 and customer-specific requirements



Supplier management

The Company conducts daily performance appraisals on suppliers and monthly QCDS appraisals on suppliers, mainly in four aspects: Q (quality), C (cost), D (delivery), and S (service). The appraisal indicators involved include batch defective rate, average purchase price, on-time delivery rate, on-time response rate, timely response rate, etc. Supplier performance results, grades and management measures are as follows:



In addition, in order to strengthen the quality assessment of suppliers, the Company arranges regular on-site audits of suppliers every year. For suppliers whose on-site audit results are unqualified, the Company will require them to submit a corrective and preventive measures plan to the Supplier Management Department within 7 working days, and the Company's supplier management personnel will provide guidance to the supplier. Suppliers should complete improvements within 3 months. After the improvements are completed, the Supplier Management Department will arrange a re-inspection. Suppliers that fail the re-inspection will be eliminated.

In early January of each year, the Supplier Management Department will summarize and analyze the supplier assessment results of the previous year, and on this basis define the quality improvement goals and supplier tutoring plan for the year, fill in the supplier performance in the Supplier QCDS Performance Report and send it back to the supplier, and ask them to confirm and sign. The improvement goals will be delivered to suppliers in the form of a letter of contact. Suppliers need to sign the letter of contact to confirm the improvement goals for the year and take corresponding measures to achieve the improvement goals.



Sustainable construction of supply chain

Kaizhong Precision is committed to working together with its business partners for common development, optimizing management policies and strategies, strengthening supplier sustainable development management, and actively carrying out supplier capacity building activities to help suppliers grow. In addition, we explicitly prohibit "conflict minerals" from entering the Company's supply chain ecosystem, and actively promote the traceability of conflict minerals and due diligence of supplier conflict minerals.

Supply chain SER audit

The Company conducts social and environmental responsibility (SER) risk assessment on its suppliers. When developing new suppliers, the Company takes social and environmental responsibility factors into consideration in the selection process, and distributes and collects the Supplier Environmental Controlled Substance Self-Application Form and the Supplier Environmental Safety Survey Form. Meanwhile, in response to green environmental protection and human-oriented management, the Company has actively introduced ISO14001 and ISO45001 environmental management system/occupational health and safety management system, calling on all suppliers to jointly build a sustainable supply chain in terms of human rights and labor, business ethics, health and safety, environment and hazardous substances, energy conservation and consumption reduction. In addition, we conduct social environmental responsibility impact assessments on all qualified suppliers every year.

- Suppliers are strictly prohibited from imposing restrictions on employees of the Company, excessive recruitment fees, confiscation of ID cards and/or passports, withholding of wages, abusive working conditions, debt bondage, violence or any other type of exploitation or abuse.

Labor employment

Business ethics

- Suppliers are required not to bribe company employees by giving gifts or red envelopes.
- Suppliers are required to maintain permanent confidentiality responsibilities and obligations for the relevant information provided by the Company, and the confidentiality obligations shall not be exempted regardless of whether or not the final cooperation is reached.

- Suppliers are required to monitor, track and record their consumption of natural resources such as water, raw materials and energy;
- Suppliers are encouraged to adopt green raw materials.

Resource efficiency and energy consumption

Emissions and waste management

- Suppliers are required to monitor, track and record their facilities' emissions to air, water and soil, as well as wastewater and solid waste generated in their processes.
- Suppliers are required to monitor, track and record the composition of packaging materials.

- Suppliers are required to identify potentially hazardous substances in chemical products and articles used in production.
- Suppliers are required to supply products (including raw materials, parts, semi-assemblies and/or finished products) that comply with the restrictions of the REACH Regulation, the EU Persistent Organic Pollutants (POPs) Regulation, the EU ELV Directive and the RoHS Directive, and must not contain any environmentally prohibited chemical substances specified in the relevant regulations.
- Suppliers are required to fill in the Supplier Environmental Governance Substance Self-Declaration Form issued by the Company and provide RoHS reports and REACH reports for their products.
- Suppliers are required to provide safety information to educate, train and protect employees from hazardous materials and to provide employees with adequate personal protective equipment.

Hazardous Substance Management

During the reporting period,



As of the end of 2024, the Company had developed a total of

163 major suppliers



100% of new suppliers were

screened using social and environmental responsibility criteria



100% of suppliers had been

subject to social and environmental responsibility impact assessments



No major environmental or social risks were found among suppliers

100% of suppliers had

signed the Integrity Cooperation Commitment of Suppliers and the Confidentiality Agreement



Supplier training

To help suppliers grow, the Company actively carries out supplier capacity building activities and regularly conducts supplier quality training. Through systematic training, technical support and guidance, the Company is committed to helping suppliers to deeply understand the quality management system and master advanced quality control methods, and to enhancing suppliers' quality awareness and supply quality. Meanwhile, paying attention to the improvement of the ESG capabilities of suppliers, every year we publicize the Company's supply chain ESG management requirements among suppliers and share with suppliers experiences in fulfilling social responsibilities through online and offline training, field visits, and supplier conferences. These efforts have promoted the continuous, stable and healthy development of suppliers.



Supplier ESG training

During the reporting period, the Company organized two supplier ESG training sessions, covering all suppliers. It mainly provided guidance and specifications to suppliers based on three ESG standard documents: the ESG Management System Requirements and Usage Guidelines for China's Automotive Industry, the ESG Information Disclosure Guidelines for China's Automotive Industry and the ESG Evaluation Guidelines for China's Automotive Industry, to help the enterprise to form a closed-loop ESG management improvement path of "management - evaluation - information disclosure - feedback - management improvement", and to further improve the sustainable development level and management capabilities.

During the reporting period,



The Company conducted supply chain ESG training

2

100%

of the Company's suppliers participated in ESG training

Conflict minerals management

In response to the zero-tolerance policy, the Company has made the commitment of not purchasing minerals (gold, tantalum, tungsten, cobalt, tin and other metal minerals) from "conflict areas" in the Democratic Republic of the Congo or its adjacent countries. Meanwhile, the Company actively carried out conflict mineral traceability and supplier conflict mineral due diligence, and sends Conflict-Free Metals investigation letters to suppliers every year, requires suppliers to conduct "conflict-free investigations" on their own to identify all smelters that supply tin, tantalum, tungsten, cobalt and gold to it and its suppliers, and urges suppliers not to provide support for armed conflicts or human rights violations in conflict areas or high-risk areas. As of the end of the reporting period, the Company had never been involved in the use of minerals from conflict areas.

04

Environment

Faced with increasingly severe global environmental challenges, Kaizhong Precision has actively responded to the country's "3060" dual-carbon strategic goals. Under the vision of "building a green global supply chain, providing green products and services, and building a better homeland together", the Company has deeply integrated the concept of sustainable development into the core of its corporate strategy. The Company is fully committed to promoting energy conservation, emission reduction and green transformation, and contributing to the efficient use of resources and the industry's green development and biodiversity protection, with a view to achieving carbon peak by 2025 and carbon neutrality by 2050. The Company has demonstrated its sense of responsibility and commitment with practical actions by earnestly fulfilling its corporate environmental responsibilities and working with all parties to build a green homeland and protect our planet.

- Practice Green and Low-carbon Concepts
- Water Resource Management
- Pollutant Management
- Environmental Protection Capacity Building



Practice Green and Low-carbon Concepts

Kaizhong Precision actively practices the green and low-carbon concept and adheres to the environmental and safety policy of "green manufacturing, reducing consumption, preventing pollution, participation by all, early prevention, and ensuring safety". While actively participating in environmental protection initiatives, we are committed to achieving environmental protection and sustainable development by improving the environmental management system, promoting the construction of green factories, actively responding to climate change, optimizing energy use and implementing energy-saving and emission reduction projects.



Environmental management system

In strict accordance with the Environmental Impact Assessment Law of the People's Republic of China, the Clean Production Promotion Law of the People's Republic of China and other national laws and regulations and environmental management system standards, the Company has actively promoted the construction of the internal environmental management system. In order to monitor environmental factors, we have formulated a series of environmental management-related policies and systems such as the Environmental Area Management Implementation Measures, the Energy Conservation and Emission Reduction Management Regulations, etc., and environmental management procedure documents such as the Safety, Health, and Environmental Management, the Identification and Evaluation of Environmental Factors, etc. In addition, the Company actively promotes and carries out external third-party system certification and review work, strictly follows the audit regulations, and accepts external third-party supervision and audit once a year to ensure the continued effective operation of the management system. Renewal audits are conducted every three years to meet the latest requirements of the certification standards. Besides, the Company conducts an internal system audit and a comprehensive self-inspection of the management system every year. We have formulated and implemented effective corrective measures for any non-conformities found, ensuring that all problems are thoroughly resolved, and further improving the scientificity and standardization of the Company's management system.

As of the end of the reporting period,

Kaizhong Precision, Heyuan Kaizhong, Huizhou Kaizhong, and Dongguan Ruixi had all passed ISO 14001:2015 environmental management system certification.

Kaizhong Precision had passed ISO 50001:2018 energy management system certification.



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Environmental honors and titles

In response to the country's "dual carbon" strategic goals, the Company is committed to promoting ESG concepts, and to achieving green transformation through systematic environmental protection measures. The Company will continue to increase its investment in environmental protection, drive green development through technological innovation, and provide replicable green solutions for industry transformation and upgrading.



Core practices

- Optimization of resource recycling system
- Continuous improvement of production technology
- Thorough implementation of the clean production model
- Upgrade of environmental protection technology and equipment



Honors and achievements

- National-level "Green Factory" (Ministry of Industry and Information Technology's 2023 Green Manufacturing List)
- Provincial-level "Environmental Protection Integrity Enterprise"
- Municipal-level "Clean Production Demonstration Enterprise"



Future development focus

- Strengthen the benchmarking and demonstration effect of "green factories"
- Improve the low-carbon circular manufacturing system
- Deepen the integration of smart manufacturing and green production
- Continuously improve energy efficiency per unit of output value



Environmental protection investment

The Company has consistently regarded environmental protection as the top priority of corporate development. With a strong sense of responsibility and mission, it continues to invest environmental protection funds for environmental monitoring, environmental remediation, introduction of advanced environmental protection equipment, upgrading of production processes, R&D of environmental protection technologies, and implementation of energy-saving and emission reduction projects, with a view to ensuring the efficient advancement of environmental protection work in all aspects. Through its unremitting efforts, the Company has achieved green and sustainable development and contributed to the development of ecological civilization in the whole society.

During the reporting period,

The Company invested

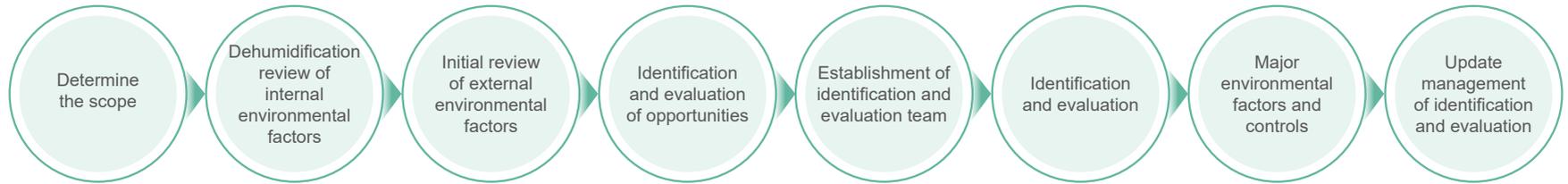
RMB **9.9911** million

in environmental protection



Environmental risk management

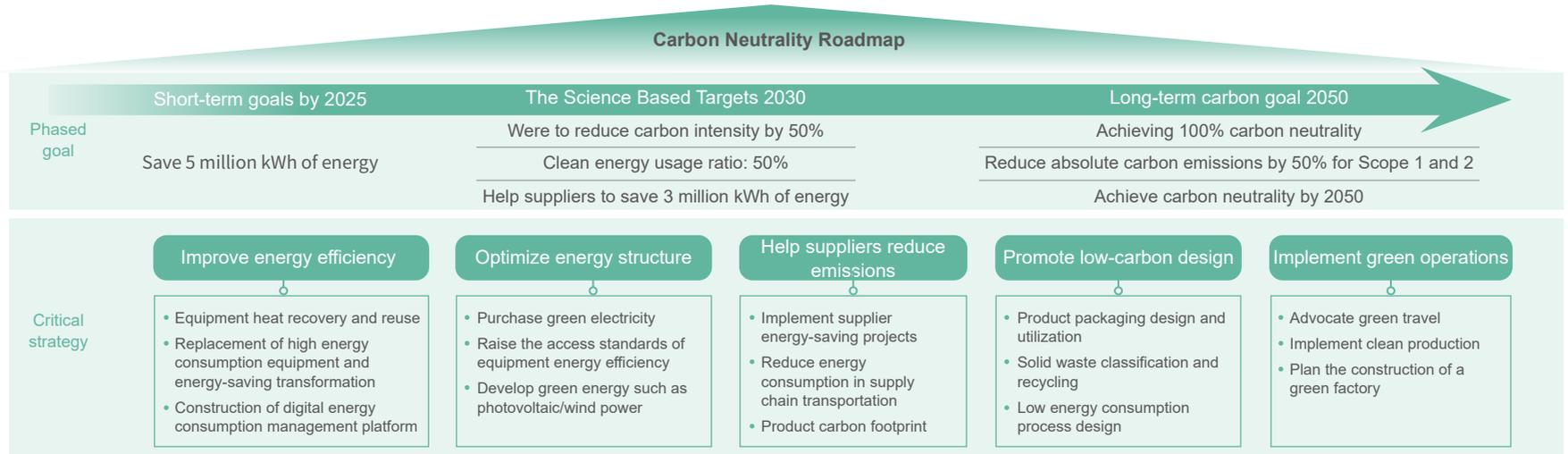
The Company has formulated internal procedural documents such as the Environmental Operation Control and the Identification and Evaluation of Environmental Factors. Through a systematic process, the Company conducts comprehensive and in-depth identification and scientific evaluation of EHS risks and environmental factors in various departments and throughout the entire production service process to ensure that risks are controllable and environmentally friendly.



Identification and Evaluation Process of Environmental Factors

Carbon target

Kaizhong Precision keeps pace with the national dual-carbon strategy and promotes the national 3060 strategy. Based on its own business development, it has formulated the dual-carbon goals of "achieving carbon peak by 2025 and carbon neutrality by 2050". While fulfilling its commitment to environmental responsibility with resource investment and practical actions, the Company is embracing a carbon-neutral future.



Combat climate change

Climate change is one of the most pressing challenges facing the world today. Kaizhong Precision is clearly aware of the far-reaching impact of the risks and opportunities brought about by climate change on its own business and industrial chain. By systematically analyzing the risks and opportunities brought about by climate change, the Company has formulated scientific and effective response measures to actively respond to climate change and contribute to promoting global sustainable development.

Climate Change Risk Management

The Company conducts in-depth analysis of the impact of climate risks and opportunities on its value chain, implements targeted measures to reduce adverse impacts, and seizes opportunities to promote corporate transformation, upgrading and sustainable development.

Risk type	Risk description		Countermeasures
 Physical risks	Acute risks	Extreme weather such as typhoons, heavy rains, and floods may affect production	<ul style="list-style-type: none"> Formulate emergency response mechanisms for natural disasters and emergency plans for extreme weather events, reserve emergency supplies and strengthen safety inspections, and conduct corresponding extreme weather drills regularly. Rationally adopt commercial insurance and other measures to reduce the losses that may be caused by extreme weather.
	Chronic risks	Chronic risks such as continued high temperatures and prolonged droughts affect production and operation efficiency	<ul style="list-style-type: none"> Scientifically arrange production plans, carefully deploy production organizations, and improve operational efficiency. Make plans for high temperature and other weather conditions, arrange production reasonably, and equip with heat and sun protection equipment and supplies.
 Transformation risks	Policy and legal risks	Governments of countries and regions around the world have introduced stricter carbon emission management policies and regulations to mitigate climate change, and companies are facing stricter supervision and management and compliance risks	<ul style="list-style-type: none"> Continue to pay attention to carbon emission policies and regulations at home and abroad, and respond appropriately to policy and legal updates. Actively carry out energy conservation and emission reduction work and increase the proportion of clean energy.
	Technical risks	Transition to low-carbon emission technologies is facing further R&D and investment in low-carbon technologies	<ul style="list-style-type: none"> Enhance the Company's R&D capabilities through talent development and retention measures. Continue to study and apply low-carbon technologies, increase investment in low-carbon technology R&D, and actively carry out industry cooperation. Select low-energy production equipment, optimize production process flow, explore and carry out energy-saving and emission reduction projects, and reduce energy consumption.
	Market risks	The scarcity of non-renewable resources and energy, and consumer demand for green and low-carbon products will affect product costs and prices.	<ul style="list-style-type: none"> Strengthen procurement management, implement price forecasting, energy consumption monitoring and analysis, and improve energy management and control capabilities. Actively develop green and low-carbon products to meet consumer demand and continuously promote resource conservation.
	Reputational risks	Investors and stakeholders are paying more attention to climate change action	<ul style="list-style-type: none"> Actively disclose climate-related risks and opportunities and their responses. Establish energy conservation and emission reduction management targets and regularly monitor the achievement of targets. Improve the transparency of relevant management and proactively respond to inquiries from stakeholders.

Climate risk management measures

We have established a systematic climate risk identification and assessment mechanism to regularly analyze the potential impact of climate change on the Company's business. By cooperating with professional organizations, the Company has regularly conducted carbon inventories and has set a reduction target of "reducing carbon intensity by 3% per year". We also conduct regular risk assessment to ensure that the Company's actions in addressing climate change have a clear direction and can be measured when progress is made.

Kaizhong Precision's greenhouse gas emissions in 2024				
Year	Total carbon volume for Scope 1 (tCO ₂ e)	Total carbon volume for Scope 2 (tCO ₂ e)	Total carbon volume (tCO ₂ e)	Carbon intensity (tCO ₂ e/RMB mn)
2024	190.48	107,005.45	107,195.93	0.0091

[Note] Scope 1: The Company's direct carbon emissions mainly came from emissions generated by fixed emission sources (such as natural gas, coal, etc.), mobile emission sources (such as self-owned vehicles, etc.) and other production auxiliary facilities. Scope 2: The Company's indirect carbon emissions mainly came from purchased electricity.

Optimize energy use

Upholding the concept of green development, Kaizhong Precision has formulated the Energy Conservation and Emission Reduction Management Regulations to clearly define energy-saving targets, scope of application and responsibilities at all levels. Focusing on key equipment such as air conditioners, production equipment, power distribution facilities and air compressors, the Company has optimized energy use from all aspects of technology and management, and formulated detailed energy-saving management rules. Meanwhile, the Company actively encourages employees to propose energy-saving technical solutions and rational suggestions, and ensures the effective implementation of management regulations through a reward and punishment mechanism. In addition, the Company has established a sound supervision and inspection mechanism to regularly evaluate energy usage, and has set scientific and reasonable energy-saving targets to ensure efficient and economical energy use.

Energy saving goal

Energy consumption decreases by

3%

per year



Green operation

The Company actively responds to the call of the national "double reduction" policy and comprehensively implements the green operation strategy, launching energy-saving and emission reduction initiatives to all employees from the three major aspects of low-carbon office, low-carbon life, and low-carbon manufacturing. Through energy-saving electricity, paperless office, green travel, resource management optimization and production efficiency improvement, the Company actively responds to the national call for energy conservation and emission reduction and is committed to achieving sustainable development goals.



- **Energy-saving electricity:** Use energy-saving lamps and advocate the use of strong natural light for lighting. It is strictly required that electrical appliances be turned off when leaving the office, and that computer screen saver time be set appropriately; regulate the use of air conditioners and stop using them on specific days.
- **Paperless office:** Promote paperless communication and document processing (using OA electronic office platform, video conferencing), save printing paper, and encourage double-sided printing.



- **Green travel:** Implement the "3-5-10 travel plan" (3 kilometers of walking, 5 kilometers of cycling, 10 kilometers of public transportation, and more than 10 kilometers of driving), encourage walking, cycling and public transportation, and drive one day less per week.
- **Energy-saving and emission-reduction behaviors:** advocate taking stairs, garbage sorting and recycling, saving resources (water, paper, electricity), and cultivating environmentally friendly habits.



- **Resource management:** timely discover and deal with "leakage" phenomena to reduce energy waste.
- **Production efficiency:** Ensure that the machine stops when people leave, turn off unnecessary power, improve production quality and efficiency to save energy.
- **Energy saving and improvement:** Encourage the proposal of energy-saving equipment and improvement suggestions to improve the Company's operating efficiency.



Air Compressor Waste Heat Recovery Project

The air compressor needs to dissipate heat when it is running. Under traditional methods, the heat emitted by the air compressor is dissipated into the nature through the cooling tower, which fails to effectively utilize energy and leads to energy waste. Therefore, the Company invested in the construction of an air compressor waste heat recovery project. The project uses the air compressor waste heat system for heating, transferring the waste heat to the circulating water through a plate heat exchanger. The recovered heat is sent to the cleaning line, while improving the heat dissipation efficiency of the cooling tower. In addition, the waste heat can also be transported to the heating tank of the finishing line to meet its heating needs, thereby replacing the electric heating method of the original heating tank, realizing the effective recovery and utilization of energy and reducing energy consumption. In 2024, the Company saved 313,500 kWh of electricity and reduced carbon emissions by 297.6 tCO₂e through this project.



Waste Gas Tower Energy-saving Technical Transformation Project

Before the energy-saving technical transformation of the waste gas tower, a manual on/off mode was used, which resulted in employees often forgetting to turn off the equipment when dining or changing shifts, causing waste of electricity and manpower. To solve this problem, the Company made technical improvements to synchronize the operation of the waste gas tower with the working hours of the production workshop, and modified the PLC program to add a timed power on and off function. This project not only improves energy utilization efficiency, but also optimizes the production process and achieves the goal of energy conservation and emission reduction. In 2024, the Company saved 39,125 kWh of electricity and reduced carbon emissions by 37.13 tCO₂e through this project.

Water Resource Management

Kaizhong Precision regards water conservation and reuse as an important part of sustainable development, strictly abides by the Water Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China and other laws and regulations, and systematically plans the use of water resources in production and operation. The Company continuously carries out zero-discharge sewage treatment station projects, and through internal control, third-party monitoring and reclaimed water reuse measures, ensures that wastewater is treated in compliance with standards and is recycled, thereby minimizing the impact on the surrounding water environment.



Utilization of water resource

Kaizhong Precision actively formulates and implements a series of scientific and reasonable water-saving measures to carry out delicacy management of water use in various aspects such as production and life. For example, in the production workshop, by optimizing the production process and adopting advanced water-saving equipment and technology, the water consumption can be accurately controlled to reduce the consumption of water resources in the production process. In office areas, we promote the use of water-saving appliances, continuously carry out water-saving publicity and education for employees, and help them develop water-saving awareness.

Pingshan Plant	Zero emissions, saving 15,000 tons of water annually
Heyuan Plant	Metering, supplying water on demand, saving 15,000 tons of water annually
Huizhou Plant	Zero emissions, 100% reuse of industrial water, saving 21,000 tons of water annually

In terms of water resource reuse, the Company has invested in the construction of an advanced water treatment and reuse system. After professional collection, deep treatment and strict purification of production wastewater, water resources that meet the reuse standards are reused in production processes and equipment cooling, forming a closed-loop water resource management system.

Main water conservation management measures



- **Conduct water balance tests:** Accurately control water consumption through real-time monitoring and analysis of test data.
- **Grinding machine wastewater recycling:** In order to solve the problem that the two grinding machines waste about 10 cubic meters of water every day, the wastewater is recycled after sedimentation to reduce the use of fresh water.
- **Optimization of the recycled water system:** In the pipeline well, by connecting the ends of the cleaning machine and grinder to the recycled water pipe, about 3 cubic meters of water can be recycled every day.
- **Foot valve update:** Replace the foot valves in the bathroom that are often damaged and do not rebound in time to reduce water waste caused by equipment failure.
- **Intelligent urinals:** Change the urinals in men's washrooms from mechanical to intelligent flushing types to improve flushing efficiency and reduce water waste.
- **Faucet maintenance:** Check the sink faucets and replace any that are leaking or not tightly closed to avoid unnecessary water loss.
- **Cooling tower water circulation:** Add recycled water to the process cooling tower and replace the float valve to achieve water recycling and reduce the addition of new water.

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With the Zero-discharge sewage treatment station project, treated water that meets the standards can be reused in production

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To address the environmental pressures faced by the Company and the need for efficient water resource utilization, a zero-discharge wastewater treatment station was established at the Pingshan Plant. The station processes emulsion cutting fluid, high-concentration wastewater, and composite wastewater from the plant. High-concentration wastewater undergoes specific treatment procedures before being mixed with composite wastewater, followed by multiple treatment stages, including sedimentation, filtration, biological treatment, and membrane treatment. During the process, concentrated water, sludge, and other byproducts are properly managed—some are recirculated for further treatment, while others are handled by certified third-party units. After the implementation of the zero-discharge wastewater station, the Company achieved complete wastewater elimination, with the first-stage and second-stage reverse osmosis (RO) treated water being reused. The reclaimed water meets the standards outlined in the Water Quality Standards for Urban Wastewater Reuse in Industrial Water, fulfilling production water demands while significantly enhancing the Company's environmental benefits. In 2024, the wastewater treatment capacity reached 70 tons per day.

Meanwhile, in order to support the production of the electroplating workshop and the efficient use of water resources in the park, the Company has begun to build an industrial wastewater zero-discharge sewage treatment station in Huiyang Plant. After the completion of the sewage treatment station, 99% of the industrial wastewater discharged from the workshop will be reused in cleaning, electroplating, grinding and other processes after meeting the standards through deep treatment. The remaining 1% of concentrated waste liquid will be outsourced to a unit with hazardous waste treatment qualifications for disposal. The reuse of reclaimed water complies with the requirements of the Water Quality for Industrial Water Recycling in Urban Wastewater. It is expected that the treatment capacity will achieve the design target of 600 tons per day after the completion of the project.

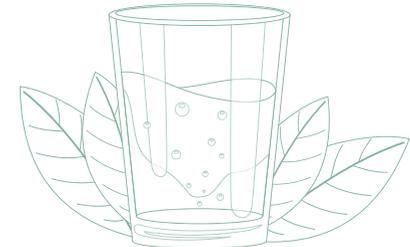


Zero-Discharge Sewage Treatment Station

Wastewater management

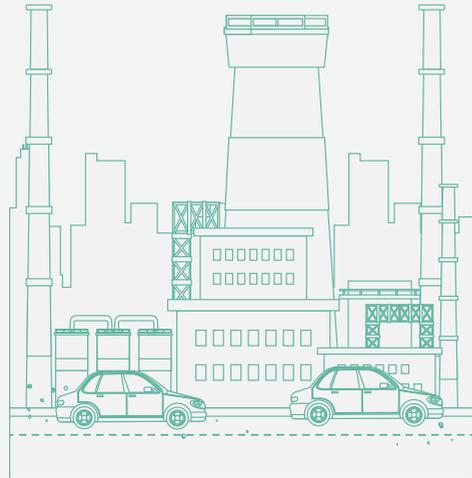
Kaizhong Precision strictly abides by the Water Pollution Prevention and Control Law of the People's Republic of China and other national and local wastewater pollution prevention and control policies and regulations, and strictly implements the Water Pollutant Emission Limits - Guangdong Provincial Local Standards and the Odor Pollutant Emission Standards and other standards. During the production and operation process, the Company strictly controls various pollutants, ensuring zero wastewater discharge through professional treatment processes and effectively fulfilling its responsibility of protecting water resources.

The Company has established a complete wastewater management system, formulated normative documents such as the Wastewater Treatment Management Operation Manual, and implemented a daily water volume monitoring and data verification mechanism to ensure that the monitoring data is accurate and reliable. When abnormal water volume occurs, the early warning mechanism will be immediately activated and adjustment measures will be taken to ensure the stable operation of the sewage treatment system. Meanwhile, the Company regularly entrusts qualified third-party testing agencies to conduct quarterly monitoring and comprehensive inspections on emissions of pollutants such as waste gas and wastewater. All previous test reports have shown that the Company's pollutant emission indicators are in full compliance with national and local standards, fully demonstrating the Company's standardized management and outstanding results in environmental protection.



Pollutant Management

Kaizhong Precision continues to optimize the pollutant emission management system, focusing on strengthening waste gas treatment and waste management, significantly improving VOCs emission reduction results and resource recycling rates and ensuring environmentally friendly and compliant operations. Meanwhile, the Company actively practices the concept of circular economy and effectively reduces environmental burden through waste resource utilization, achieving coordinated development of economic and ecological benefits.



Waste gas management

Kaizhong Precision has formulated a series of internal management systems, including the Waste Gas Treatment Facility Management Operation Manual, incorporating waste gas management into the core process of daily operations while implementing full-process control through "three-fixed" management (fixed time, fixed location, and fixed personnel).

Control at the source	Optimize the waste gas collection system to ensure that all waste gas is collected
Process management	Implement standardized operations on key equipment such as spray towers and UV activated carbon purifiers
End monitoring	Conduct online monitoring of emission data to ensure stable compliance with standards

The Company has established a closed-loop mechanism of "monitoring - early warning -disposal" to ensure the efficient operation of treatment facilities and continuously reduce the concentration of atmospheric pollutant emissions through real-time data monitoring and preventive maintenance.



The Waste Gas Treatment Upgrade Project achieved efficient emission reduction and promotes green development

The Company has upgraded the extrusion and cleaning processes, changing the collection method of the extrusion process from a gas collection hood to an enclosed overall exhaust, and the cleaning process from unorganized emissions to an enclosed gas collection. In addition, the end-of-pipe treatment facilities for organic waste gas have been upgraded to water spray + two-stage activated carbon adsorption. After the transformation was completed in 2024, the results were significant. The VOCs grade was rated A, the collection efficiency increased from 30% to 50%, the treatment efficiency jumped from 31% to 80%, and the VOCs emission reduction reached 0.583 tons. The transformation not only optimized our production environment, but also set an environmental protection benchmark for the industry and demonstrated our sense of responsibility in addressing climate change.



Waste Gas Treatment Upgrade Project

Waste management

Kaizhong Precision strictly abides by the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and other laws and regulations while building a full life cycle management system for hazardous wastes.

Institutional guarantee

Establish regulatory documents such as the Waste Management Regulations and the Hazardous Waste Management System

Process control

Implement the standardized process of "classified collection - standardized storage - legal disposal"

Emergency management

Regularly conduct emergency drills for hazardous waste leaks

Ledger management

Realize the traceability of the entire process of hazardous waste generation, transfer and disposal

Classify and manage general industrial solid waste (waste metal, waste paper, etc.) and hazardous waste (oily rags, waste engine oil, waste light bulbs, etc.) to ensure a 100% compliance disposal rate.

Hazardous waste management measures



Standardized records and inspections

The person in charge of the hazardous waste warehouse must keep records of the management ledger in accordance with regulations. The Environmental Protection Group of the Equipment and Power Department shall regularly inspect the generation, collection, storage, transfer, operation of pollution prevention and control facilities, pollution damage, execution of rectification within a time limit, and implementation of management systems.



Full process control

Ensure that the collection, storage and transfer of hazardous wastes comply with national laws and regulations and company regulations. It is strictly prohibited to dump them into the environment or mix them with non-hazardous wastes. Use standard containers and packaging and set identification signs.



Prevention and emergency preparedness

Develop and regularly practice preventive measures and emergency plans for hazardous waste pollution accidents.



Accident response

Once a pollution accident or emergency occurs, the emergency plan will be immediately activated, the affected units and individuals will be notified in a timely manner, and the environmental protection department will be reported for investigation and handling.

Circular economy

Under the guidance of the circular economy concept, the Company actively practices the model of efficient resource utilization and sustainable development. The Company requires comprehensive treatment of recyclable general waste to transform it into useful materials and achieve recycling. In this way, the Company can not only effectively reduce the pollution of waste to the environment, but also save a lot of energy and realize the recycling of resources. For example, waste paper and waste metal that have been professionally processed can be reused as raw materials or packaging materials, thereby extending the life of resources, reducing the exploitation of natural resources, and promoting harmonious coexistence between the enterprise and environment.



The Company continues to strengthen the management of packaging materials, actively promotes green and environmentally friendly packaging materials, and takes the following measures:

- Use recycled input materials to ensure sustainable packaging materials.
- Reuse plastic cartons provided by suppliers to reduce the consumption of packaging materials and the waste of raw materials.

During the reporting period, the packaging materials used by the Company (such as cartons, PE tapes, packing tapes, etc.) all complied with RoHS and other environmentally hazardous substance standards to ensure their environmental friendliness.



Processing Copper Cleaning and Recycling Project

In 2024, the Company cleaned the copper scraps produced in the workshop, removed the oil and dirt, and reused them as raw materials, thus achieving efficient recycling of resources. The project adopted environmentally friendly cleaning technology, strictly controlled wastewater discharge, and ensured the quality of recycled copper materials through drying, sorting and other steps. After the implementation of the project, not only the costs of raw material procurement and waste disposal have been reduced, but also environmental pollution has been significantly mitigated and production efficiency has been improved, bringing both economic and environmental benefits to the enterprise.

Environmental Protection Capacity Building

Kaizhong Precision has built a comprehensive environmental protection system. Through annual emergency drills, it has enhanced the emergency response capabilities of employees and the coordination capabilities of departments, ensuring a rapid and orderly response to sudden environmental incidents. Meanwhile, the Company pays attention to environmental protection training and publicity and strives to enhance employees' environmental awareness and skills; strictly comply with ecological and environmental management requirements and focus on biodiversity protection throughout the project life cycle; enhance the level of environmental management and lay a solid foundation for sustainable development through continuous improvement.

Emergency drills

Kaizhong Precision formulates an annual environmental emergency drill plan at the beginning of each year and organizes and implements drill activities strictly in accordance with the plan. The drill content covers multiple scenarios, including common environmental risk events such as sudden wastewater leakage, excessive waste gas emissions, and accidental leakage of hazardous chemicals. By simulating real scenarios, the Company has not only effectively improved the emergency response capabilities of its employees, but also enhanced the collaborative capabilities among departments, ensuring that it can respond quickly and in an orderly manner when sudden environmental incidents occur. In addition, the Company pays attention to the post-drill summary and feedback. After each drill, a review meeting is organized for department heads and participating employees to analyze the strengths and weaknesses of the drill in detail, propose targeted improvement measures, and incorporate them into the optimization plan for the next drill. Through continuous improvement, the Company continues to improve its emergency response plan to ensure its scientificity and effectiveness in practical applications.

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On-site disposal drill for hazardous waste pollution incidents

To standardize environmental management and strengthen environmental emergency response capabilities, the Company organized an environmental emergency drill on December 14, 2024. The drill simulated the scenario of "emergency response to leakage during hazardous waste sludge transfer". Sewage treatment technician A transferred sludge and it leaked. After notifying the person in charge, the person in charge arranged for alert and organized emergency response. After clean-up, hazardous waste management training was conducted, transfer was resumed and the drill was reviewed. This environmental emergency drill achieved the expected results and fulfilled the expected objectives, effectively enhancing the Company's emergency response capabilities for sudden environmental incidents and the environmental awareness and skills of its employees.



Emergency response drill for hazardous waste sludge leakage during transportation

Environmental protection training and publicity

Kaizhong Precision attaches great importance to the cultivation of environmental awareness and continues to strengthen environmental protection training and publicity activities. By carrying out systematic environmental education and training, the Company imparts to employees the knowledge of environmental laws and regulations, energy conservation and emission reduction, and green production concepts, helping them establish correct environmental values. Meanwhile, the Company uses various channels to carry out environmental protection publicity activities, such as posting environmental protection posters and organizing environmental protection theme activities to create a strong environmental protection atmosphere and further enhance employees' attention and sense of responsibility for environmental issues. Through these initiatives, we have not only enhanced employees' awareness of environmental and social responsibility, but also stimulated their enthusiasm to actively participate in environmental protection actions, laying a solid foundation for promoting the sustainable development of the Company.



Industrial solid waste standardized management training in Pingshan District

In 2024, in order to improve the standardized management level of hazardous waste in enterprises in Pingshan District and ensure that corporate operations complied with environmental protection laws and regulations, the Pingshan District Government held standardized management training on industrial solid waste and interpreted the Technical Specifications for the Setting of Hazardous Waste Identification Marks (HJ1276 - 2022) and the Pollution Control Standards for Storage of Hazardous Waste (GB18597 - 2023). The training system explained the basic concepts and standards of hazardous waste, and used practical cases, such as companies being punished for setting up incorrect signs, enabling trainees to gain an intuitive understanding of the consequences of irregular management. In addition, the training also included an interactive Q&A session to deal with the problems that trainees may encounter in their actual work, and materials were distributed to assist them in learning. The Company organized 10 employees to participate in this training, which further improved its standardized level of hazardous waste management and effectively reduced the risk of environmental pollution.

Biodiversity protection

Biodiversity is related to human survival and sustainable social development and is a valuable resource with strategic significance. Kaizhong Precision strictly follows the national "three lines and one list" ecological environment zoning control requirements, prioritizes biodiversity protection throughout the project feasibility assessment, construction, and operation process, strictly controls the damage caused by production and operation, and strives to achieve a virtuous interaction between economic development and ecological protection. During the reporting period, the Company's production operations, products and services did not have a significant impact on biodiversity.

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As the international community pays increasing attention to labor rights, protecting employee rights has become an important issue in global sustainable development. Adhering to the "people-oriented" concept, Kaizhong Precision is committed to building a fair, respectful and inclusive working environment. The Company attaches great importance to the construction and development of the talent team. By continuously introducing outstanding talents and improving the training system, it has created a high-quality, efficient and professional talent team to provide strong talent guarantee for the Company's sustainable development. Meanwhile, the Company strictly protects the legitimate rights and interests of employees. By improving the employee care system and democratic management mechanism, the Company has effectively guaranteed the occupational health and safety of employees and continuously improved their sense of belonging and satisfaction.

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- Employee Recruitment and Talent Development
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Protection of Employees' Rights and Interests

Kaizhong Precision respects and protects the legitimate rights and interests of employees, strictly abides by relevant regulations such as the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, and the Special Provisions on Labor Protection for Female Employees, as well as applicable laws and regulations of overseas operations, and implements international labor conventions and initiatives with high standards, including the Universal Declaration of Human Rights, the Core Conventions of the International Labor Organization, and the United Nations Guiding Principles on Business and Human Rights. In order to build a complete labor rights management mechanism, the Company has formulated labor rights protection systems such as the Employee Handbook, the Labor Protection Regulations for Underage Workers and Female Employees, and the Employee Complaint Management Procedure.

As of the end of the reporting period,

the Company had not found any incidents involving violations of freedom of association and collective bargaining rights, forced labor, illegal slavery, child labor, or any type of discrimination.



Measures to protect workers' rights and interests



- We do not interfere with employees' freedom of belief.
- We do not discriminate against employees in hiring, compensation, training opportunities, promotion, dismissal or retirement based on ethnicity, race, nationality, religious beliefs, gender, etc.
- After a discrimination incident occurs or a related complaint is received, an investigation will be conducted in a timely manner, and reasonable assistance will be provided to those affected, such as legal aid, financial compensation, psychological counseling, etc.



- Eliminate all types of harassment, such as psychological harassment, sexual harassment, verbal harassment, etc.
- Encourage employees to report any possible or existing harassment or abuse to their company's human resources administrator or department head.
- When harassment or abuse occurs or a related complaint is received, timely investigation shall be conducted into the incident and reasonable assistance shall be provided to those affected, such as legal aid, financial compensation, psychological counseling, etc.



- Strictly confirm the age of applicants by checking their ID cards and resorting to other means to ensure that no child laborers or underage workers enter the company to work.
- Once child labor is discovered, their work will be stopped immediately in accordance with the provisions of the Labor Law, they will be sent to a specialized institution for a health check, returned to their guardians in a timely manner, and assisted in continuing their compulsory education.

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- Sign labor contracts with employees in accordance with the law and clearly define employment conditions.
- It is strictly prohibited to collect deposits from employees in any form, and it is not allowed to hold or destroy, hide or confiscate documents except under the circumstances prescribed by law.
- Once forced labor is discovered, an investigation will be conducted promptly. While those responsible are held accountable, reasonable assistance will be provided to those affected, including legal aid, financial compensation, psychological counseling, etc.



- The Company supports the establishment of trade unions and ensures that employees exercise their right to organize in an environment free of violence, pressure, fear, intimidation and threats.
- For matters involving the vital interests of employees, such as wages, welfare, labor safety and health, and social insurance, we will listen to employees' opinions through democratic forms such as the Staff and Workers' Congress and trade union meetings, and care about and pay attention to employees' reasonable demands.



- Position arrangement and transfer of female employees: It is prohibited to arbitrarily arrange female employees to inappropriate positions. If a position is not suitable due to production changes, the position should be transferred in time. Female employees can apply for a job transfer due to health reasons with a hospital certificate.
- Labor protection during pregnancy: It is prohibited to arrange overtime work for pregnant employees. Women who are pregnant for more than seven months will not be assigned night shifts and will be given time for rest. We regularly monitor the working hours and tasks of pregnant employees.
- Breastfeeding protection: Female employees who are breastfeeding their babies will not be arranged to work overtime or night shifts.
- Maternity leave and breastfeeding leave: Maternity leave, breastfeeding leave and childcare leave for female employees are protected in accordance with the law.



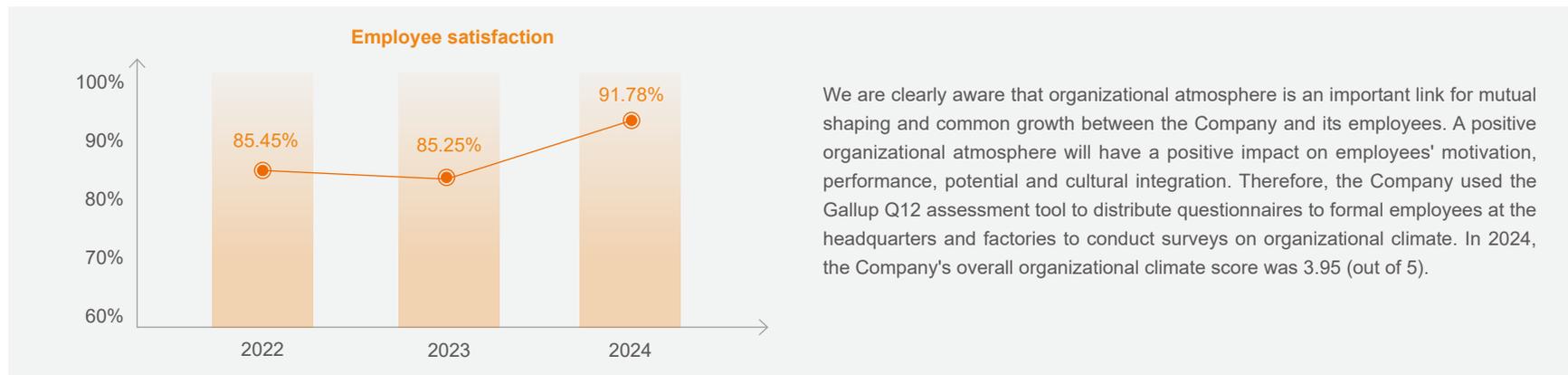
- Conduct testing of occupational disease hazards in the workplace every year.
- Conduct regular occupational health examinations every year.
- Adopt hierarchical control and provide personal protective equipment for risky positions.
- If any incident endangering occupational health and safety occurs, we provide medical assistance to employees in a timely manner.

Employee satisfaction

Kaizhong Precision always regards employees as the core force of corporate development and attaches great importance to employees' demands and experiences. Therefore, the Company has established a normalized and systematic employee communication mechanism, through which an employee satisfaction questionnaire is organized every quarter. By widely collecting employees' opinions and suggestions, we can gain a deeper understanding of their ideas and expectations on work environment, career development, teamwork and welfare benefits to ensure that every employee's voice is heard and valued.

Satisfaction survey

- | | | | | |
|--|---|---|--|--|
| <ul style="list-style-type: none"> • Front-desk express delivery • Inbound call management • Meeting room arrangement and pre-meeting preparation • Dispatching of official vehicles | <ul style="list-style-type: none"> • Water, electricity and other supporting facilities in dormitories • Dormitory Management System • Hygiene in public areas of dormitories • Dormitory administrators' work attitude | <ul style="list-style-type: none"> • Greening maintenance • Timely cleaning of office areas • Cleanliness of office areas • Cleaning staff's service attitude | <ul style="list-style-type: none"> • Dining environment in canteens • Hygiene of canteen food • Variety of canteen food • Freshness of canteen food • Portion of canteen meals • Service attitude of canteen staff | <ul style="list-style-type: none"> • Timeliness of logistics maintenance • Maintenance quality of logistics maintenance • Cleanliness of the logistics maintenance site • Work attitude of logistics maintenance personnel |
|--|---|---|--|--|



We are clearly aware that organizational atmosphere is an important link for mutual shaping and common growth between the Company and its employees. A positive organizational atmosphere will have a positive impact on employees' motivation, performance, potential and cultural integration. Therefore, the Company used the Gallup Q12 assessment tool to distribute questionnaires to formal employees at the headquarters and factories to conduct surveys on organizational climate. In 2024, the Company's overall organizational climate score was 3.95 (out of 5).

Employee complaints

Kaizhong Precision has formulated the Employee Complaint Management Procedure, which is applicable to the submission and handling of complaints by all employees, ensuring that the Company's employee complaint channels are unobstructed, guiding internal employees to use internal complaint tools reasonably and effectively, standardizing internal employee complaints and handling procedures, and ensuring that complaints are accepted in a fair, just and open manner, thereby improving employee satisfaction and enhancing employees' sense of identity and belonging.

The Company clearly stipulates that all complaints must strictly follow established methods and formal channels. The Human Resources Department is committed to improving and protecting these legitimate methods and normal channels, and fully safeguarding the rights of employees to express their demands and make appeals reasonably and legitimately.

Employee complaints management

Department officers

Department heads should first accept employee complaints and try their best to resolve their demands. When the employee relations team conducts a fact-finding investigation, they should fully cooperate and provide information and support during the investigation.

Employee Relations Handling Group

Responsible for collecting complaint information within the Company, and for handling, feedback and supervision of complaints from company employees or departments.

Employee Appeal Committee

Responsible for handling employees' further appeals when they are dissatisfied with the handling results of the appeal by the Human Resources Department, in order to safeguard the legal and legitimate rights and interests of employees and avoid infringement of their legal and legitimate rights and interests.

Employee complaint channels

- Before an employee files a formal complaint, they should report to his or her department and seek a solution.
- They should also make an oral or written complaint to the Employee Relations Handling Group.

Channels are: call the Employee Relations Specialist, e-mail, suggestion box of the Human Resources Department and the general manager's mailbox

- If an employee is still dissatisfied with the outcome after going through the appeal channel, they may submit a written complaint to the Employee Complaint Committee.



Employee Recruitment and Talent Development

Kaizhong Precision always adheres to the "people-oriented" concept and is committed to building a fair, transparent and efficient talent development system. The Company focuses on the introduction and training of potential and professional talents. By improving training resources and promotion channels, it promotes employee capacity improvement and career development, and realizes the organic unity of personal value and corporate strategy. The growth of every employee is the driving force for the Company's development. We will continue to optimize the talent training mechanism, build a high-quality and highly cohesive professional team, and provide strong talent guarantee for the Company's sustainable development.

Employee recruitment

In strict accordance with the Labor Law of the People's Republic of China, the Regulations for the Implementation of the Labor Contract Law of the People's Republic of China and other laws and regulations, Kaizhong Precision has formulated the Recruitment Management Regulations, adhering to the principle of equal employment and opposing any form of forced labor. We are committed to building a diverse workforce and providing fair employment opportunities for job seekers from different backgrounds.

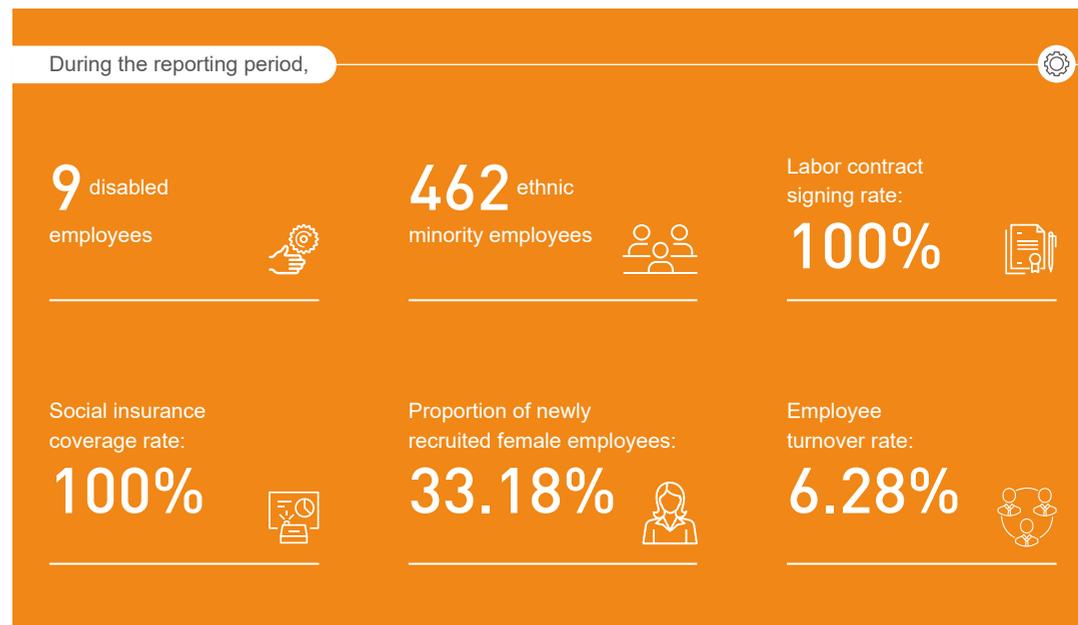
Recruitment

In 2024, upholding the recruitment principles of "openness, transparency, competition and selection, and staffing control", the Company attracted talents through campus recruitment and social recruitment. Campus recruitment injected new forces of innovation and vitality into the Company, while social recruitment brought in experienced professionals. This dual-track parallel model successfully created a diversified talent pool.

Diversity and equality

The Company is committed to creating an inclusive and equal working environment and to eliminating discrimination while paying attention to vulnerable groups. In order to safeguard the legal rights and interests of underage workers and female employees and ensure their health in production and labor in the enterprise, the Company has specially formulated the Labor Protection Regulations for Underage Workers and Female Employees, strictly prohibiting child laborers and underage workers from entering the company to work. Meanwhile, the Company evaluates and classifies all positions, identifies positions that are not suitable for female employees. For positions suitable for female employees, the Human Resources Department shall not refuse to recruit female employees during recruitment activities. In 2024, the Company did not recruit or use child labor. The proportion of newly recruited female employees reached 33.18%.

The Company actively assumes the role of a corporate citizen and ensures employment for key and special groups. We have employed 9 people with disabilities, who are provided with equal benefits and promotion opportunities.



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Staff training

Kaizhong Precision attaches great importance to talent cultivation. Every year, we carry out a variety of internal and external training sessions for all employees, covering new employees, business implementation, management, professional track, professional quality, legality and compliance to help employees improve their capabilities in an all-round way and achieve sound career development. In 2024, the Company held a total of 1,411 online and offline open learning projects, with a total of 26,312 participants, a total training time of 304,711 hours, an average training time of 82.76 hours per person, and an average satisfaction rate of 90.02%.



Training for new employees

The Company provides comprehensive induction training for new employees, including the Training on the Corporate Culture and Human Resources Administration System, the Training on Factory-level Safety Education, the Training on Anti-fraud Knowledge, etc. Every quarter, we also regularly conduct the Training on Performance Management, the Training on Personal Income Tax Settlement, the Training on Intellectual Property and the Training on Corporate Culture. The online learning platform provides rich resources to help new employees gain a deeper understanding of the Company.

In department-level training, after new employees return to the department, the mentor will provide professional skills training according to the job training plan. Through the dual-channel training model, new employees can fully understand the company and positions, improve their comprehensive abilities, enhance corporate cohesion and competitiveness, and help achieve the Company's strategic goals.



— New employee training site —



Professional skills training on the Operation Manual for Material Supply Management Process

On August 28, 2024, the Company organized professional skills training on the Operation Manual for Material Supply Management Process, and invited planners, site supervisors, material control specialists, and cost accounting personnel to participate in the training. The purpose was to strengthen the understanding and cognition of the supply chain planning system among business department personnel through the promotion of relevant planning system knowledge, thereby further promoting the collaborative cooperation of various business links. There were 45 participants in this training. The training content involved a review of the S4 system design, the three lines of defense in the supply chain, the importance of the supply chain, and specific implementation methods. The trainees' satisfaction rate for this session reached 90 points. In terms of improving knowledge and skills, the trainees had a deeper and more comprehensive understanding of the relevant professional content, which could help improve their efficiency at work.



— Professional skills training —



Leadership training

On April 16, 2024, the Company organized a training on the Role Positioning and Cognition of Managers. 36 managers at the middle level and above participated in the training. The training content covered aspects such as manager role transformation, positioning misunderstandings, positioning analysis and cognition. By combining theory with cases, it helped the trainees to deeply understand the roles and responsibilities of managers. After the training, trainees said that they had understood their role positioning and improved their decision-making capabilities and management efficiency.

From September 23 to 24, 2024, the Company conducted the training titled Advancing to True Executives. 22 managers at the middle level and above participated in the training. The training content revolved around the definition, responsibilities, roles and capabilities of true executives. Through the training, the trainees gained an in-depth understanding of the multi-dimensional requirements of true executives, improved their management capabilities, and laid a solid foundation for the Company's competitiveness.

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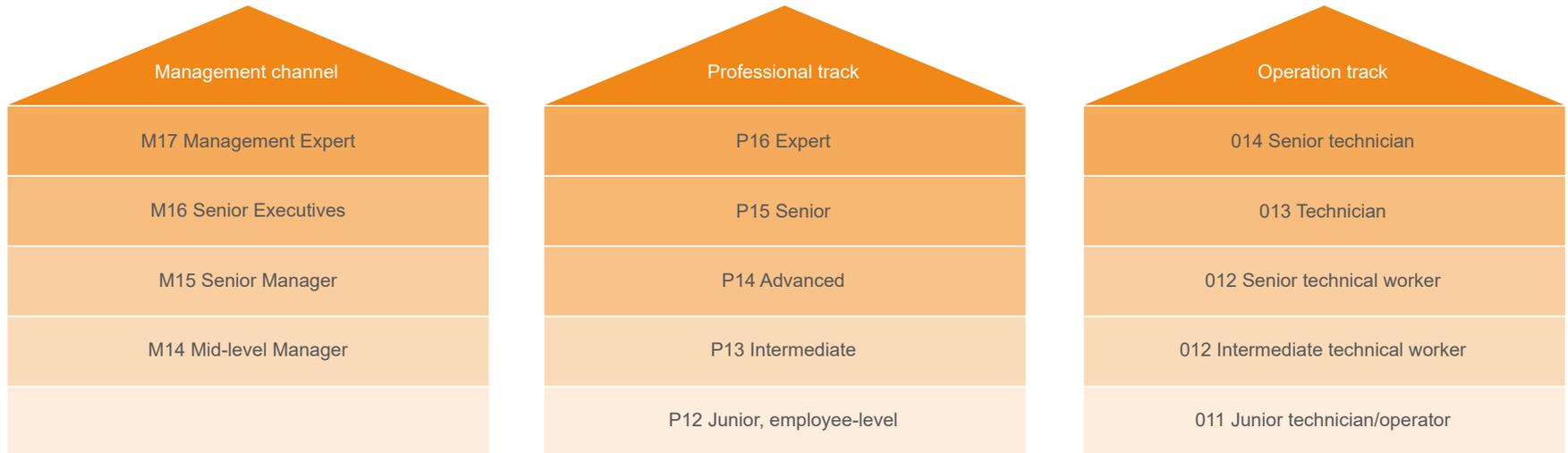
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Employee promotion

Kaizhong Precision has established a 7-level, 23-grade job grade system, set up three major tracks: management, specialty, and operation, and formulated the Job Grade Management System to provide employees with clear career development channels and cross-track development opportunities.



Encourage academic advancement

We have established academic allowances to encourage employees to continue their studies, improve their professional qualities, and grow with the Company.

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Kaizhong Precision has built a market-competitive salary and benefits system to meet employee demands through diversified measures and to continuously enhance employees' sense of belonging and cohesion. The Company regularly evaluates salary levels and formulates scientific salary strategies based on market dynamics to ensure that we can maintain our advantages in the competition for talent and provide talent guarantee for sustainable development.

Employee compensation and incentives

Kaizhong Precision has formulated and improved a series of compensation and incentive systems such as the Salary Management System, the Performance Management System, the Production Incentive Award Management Measures, and the Sales Commission Award Management Measures, aiming to provide employees with incentive and competitive compensation levels that fit their job responsibilities, and to pay performance bonuses on time every year based on the Company's existing policies, operating conditions, and personal performance appraisals.

Compensation policy and performance

When hiring new employees, the Company determines individual salaries based on their education, work experience and professional capabilities (including years of professional work experience and level of professional knowledge) to ensure pay equity without discrepancies based on gender, age, nationality, race, ethnicity, gender identity, religion, marital status or physical and mental disability.

In order to maintain salary competitiveness, the Company coordinates the annual salary policy plans and adjustments of each park based on changes in the external economic environment. In addition to following the local government's minimum wage standards, we also assess local market salary levels through external salary surveys and formulate salary adjustment plans when appropriate. Meanwhile, the Company conducts regular monthly and annual performance appraisals based on individual employee performance and issues performance bonuses to fully stimulate employee enthusiasm and creativity, while promoting the continuous progress and development of its business.



Selection of Monthly Awards winners

On April 17 and 18, 2024, Pingshan Plant and Huiyang Plant, where the Company's connector product lines are located, held commendation meetings for outstanding employees for February and March 2024 respectively. The meetings summarized the work achievements from February to March and commended outstanding line leaders and employees, aiming to motivate employees to keep up the good work and serve as role models.

13 employees from Pingshan Plant and 16 employees from Huiyang Plant won awards. Representatives of outstanding employees shared their work insights, and some employees also put forward self-improvement plans and improvement suggestions. The Human Resources and Administration Department collected and followed up on the employees' suggestions. It is expected that the workshop will further improve in production and management.



Group photo of Monthly Awards winners



Selection of Annual Awards winners

On February 7, 2024, the Company carried out the 2023 annual evaluation work. After comprehensive selection and recommendation by various departments, review by the Human Resources Management Department, and selection by the Evaluation Group, outstanding individuals and teams in 2023 were commended, and bonuses and related benefits were issued to outstanding employees. Among them, the Company awarded the Production Model Award, Technology Pioneer Award, Outstanding Talent Award, Elite Backbone Award, Professional Elite Award, and Outstanding Rising Star Award to 95 employees in total. Outstanding teams were awarded the Technological Innovation Award and the Management Innovation Award. A total of 4 teams won the awards.



Group photo of Annual Awards winners

Employee stock ownership plan

In order to improve the interest sharing mechanism between workers and owners and achieve consistency in the interests of the Company, shareholders and employees, the Company has launched an employee stock ownership plan. In 2024, a total of 110 outstanding employees participated in the stock ownership plan. Through the employee stock ownership plan, the Company further improves its governance structure and long-term and effective incentive and constraint mechanism, ensuring its long-term, stable and healthy development. Meanwhile, we have deepened the incentive system for the management of the headquarters of the Company and its subsidiaries, fully mobilized the enthusiasm and creativity of employees, attracted and retained outstanding management talents and business backbones, and enhanced the cohesion of our employees and the Company's competitiveness.

Employee benefits

Paying close attention to employee welfare, Kaizhong Precision has established and improved the Welfare Management System, and implemented a layered and multi-category welfare system for all employees, including statutory welfare, fixed welfare, special welfare, and flexible welfare programs. These benefits have effectively met the multi-level demands of employees, stimulated employees' work enthusiasm, and improved employee stability.



Statutory benefits

covering pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity medical care, and housing provident fund.



Fixed benefits

covering living allowance, regular physical examination, care for employees during important holidays and other benefits.



Special benefits

comprehensive welfare support covering family, transportation, communication, etc.



Flexible benefits

covering commercial insurance, training, and education support, etc.



Care for pregnant employees

The Company attaches great importance to the rights and interests of female employees. During the reporting period, we provided extra meals for pregnant employees several times. In addition, the Administrative Department planned and arranged extra meals every Wednesday, providing them with free nutritious soup or fruit.



Helping employees in need

The Company has established an employee mutual aid fund, which is mainly used to subsidize members and their families who have difficulties in seeking medical treatment or attending school, as well as members who have suffered major losses or difficulties in life due to natural disasters, emergencies, etc. During the reporting period, with the mutual aid fund, we completed 12 rescue operations and distributed RMB50,400 in relief funds.

Staff activities

Kaizhong Precision integrates employee care into its corporate culture. By carrying out diversified activities, we have enriched employees' spare time, increased communication opportunities between the Company and its employees, enhanced cohesion among employees, and created a harmonious working atmosphere.



Pingshan Base saw female employees celebrating Women's Day

On March 8, 2024, the Company gathered all female employees at the Kaizhong Pingshan Base to celebrate Women's Day. We organized games to create a happy atmosphere and distributed holiday gifts. The event site was decorated with a festive atmosphere, filled with joy and vitality. This activity mainly created a joyful atmosphere for all female employees in the form of games, and the Company also prepared nice holiday gifts for them. When the female employees received the gifts, their faces beamed with happy smiles. It was not only a gift, but also the Company's recognition of their hard work and good wishes for the festival. The whole event ended successfully in a harmonious and joyful atmosphere. It was an unforgettable holiday.



The activity site at Pingshan Base on Women's Day



A fun sports meeting

During the reporting period, the Company, in conjunction with its plants, organized a fun sports meeting. We set up extremely challenging and interesting game levels to test the team members' teamwork ability. The combination of traditional sports competitions and fun games fully mobilized the enthusiasm of employees, demonstrated the vigorous, positive and youthful spirit of our employees, created a lively cultural atmosphere, and enhanced communication, exchanges and cooperation among colleagues.



Fun sports site

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Exciting basketball games

In 2024, the Company held the 16th "Kaizhong Cup" employee basketball game. After a month of fierce competition, 7 representative teams from various plants and departments took the game as an opportunity to exchange skills, made friends through basketball, fought with all their might, and presented 9 fun and exciting games. On August 3, the much-anticipated final came to a successful conclusion in Heyuan Plant. After the competition, an award ceremony was held on site. Manager Zhou Jianfeng of Heyuan Commutator Manufacturing Department II and Manager Su Hanmei of Human Resources Management Department presented trophies, medals and prizes to the winning teams.



Champion team of "Kaizhong Cup"



Group photo of the "Kaizhong Cup" Basketball Games



Welcoming the Spring Festival warmly

In order to promote traditional culture and enrich the cultural life of employees, before the Spring Festival in 2024, various parks of Kaizhong Precision organized festival activities, enabling employees to feel the unique charm of traditional festivals in a happy and peaceful atmosphere. During the event, each park carefully decorated the venue with a festive atmosphere, hung red lanterns and couplets, creating a strong festive atmosphere. The interactive games were even more lively, including traditional games such as guessing riddles, pitching pots, and hooping, allowing employees to feel the charm of traditional culture in laughter. The games also enhanced communication and cooperation between employees, and strengthened team cohesion and their sense of belonging.



Spring Festival activities



Teachers' Day activities

September 10, 2024 was the 40th Teachers' Day of our country. The Pingshan headquarters of Kaizhong Training Center and Heyuan Plant jointly launched activities to celebrate the Teachers' Day. Kaizhong Training Center reviewed the training achievements in the past year: 104 training solutions, more than 5,000 participants, 289.9 training hours, and 95.7 points for the average trainer satisfaction score. These impressive training data were inseparable from the hard work of the trainers. Group leaders issued appointment letters and certificates of honor to new and outstanding lecturers. In the end, Kaizhong Training Center presented holiday gifts to all lecturers to thank them for their hard work, generous sharing and patient guidance, which helped all employees to continue to grow and surpass themselves.



New lecturers and outstanding lecturers

Occupational Health and Safety

Kaizhong Precision always puts the health and safety of its employees first, actively creates a healthy, hygienic and safe working environment, and continuously strengthens the prevention and management of occupational health and safety risks to safeguard the physical and mental health of its employees.

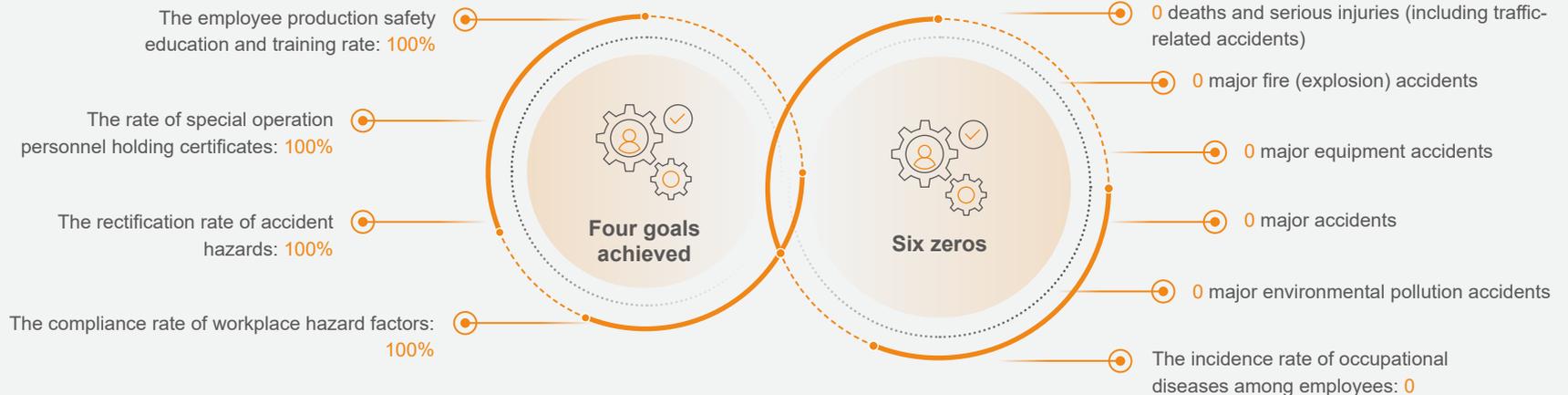
OHS Management System

In strict accordance with the Occupational Disease Prevention and Control Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and other laws and regulations, as well as the occupational health and safety standards and regulations of overseas operation locations, and referring to the requirements of industry associations such as the International Labor Organization, we have formulated a series of production safety rules and regulations, including the Safety Management Regulations, the Production Safety Target Management System, the Production Safety Target Assessment and Evaluation System, the Production Safety Responsibility System, the Production Safety Responsibility Assessment System, the Safety Education and Training Management System, the Production Safety Risk Management System, the Occupational Health (Hygiene) Management System, the Occupational Hazard Notification System and the Emergency Management System so as to strengthen the Company's production safety and occupational health management, and ensure the Company's production safety, environmental safety and occupational health safety. In addition, we have also established a production safety committee to further strengthen the Company's production safety management, effectively implemented the main responsibility for production safety, and ensured that safety measures are effectively implemented, thereby effectively preventing and reducing the occurrence of production safety accidents. As of the end of the reporting period, Kaizhong Precision and its branches and subsidiaries had passed the ISO 45001:2018 occupational health and safety management system certification.



Certificate of Occupational Health and Safety Management System Certification

Safety goals for production safety



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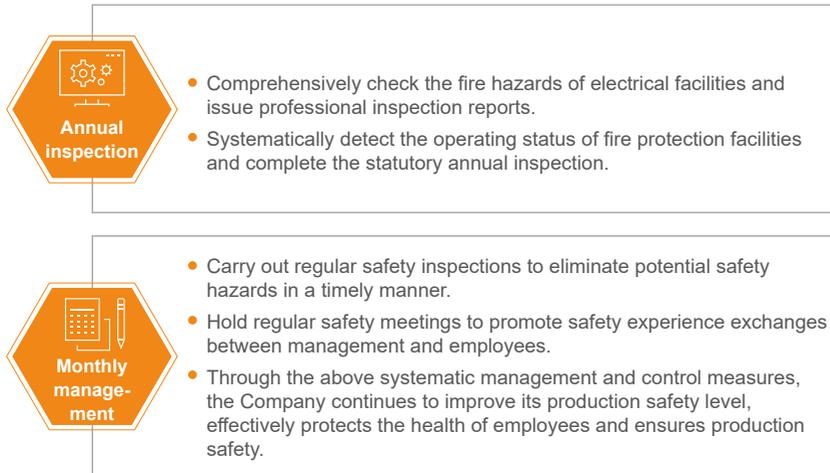
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Production safety risks and control

The Company always adheres to the production safety policy of "safety first, prevention first, and comprehensive management", strictly follows the three-level production safety standardization enterprise standards, standardizes the safety standardization management measures of each park, and completes the reporting and publicity work in accordance with government requirements. For new, modified and expanded projects, the Company strictly implements the "three simultaneous" system, conducts preliminary evaluations to assess safety and occupational health risks, and implements control effectiveness evaluations to ensure that on-site safety and occupational health hazards are effectively managed and controlled.

The Company has established a complete production safety inspection mechanism:



Noise reduction measures in Heyuan Plant aimed to protect employee health

In September 2024, the Safety Department of Heyuan Kaizhong implemented noise reduction measures to address the problem of air discharge noise from pneumatic equipment in the commutator production workshop. After purchasing and testing various types of silencers, the cavity filter silencer solution was finally selected. The Company purchased and installed 1,000 silencers for this purpose. After the transformation, the noise in the workshop was significantly reduced to 84.9 decibels, which is acceptable to human ears. The exhaust noise of the cold press was also reduced from 98.6 decibels to 83.5 decibels, effectively protecting the working environment and physical health of employees.



Fixed chamber filtering and silencing solution

Safety culture construction

Kaizhong Precision strengthens the construction of safety culture and improves employees' safety awareness and emergency response capabilities by regularly carrying out activities such as Safety Month and Fire Protection Month.



The Safety Month event aims to popularize safety knowledge in the workplace and enhance employees' safety awareness.



The Fire Protection Month activities aim to enhance employees' self-rescue and mutual rescue capabilities in fire situations through fire prevention and emergency response training.

In addition, the Company strictly abides by laws and regulations such as the Design Hygiene Standards for Industrial Enterprises and the Management Regulations for Workplace Occupational Health, and regularly provides relevant knowledge and skills training to first aid personnel, safety management personnel, etc.

As of the end of the reporting period,

The Company had owned a total of **40** Red Cross first aid workers



108 employees holding safety management personnel certificates



Attending the launch ceremony of Pingshan District Fire Safety Month



Inviting Pingshan Fuyou Health Center's emergency medical team to provide on-site training on first aid knowledge



Pingshan District Emergency Management Bureau organized safety training for enterprises

On May 21, 2024, Kaizhong Precision actively responded to the call of national production safety regulations. In order to further strengthen production safety work, the Company invited safety emergency experts appointed by the Pingshan District Emergency Management Bureau to organize a training on production safety. The Company attached great importance to this training and carefully arranged a total of 41 department heads, supervisors, part-time safety officers and employee representatives to participate in the training. The training instructors gave in-depth explanations on key topics such as production safety management knowledge, prevention of work-related accidents, and fire safety. Through vivid case analysis and practical skills teaching, they effectively helped various departments of the Company improve their safety management level. This training provided the Company with strong knowledge and skills support in effectively preventing safety accidents and creating a safe and stable production environment during production operations.



Pingshan District Emergency Management Bureau's training on production safety

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Safety emergency plan

In order to ensure the timely control and effective response to production safety accidents, the Company has formulated the Emergency Plan for Production Safety Accidents in accordance with relevant laws and regulations and the Guidelines for the Preparation of Emergency Plans for Production Safety Accidents for Production and Operation Units (GB/T29639-2020). By standardizing and guiding emergency rescue actions, it requires all departments to train employees to prevent accidents, effectively control the situation and ensure a rapid response after an accident occurs, with a view to protecting employee safety and the Company's property.



Fire drill



Emergency drill on electrical shock



Emergency drill on food poisoning



Emergency drill on confined space

Occupational health examination

Attaching great importance to occupational health management, the Company carries out the Detection of Hazardous Factors of Occupational Diseases in the Workplace every year, conducts the Evaluation of the Status of Hazardous Factors of Occupational Diseases every three years, and identifies positions with hazardous factors of occupational diseases based on the report. The Company has signed an occupational health examination agreement with Pingshan People's Hospital on arranging physical examinations for employees at different stages. Before taking up the post, a physical examination will be scheduled within one month of the employee's exposure to hazardous factors. During the work period, employees who have worked for one year or more will be scheduled for physical examinations after we analyze the hazardous factors they are exposed to. When leaving the job, employees who are exposed to hazardous factors apply for resignation. The department will hand over the Resignation Form to a specialist and then schedule for a physical examination. In addition, new employees in noise-related positions are required to conduct their own noise testing before joining the Company. During the reporting period, the employee physical examination coverage rate was 100%.



Publicity on occupational diseases

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Engage in Social Welfare

In order to contribute to building a harmonious society, Kaizhong Precision actively fulfills its corporate social responsibility, continuously carries out public welfare and charity activities, repays the society by promoting rural employment, helping disadvantaged groups and practicing environmental protection and low-carbon actions.

Firefighting charity donation

During the reporting period, Kaizhong Precision donated to the Heyuan Red Cross Firefighting Rescue Foundation, aiming to provide regular assistance to officers and soldiers in difficult circumstances and those with disabilities, as well as the families of martyrs and officers and soldiers who died in the line of duty, and to provide timely assistance to people who have difficulties in life due to fire disasters. Heyuan Plant was awarded the "2024 Advanced Collectives for Engagement in Firefighting Public Welfare" by the Heyuan Red Cross Society.



The Heyuan Red Cross Society awarding the "2024 Advanced Collectives for Engagement in Firefighting Public Welfare"

Contributing to rural employment

In response to the employment difficulties in Heyuan City (a relatively underdeveloped area in Guangdong Province), Kaizhong Precision built a new energy vehicle parts intelligent manufacturing industrial base in the local area in 2017 to:

-  promote the transformation and upgrading of local industries
-  create a large number of jobs (as of the end of the reporting period: 988 employees in total, including 460 local employees)
-  give priority to hiring local people with difficulty finding a job
-  promote high-quality development of regional economy

As of the end of the reporting period,

The Company had provided
460 jobs in Heyuan City



Ecological protection

On March 12, 2024, Arbor Day, five representatives of Kaizhong Precision Party members actively participated in the tree planting activity under the arrangement of Zhukeng Community, and donated RMB10,000 in cash for purchase of saplings. After the activity, the Company received a letter of thanks from the Party Building Office of Longtian Neighborhood, Pingshan District, Shenzhen, expressing sincere gratitude for the Company's good deeds.



Company employees planting trees

Key Performance Data Sheet

Indicator name	Unit	2024
Revenue	RMB mn	3,049.6076
Net profit attributable to shareholders	RMB mn	170.1108
Total amount of tax paid	RMB mn	83.9
Total cash dividends	RMB mn	108.30
Proportion of female directors	%	44.44%
Proportion of independent directors	%	33.33%
Proportion of independent directors on the Audit Committee	%	66.67%
Is the convener of the Audit Committee an accounting professional	/	Yes
Proportion of independent directors on the Compensation Committee	%	66.67%
Proportion of independent directors on the Nomination Committee	%	66.67%
Proportion of independent directors on the Strategy and Compensation Committee	%	66.67%
Coverage rate of employees receiving anti-corruption training	%	100%
Coverage rate of directors receiving anti-corruption training	%	100%
Rate of employees signing anti-bribery commitment	%	100%
Environmental protection investment	RMB mn	9.9911

Indicator name	Unit	2024	
Energy consumption	Diesel	L	47,606.29
	Gasoline	L	14,692.37
	Purchased electricity	KWh	112,968,623.90
	Total energy consumption	Tons of standard coal	13,958.52
Greenhouse gas emissions	Greenhouse gas emissions for Scope 1	Tons of CO ₂ equivalent	190.48
	Greenhouse gas emissions for Scope 2	Tons of CO ₂ equivalent	107,005.45
	Total greenhouse gas emissions	Tons of CO ₂ equivalent	107,195.93
	Carbon intensity	Tons of carbon dioxide equivalent/RMB mn	0.0091
Use of water resource	Total water consumption	Cubic meters	175,836
	Water resource recycling rate	%	24%
	Circulating water consumption	Tons	41,659
Water pollutant discharge	Total wastewater discharge	Tons	100,819
Gas pollutant emissions	Total waste gas emissions	10,000 cubic meters	255,053.06

¹ The greenhouse gas emissions for Scope 1 mainly come from direct greenhouse gas emissions generated by the consumption of fossil fuels in the Company's operation/production process (such as gasoline, liquefied petroleum gas, etc.). The emission factors and calculation methods refer to the Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions from Other Industrial Industries (for Trial Implementation). The calculation formula used is: Carbon dioxide emissions from fossil fuels = fuel consumption * low calorific value * carbon content per unit calorific value * fuel carbon oxidation rate * 44/12.

² The greenhouse gas emissions for Scope 2 mainly come from indirect greenhouse gas emissions generated by purchased electricity consumed in the company's operations/production processes. The calculation method refers to the HKEX (Hong Kong Exchanges and Clearing Limited) document Appendix 2: Guidelines for Reporting of Key Environmental Performance Indicators. The electricity emission factor adopts the Emission Factor of China Regional Grid Baseline, which is 0.9489 tCO₂/MWh for the Southern Regional Grid.

Indicator name		Unit	2024
Waste discharge	Total amount of non-hazardous waste	Tons	2,390
	Total amount of non-hazardous waste incineration	Tons	900
	Total amount of non-hazardous waste recycled	Tons	1,490
	Total amount of hazardous waste	Tons	357
	Total hazardous waste landfill	Tons	357
	Percentage of waste recycled	%	54.24%
Customer satisfaction		%	98.50%
Customer complaint handling rate		%	100%
Number of quality and safety trainings		/	80
Total quality and safety training time		Hours	300
Percentage of suppliers who have signed the Code of Conduct for Suppliers		%	76%
Percentage of suppliers that have signed clauses that include environmental and labor requirements		%	100%
Percentage of new suppliers screened using environmental criteria		%	100%
Percentage of suppliers screened using social criteria		%	100%
Percentage of suppliers that have conducted environmental impact assessments		%	100%
Percentage of suppliers that have conducted social impact assessments		%	100%
Percentage of suppliers that implement the Company's supplier access system		%	100%
Percentage of suppliers identified as having actual and potential significant negative environmental impacts		%	0%

Indicator name		Unit	2024
Number of employees		Person	3,682
By gender	Male	Person	2,365
	Female	Person	1,317
By region	Chinese mainland	Person	3,272
	Other countries and regions	Person	410
Number of employees of ethnic minorities employed		Person	462
Number of local employees		Person	612
Number of employees with disabilities		Person	9
Number of veterans recruited		Person	2
Total employee turnover rate		%	6.28%
Labor contract signing rate		%	100%
Social insurance coverage rate		%	100%
Total number of training courses conducted		/	1,411
Total hours of training received by employees		Hours	304,711
Health and safety investment	Total safety training time	Hours	24,196
	Production safety investment	RMB mn	1.0845
Employee satisfaction		%	91.78%
Number of the Staff and Workers' Congress held		/	4
Staff seminar		/	6

GRI Index Table

Kaizhong Precision reported the information cited in the GRI Content Index in accordance with GRI standards from January 1 to December 31, 2024.

GRI Standards	Disclosures	Section
GRI 2: General Disclosures 2021	2-1 Organization details	Kaizhong Precision
	2-2 Entities included in the organization's sustainability report	About this Report
	2-3 Reporting period, reporting frequency and contact person	About this Report
	2-6 Activities, value chain and other business relationships	Kaizhong Precision and Its Supply Chain Management
	2-7 Employees	Protection of Employees' Rights and Interests, Employee Employment and Talent Development, Employee Welfare
	2-9 Governance structure and composition	Sound Corporate Governance
	2-10 Nomination and selection of the highest governance body	Sound Corporate Governance
	2-11 Chair of the highest governance body	Sound Corporate Governance
	2-12 The oversight role of the highest governance body in managing impacts	Sound Corporate Governance
	2-13 Delegating responsibility for managing impacts	Sound Corporate Governance
	2-14 The role of the highest governance body in sustainability reporting	Sustainable Development Management System
	2-15 Conflicts of interest	Business Ethics
	2-16 Communication on important issues of concern	Stakeholder Communication
	2-17 Shared knowledge of the highest governance body	Responding to SDGs
	GRI 2: General Disclosures 2021	2-19 Remuneration policy
2-20 Procedure for determining salary		Employee Compensation and Incentives
2-22 Statement on sustainable development strategy		Sustainable Development Management Policy

GRI Standards	Disclosures	Section
GRI 2: General Disclosures 2021	2-25 Processes to remediate negative impacts	Stakeholder Communication
	2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Communication
	2-27 Comply with laws and regulations	Compliance Management
	2-28 Membership of the Association	Open Collaboration
	2-29 Methods of stakeholder engagement	Stakeholder Communication
GRI 3: Substantive Issues 2021	3-1 Process for determining substantive issues	Analysis of Substantive Issues
	3-2 List of substantive issues	Analysis of Substantive Issues
	3-3 Management of substantive issues	Analysis of Substantive Issues
GRI 201: Economic Performance 2016	201-1 Economic value directly generated and distributed	Key Performance Table
	201-2 Financial impacts and other risks and opportunities arising from climate change	Combat Climate Change
	201-3 Defined benefit plan obligations and other retirement plans	Employee Welfare
GRI 205: Anti-corruption 2016	205-1 Operation points that have undergone corruption risk assessments	Business Ethics
	205-2 Communication and training on anti-corruption policies and procedures	Business Ethics
	205-3 Confirmed incidents of corruption and actions taken	Business Ethics
GRI 206: Anti-competitive Practices 2016	206-1 Legal actions against anticompetitive behavior, antitrust, and antimonopoly Practices	Antitrust and Fair Competition
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Optimize Energy Use
	302-4 Reduce energy consumption	Optimize Energy Use
	302-5 Reduce the energy requirements of products and services	Optimize Energy Use

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GRI Standards	Disclosures	Section
GRI 302: Energy 2016	302-4 Reduce energy consumption	Optimize Energy Use
	302-5 Reduce the energy requirements of products and services	Optimize Energy Use
GRI 303: Water and Wastewater 2018	303-1 Interactions between organizations and water as a shared resource	Water Resource Management
	303-2 Management of drainage-related impacts	Water Resource Management
	303-3 Water withdrawal	Water Resource Management
	303-4 Drainage	Water Resource Management
	303-5 Water consumption	Water Resource Management
GRI 305: Emissions 2016	305-1 Direct (Scope 1) greenhouse gas emissions	Combat Climate Change
	305-2 Energy indirect (Scope 2) greenhouse gas emissions	Combat Climate Change
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pollutant Management
	306-2 Management of significant waste-related impacts	Pollutant Management
	306-3 Waste generated	Pollutant Management
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers screened using environmental assessment dimensions	Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken	Supply Chain Management
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee Recruitment
	401-2 Benefits provided to full-time employees (excluding temporary or part-time employees)	Employee Benefits
GRI 403: Occupational Health and Safety 2018	403-1 Occupational Health and Safety Management System	Occupational Health and Safety
	403-2 Hazard identification, risk assessment and incident investigation	Occupational Health and Safety
	403-3 Occupational health services	Occupational Health and Safety
	403-4 Occupational health and safety matters: worker participation, consultation and communication	Occupational Health and Safety

GRI Standards	Disclosures	Section
GRI 403: Occupational Health and Safety 2018	403-5 Occupational health and safety training for workers	Occupational Health and Safety
	403-6 Promotion of workers' health	Occupational Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly related to business relationships	Occupational Health and Safety
GRI 404: Training and Education 2016	403-8 Workers covered by the occupational health and safety management system	Occupational Health and Safety
	404-1 Average hours of training per employee per year	Staff Training
GRI 405: Diversity and Equal	404-2 Employee skills development programs and transition assistance programs	Staff Training
	405-1 Diversity of governance bodies and employees	Employee Recruitment
GRI 406: Anti-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Protection of Employees' Rights and Interests
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers with significant risk of incidents of forced or compulsory labor	Protection of Employees' Rights and Interests
GRI 413: Local Community 2016	413-1 Operations with local community engagement, impact assessments, and development plans	Engage in Social Welfare
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers screened using social assessment dimensions	Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	Supply Chain Management
GRI 416: Customer Health and Safety 2016	416-1 Assessment of health and safety impacts of product and service categories	Quality Management
	416-2 Non-compliance incidents involving health and safety impacts of products and services	Quality Management
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints involving breach of customer privacy and loss of customer data	Information Security and Privacy Protection

Reader Feedback Form

Dear Readers,

Thank you for taking time off to read this Report. In order to provide you and other stakeholders with more complete, professional and valuable ESG information and improve the quality of the Company's ESG reports, the Company sincerely invites you to assist in completing the relevant questions in the Feedback Information Form. Please feel free to offer your advice.

1. Are you satisfied with this Report overall?

Yes Average No

2. Do you think this Report reflects Kaizhong Precision's significant impact on ESG?

Yes Average No

3. Do you think the analysis of the stakeholders identified in this Report and their relationship with Kaizhong Precision is accurate and complete?

Yes Average No

4. Do you think the information provided in this Report is complete?

Yes Average No

5. Do you think the information provided in this Report is readable?

Yes Average No

6. Are you satisfied with the overall design of this Report?

Yes Average No

6. We are open to your advice and suggestions on the "2024 ESG Report of Kaizhong Precision".

Please let us know your valuable opinions via:

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