



Lanpec Techonologies Limited

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2024 Sustainability Report

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Report Opening

About the Report

Report Information Disclosure

This report is the second Sustainability Report released by Lanpec Technologies Limited (hereinafter referred to as "LANPEC", "the Company" or "we"). It elaborates on the Company's sustainability philosophy and policies, as well as its efforts in environmental protection, social responsibility, and corporate governance in 2024, addressing the expectations and concerns of stakeholders.

Reporting Period

The report covers the period from January 1, 2024, to December 31, 2024. To maintain information continuity, certain content has been retrospectively reviewed and extended. All information is sourced from internal company data and public records.

Scope of the Organization

This report encompasses all operational activities of Lanpec Technologies Limited and its member enterprises, aligning with the scope disclosed in the Company's annual report.

Reference Standards

The GRI Universal Standards (2021 version) issued by the Global Sustainability Standards Board (GSSB), the Shanghai Stock Exchange Listed Company Self-Regulatory Guidelines No. 14 – Sustainability Reporting (Trial) and the Shanghai Stock Exchange Listed Company Self-Regulatory Guide No. 4 – Sustainability Reporting Preparation issued by the Shanghai Stock Exchange, the Recommendations Report of the Task Force on Climate-related Financial Disclosures (TCFD) issued by the Task Force on Climate-related Financial Disclosures (TCFD), and the 17 Sustainable Development Goals (SDGs) of the United Nations.

Access Methods

This report is available in digital format for your reference. You may access it through the Company's official website (www.lanpec.com) or the Shanghai Stock Exchange website (www.sse.com.cn).

The Letter from the Chairman

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Greetings! It is my great honor to share with you LANPEC's explorations and practices on our sustainable development journey.

In the field of green innovation, the Company actively addresses the challenges posed by climate change. In 2024, we continued to increase investment in clean energy equipment R&D, driving the green and low-carbon transformation of our core business. For example, in major projects such as the Molten Salt Thermal Storage Coupled with Million-kW Unit Demonstration Project and the Akesai Molten Salt Storage Tank EPC Project, our advanced technologies provided strong support for improving energy storage and utilization efficiency. Throughout our production operations, we continuously optimize processes, actively promote water and electricity conservation technologies, achieve energy savings and consumption reduction, and lower the company's carbon emissions. Simultaneously, we vigorously develop circular economy practices by establishing relevant management systems to increase waste recycling and reuse volumes, thereby reducing the environmental impact of industrial waste.

Product quality is our lifeline, while product culture gives our products soul. LANPEC consistently adheres to the philosophy of "technology innovation as the guide, market demand as the orientation, and precision manufacturing as the foundation," integrating quality improvement throughout the entire process of product R&D, production, and service. We strictly comply with domestic and international product quality and safety standards, establishing a comprehensive quality management system and quality assessment mechanism. In 2024, our products demonstrated excellent quality performance, achieving a 100% pass rate for finished goods. We place high importance on technological innovation, continuously increasing R&D investment. With multiple specialized research departments and platforms, we maintain a high proportion of R&D personnel. In 2024, we filed 25 patent applications and were granted 40 patents, including 20 invention patents. These innovations have not only enhanced our products' technological value and competitiveness but also laid a solid foundation for sustainable development.

Sound corporate governance ensures stable enterprise development. We have established a comprehensive governance structure where the Board of Directors and Supervisory Board perform their respective duties, with independent directors fulfilling their roles effectively. In 2024, we optimized our organizational structure to improve operational efficiency. Regarding business ethics and anti-corruption, we maintain a "zero-tolerance" stance through enhanced integrity education, anti-corruption training, and strengthened supply chain anti-corruption management, creating an upright and positive work environment. We emphasize compliance operations and risk control, establishing a comprehensive compliance management system to regularly identify and assess risks, ensuring all operations comply with legal and regulatory requirements.

As a responsible enterprise, we actively fulfill social responsibilities. In supply chain management, we are committed to building a sustainable supply chain, implementing full-cycle supplier management, and prioritizing suppliers with EHS management systems to promote sustainability throughout the supply chain. In social welfare and rural revitalization, we actively give back to society through donations to Lúxiang Town in Shanghai's Jinshan District and Sinomach's designated poverty alleviation areas, supporting poverty relief and infrastructure construction. We also organize employee volunteer activities, support education in remote areas, and donate electric sanitation vehicles to improve rural environmental conditions.

Moving forward, we will continue to uphold green development principles, intensify innovation efforts, enhance product quality and service standards, strengthen corporate governance, and actively fulfill social responsibilities. We are committed to achieving harmonious coexistence between enterprise, society and environment, contributing to building a beautiful China with "lucid waters and lush mountains"!

Thank you!

”

About LANPEC

Company Profile

Lanpec Technologies Limited (hereinafter referred to as "LANPEC") is a listed company with central enterprise controlling shares, restructured from Lanzhou Petroleum Machinery Research Institute (LPMRI) – a national first-class research institution established in 1960.

As a core member enterprise of Sinomach, LANPEC stands as a pioneer in China's petroleum and petrochemical equipment industry, particularly in offshore and desert oilfield development. In 2011, LANPEC (Stock Code: 601798) entered the capital market and achieved full listing on the Shanghai Stock Exchange. By the end of 2024, the Company had obtained 28 critical certifications from relevant national authorities, including design and manufacturing licenses for special equipment (pressure vessels and piping systems) of A1, A2, and A3 classes, ASME manufacturing certification, as well as U and U2 stamp certifications. With 1,013 employees, the Company serves as a Tier-1 network supplier for CNPC, Sinopec, and CNOOC. Our products have been exported to dozens of countries and regions across Asia, Africa, and South America.

Total Employees
1,013

R&D Personnel
370

Authorized Patents
334

Participation in National Standard Development/Revision
36

Participation in National Standard Development/Revision
47

Core Functions

Committed to independent R&D of core technologies in petroleum, petrochemical and new energy equipment, driving national energy equipment security and technological advancement.

Strategic Positioning

Guided by technological innovation, market demand, and precision manufacturing, we focus on two core sectors—petroleum & petrochemical equipment and new energy equipment—delivering high-quality system solutions across products, projects, and services to become a specialized, sophisticated, and innovative R&D-driven enterprise.

Business Portfolio

The Company's production facilities are located in two key regions – Lanzhou and Shanghai, with a total site area of approximately 41.3 hectares and production floor space covering 200,000 square meters. The facilities feature a maximum lifting capacity of 500 tons.

Lanzhou Base

The facility occupies approximately 7.3 hectares of land, with nearly 40,000 square meters of production area. It holds the A1-grade pressure vessel manufacturing certification and primarily produces various high-end petrochemical products including high-efficiency energy-saving heat exchangers, advanced tower vessels, and LNG spherical tanks, with a maximum lifting capacity of 200 metric tons.

Shanghai Base

The facility spans approximately 510 mu (34 hectares) of land, with about 110,000 square meters of workshop area. Holding the A1-grade pressure vessel manufacturing certification, it primarily undertakes production of high-pressure hydrogenation equipment, fertilizer production devices and plate-type series products, featuring a maximum lifting capacity of 500 metric tons.



Product Model

Heat Exchange Technology



Heat Exchangers



Air Coolers

Other Specialized Technologies for Petroleum & Petrochemical Applications



Separation Technology Equipment



Spherical Tanks & Pressure Vessel Technologies



Petroleum Drilling & Production Technology Equipment



Major Honors — Credit Ratings

AA

QuantData

BBB

Wind

A+

IIGF

BBB

CCXI

Passive Index

Oil and Gas Resources (931248.CSI)

Wind Strategic Emerging Industries Index (866400.WI)

Specialized, Fined, Peculiar and Innovative Little Giants Theme Index(8841451.WI)

CRHC Central SOEs Composite Index (932004.CSI)

National Technology Innovation Demonstration Enterprise

Lanpec Technologies Limited

National Intellectual Property Demonstration Enterprises and Advantageous Enterprise

Lanpec Technologies Limited

Specialized, Fined, Peculiar and Innovation “Little Giants” Enterprise

Lanpec Technologies Limited

National Green Factory

Lanpec Technologies Limited

High-Tech Enterprise

Lanpec Technologies Limited

Lanpec Technologies Limited (Shanghai)

Lanzhou Petrochemical Equipment Inspection Institute of Mechanical Industry Co., Ltd.

Sustainability (ESG) Management

ESG Governance System

LANPEC takes concrete actions to support the UN 2030 Agenda for Sustainable Development, integrating Environmental, Social, and Governance (ESG) principles into all aspects of corporate operations to ensure the effective implementation of the company's sustainable development philosophy.

During the reporting period, to establish and improve the ESG management system of LANPEC and comprehensively enhance the Company's ESG performance capabilities, the Company newly established a Strategy and Sustainable Development Committee. This committee is responsible for researching and providing recommendations on environmental, social, and governance matters, while collaborating with the company's environmental functions, supply chain management, and human resources teams to strengthen sustainability capacity-building. Additionally, the company regularly engages external expert advisors to improve its ESG data indicator system, deepen practical ESG implementation, and enhance ESG report preparation.

In 2024, the Company actively studied the latest sustainable development policies and, guided by the financial materiality principle, aligned them with its business operations to upgrade its sustainability reporting framework. Adopting a dual materiality perspective, the company conducted in-depth analyses of key ESG issues in relation to its business development, fully integrating ESG principles into management processes.



Stakeholder Communication

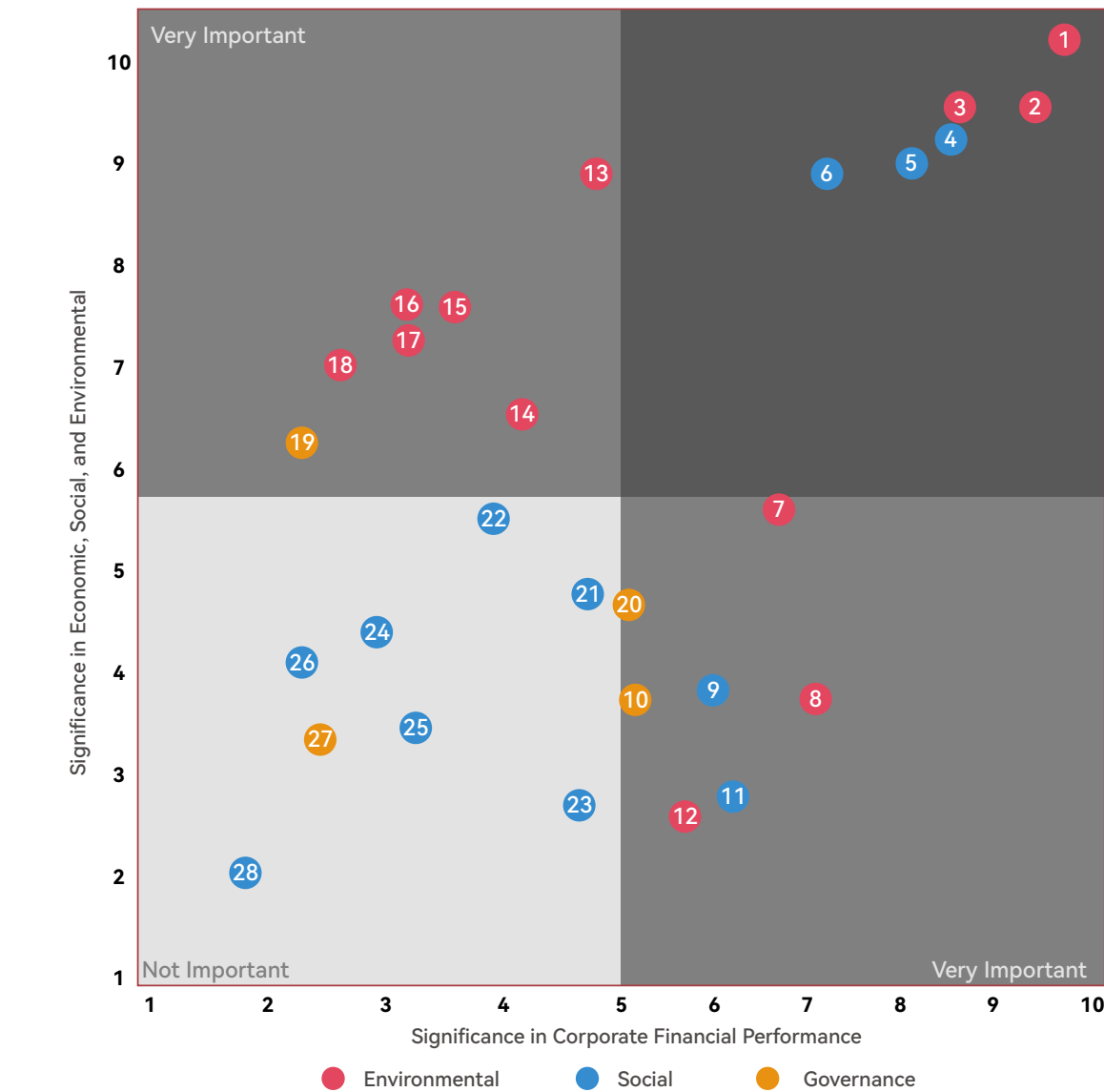
LANPEC's social responsibility stakeholders include shareholders/investors, customers, suppliers, employees, government/regulators, communities, and media, among others.

Stakeholder Categories	Communication Channels	Key Topics	LANPEC's Response
Shareholders/ Investors	General Meeting of Shareholders	Corporate Governance	Compliance Operations
	Company Announcements	Information Disclosure	Enhanced Communication
	Investor Hotline	Product/Service Safety & Quality	Product Safety Improvement
	Investor Roadshows	Anti-Commercial Bribery & Anti-Corruption	Zero-Tolerance Policy
Customers	Customer Hotline	Energy Efficiency	Energy Structure Optimization
	Email	Product/Service Safety & Quality	Product Safety Enhancement
	Customer Meetings	Green Technology Innovation	R&D in Green Technologies
	Customer Surveys	Green Operations	Green Procurement Implementation
Suppliers	Email	Energy Consumption	Energy Structure Optimization
	Conference Calls	Pollutant Emissions	Emission Reduction
	On-site Visits	Green Operations	Green Office Practices
	Video Conferences	Supply Chain Security	Strengthened SCM
	Supplier Conferences	Waste Management	Circular Economy Practices
Employees	Staff Meetings	Employee Rights Protection	Safeguarded Employee Benefits
	Departmental Meetings	Training Investment	Enhanced Training Programs
	E-Newsletters/Internal Media	Innovation Incentives	Innovation Motivation Mechanisms
	Annual Employee Surveys	Special Project Investment	Increased Dedicated Funding
Government/ Regulators	Government Project Applications	Pollutant Emissions	Emission Reduction
	Regulatory Reports	Environmental Compliance	Compliance Management
	Policy Consultations	Anti-Commercial Bribery & Anti-Corruption	Strict Anti-Bribery Measures
	Tax Reporting	Information Security	Privacy Protection
	Environmental Safety Inspections	Energy Efficiency	Energy Conservation
Community & Media	Social Media Updates	Energy Efficiency	High-Efficiency/ Low-Emission Operations
	Press Conferences	Green Operations	Carbon-Neutral Strategy
	Community Events	Climate Change Response	Waste Recycling Management
	Environmental Reports	Waste Treatment	Ecological Restoration Projects
	Online Q&A Sessions	Ecosystem and Biodiversity Protection	Biodiversity Initiatives

Materiality Assessment Process

Double Materiality Analysis serves as the core methodology for the Company in compiling its annual sustainability report, formulating long-term ESG strategic objectives, and engaging with stakeholders. LANPEC conducts this analysis from two dimensions—financial materiality and impact materiality—referencing frameworks including the *Shanghai Stock Exchange Listed Company Self-Regulatory Guidelines No. 14 – Sustainability Reporting (Trial)*, *Shanghai Stock Exchange Listed Company Self-Regulatory Guide No. 4 – Sustainability Report Preparation*, the United Nations Sustainable Development Goals (SDGs), GRI Universal Standards 2021, ISO 26000, and SASB topics, alongside other sustainability-related standards. The Company also incorporates ESG rating systems from service providers such as MSCI, CSI, and Wind to establish its ESG topic inventory. Furthermore, LANPEC identifies and consolidates both universal and industry-specific topics applicable to its operations by considering macro-level policies in its operational regions, sector-specific policies, as well as the materiality topic selection methods and prioritization outcomes of peer companies.

LANPEC’s Materiality Assessment Results



Quadrant	Composite Ranking	Material Topics	Topic Categorization
1 Core Issues	1	Energy Utilization	Environmental
1 Core Issues	2	Pollutant Emissions	Environmental
1 Core Issues	3	Green Technology Innovation	Environmental
1 Core Issues	4	Supply Chain Security	Social
1 Core Issues	5	Product & Service Safety & Quality	Social
1 Core Issues	6	Employees	Social
2 Financially Material Issues	7	Green Operations	Environmental
2 Financially Material Issues	8	Environmental Compliance Management	Environmental
2 Financially Material Issues	9	Customer Service	Social
2 Financially Material Issues	10	Anti-Bribery & Anti-Corruption	Governance
2 Financially Material Issues	11	Innovation-Driven Development	Social
2 Financially Material Issues	12	Green Products & Services	Environmental
3 Impact Material Issues	13	Climate Change Response	Environmental
3 Impact Material Issues	14	Circular Economy	Environmental
3 Impact Material Issues	15	Waste Management	Environmental
3 Impact Material Issues	16	Hazardous Substance Emissions & Management	Environmental
3 Impact Material Issues	17	Water Resource Utilization	Environmental
3 Impact Material Issues	18	Ecosystem & Biodiversity Protection	Environmental
3 Impact Material Issues	19	Stakeholder Communication	Governance
4 General Issues	20	Anti-Unfair Competition	Governance
4 General Issues	21	Equal Treatment of SMEs	Social
4 General Issues	22	Employee Development & Training	Social
4 General Issues	23	Data Security & Customer Privacy Protection	Social
4 General Issues	24	Talent Attraction	Social
4 General Issues	25	Technology Ethics	Social
4 General Issues	26	Social Contribution	Social
4 General Issues	27	Due Diligence	Governance
4 General Issues	28	Rural Revitalization	Social

Corporate Governance and Sound Operations

Alignment with Sustainable Development Goals (SDGs)



LANPEC has established a comprehensive governance framework, with the Board of Directors and Supervisory Committee performing their respective duties effectively. Independent directors fully exercise their oversight functions to ensure sound strategic decision-making. Operationally, the Company has strengthened its internal control systems, standardizing financial approvals and project management processes to guarantee optimal resource allocation. We place strong emphasis on the timeliness and accuracy of information disclosure, maintaining proactive communication with stakeholders. This governance approach enables sustainable development in full compliance with regulations, achieving synergistic progress across economic, environmental, and social dimensions.

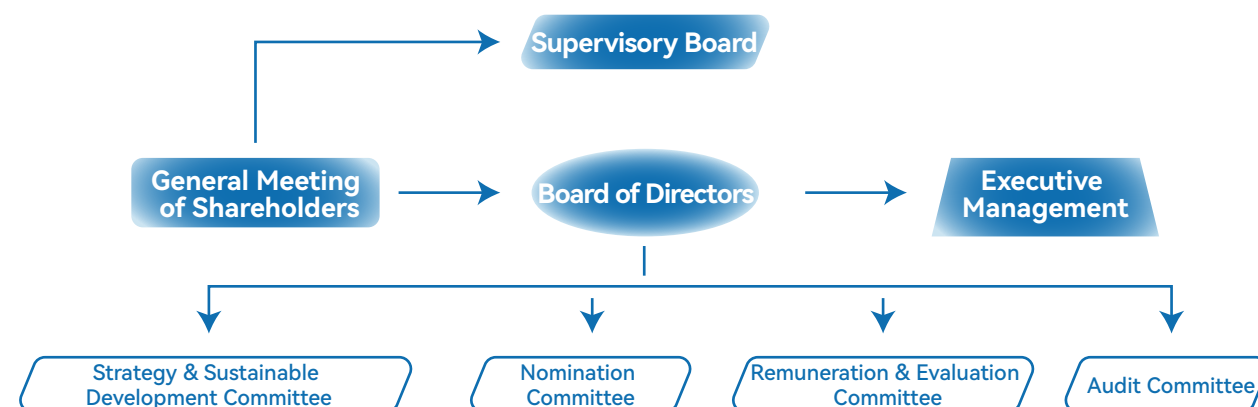
Corporate Governance Framework

The Board of Directors of Lanke High-Tech consistently dedicates itself to safeguarding the legitimate rights and interests of the company and all shareholders. It proactively fulfills its management responsibilities, continuously enhances corporate governance capabilities, and strengthens the independence and diversity of the board composition. The Board actively engages in investor dialogues and participates in investor relations management, while standardizing information disclosure practices.

Governance Structure

The Company strictly complies with the requirements of the Company Law, Securities Law, *Corporate Governance Guidelines for Listed Companies*, *Shanghai Stock Exchange Listing Rules* and other laws, regulations and normative documents to improve the governance mechanism and establish a reasonable and efficient corporate governance structure, so as to ensure standardized operation of the Company, maintain the status of the general meeting of shareholders as the supreme authority of the Company, give full play to the functions and roles of the board of directors, the supervisory board and various special committees under the board of directors, clarify the rights and obligations of shareholders, directors, supervisors and senior management personnel, and ensure that shareholders fully exercise their legitimate rights.

In order to promote the high-quality development of the Company, better advance the realization of the Company's strategic planning objectives, clarify the division of responsibilities, improve the efficiency of the Company's operation and management, and in light of the Company's strategic development plan and actual operation and development situation, we has adjusted its organizational structure in 2024 in accordance with the relevant laws, regulations, normative documents and the provisions of the *Articles of Association of the Company*.



Articles of Association	Rules of Procedure for Shareholders' Meetings
Rules of Procedure for Board Meetings	Rules of Procedure for Supervisory Board Meetings
Working Rules for the Audit Committee	Working Rules for the Remuneration and Evaluation Committee
Nomination Committee Working Rules	Strategy Committee Working Rules
Independent Directors Work Regulations	Independent Directors Special Meeting Work Regulations
LANPEC ESG Management System	Board Secretary Work Regulations
LANPEC Connected Transactions Management Regulations	Insider Information Insider Registration System
LANPEC External Directors and Supervisors Dispatch Management Regulations	LANPEC Subsidiary (Equity-holding) Company Management Regulations

Governance Capacity Optimization Framework

The Company has established detailed provisions in the *LANPEC Board Meeting Procedures* governing the convening of meetings, voting procedures, and proposal deliberations to ensure all board meetings are conducted in compliance and with high efficiency. In 2024, all directors fulfilled their duties with diligence, achieving a 100% attendance rate at board meetings.

2024 Key Performance Indicators (KPIs)



Advancing Diversity and Independence in Corporate Governance

The Company's directors are elected through shareholder resolutions at general meetings, with each board serving a three-year term. LANPEC has institutionalized director nomination protocols and procedures in its governing documents including the *Articles of Association*. As of December 2024, the board comprises nine directors, three of whom (33%) meet independence criteria. The current board includes one female director. The independent directors possess complementary expertise: one certified accounting professional, one legal affairs specialist, and one industry veteran, ensuring comprehensive oversight of corporate matters. To uphold governance transparency, the Company systematically discloses directors' external affiliations, with complete details documented in the *2024 Annual Report*.

2024 Key Performance Indicators (KPIs)



33%

Independent Director Ratio



100%

Audit Committee Independence Ratio

Standardized Remuneration Management System

The Remuneration and Evaluation Committee of the Company is mandated to formulate and review compensation policies and proposals for directors and senior management, taking into comprehensive consideration the corporate guidelines and objectives established by the Board of Directors, prevailing compensation benchmarks among peer companies, as well as the specific responsibilities and individual performance of the Company's directors and senior executives. The Committee provides formal recommendations regarding performance evaluation protocols while exercising stringent oversight over compensation system implementation, with explicit provisions prohibiting any director or their affiliated parties from participating in decisions pertaining to their own remuneration.

Regarding independent director compensation, the Company provides an annual independent director allowance standardized at RMB 120,000 (pre-tax). External directors and supervisors who do not hold concurrent positions within the Company are expressly excluded from receiving additional director or supervisor remuneration.

Investor Rights Protection and Conflict Avoidance

The Company places strong emphasis on the reasonable opinions and demands of investors, particularly minority shareholders. In accordance with the Company Law, Securities Law, and the *Shanghai Stock Exchange Self-Regulatory Guideline No. 1—Standardized Operations* regarding profit distribution and cash dividend policies, the Company has clearly defined the conditions and ratios for profit distribution under different allocation forms in its *Articles of Association*. This standardizes the decision-making procedures and mechanisms for profit distribution, which helps better protect the interests of investors, especially minority shareholders.

The Company attaches great importance to the interests of minority shareholders and has established a comprehensive policy system to avoid and prevent conflicts of interest. During the reporting period, adhering to the principles of fairness, transparency, and impartiality, the Company formulated detailed rules for signing related-party transaction agreements based on market fair pricing and disclosed the necessity and impact of related-party transactions conducted within the year. Furthermore, the Company strictly complied with the Articles of Association and other relevant laws and regulations, conducting thorough process reviews for major matters such as related-party transactions, external guarantees, and external investments.

Information Disclosure and Market Value Management

The Company strictly adheres to the relevant regulations of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange (SSE), upholding the principles of "transparency, fairness, and impartiality" in information disclosure. We fulfill our disclosure obligations with authenticity, accuracy, completeness, and timeliness. In 2024, the Company successfully completed the preparation of high-quality periodic reports, including the *2023 Annual Report*, the *2024 First Quarter Report*, the *Interim Report*, and the *Third Quarter Report*. A total of 143 announcement documents were disclosed without any errors, and no regulatory inquiries were received.

The Company places great emphasis on strengthening communication with shareholders and investors, diligently safeguarding the legitimate rights and interests of investors, particularly public investors, and fostering long-term, stable, and constructive relationships between the Company and its investors. The Company has designated dedicated personnel to manage and maintain its official website, providing investors with a platform to access the latest corporate developments, periodic reports, and temporary announcements on significant matters. Additionally, the Company has assigned specialized staff to handle investor inquiries via telephone, fax, email, and the SSE E-Interaction platform. Within the bounds of the Company's information disclosure policies, we conscientiously address investor questions, consider their feedback, and diligently facilitate investor research visits to the listed company.

2024 Key Performance Indicators (KPIs)



3

Online Earnings Briefing Sessions



6

Analyst Meetings



9

Institutional Investor Meetings

LANPEC Investor Engagement Activities 2024

Throughout 2024, the Company organized nine on-site investor research sessions, during which participants gained insights into the Company's shareholder structure, development strategies, and reform initiatives. These engagements provided investors with comprehensive updates on the Company's operational performance and future growth plans, while facilitating in-depth discussions and clarifications on market-focused topics. Such interactions significantly strengthened investor confidence and support, while effectively enhancing the Company's market reputation and brand equity. Concurrently, the Company proactively leveraged social media platforms and financial portals to disseminate timely updates and material information, maintaining close communication with investors. These efforts further elevated the Company's transparency and credibility within the capital markets.



Business Ethics and Anti-Corruption Compliance Framework

LANPEC maintains a "zero-tolerance" stance against corruption, continuously enhancing its anti-corruption compliance framework and supervisory procedures. By enhancing oversight and accountability in operational processes, the Company has established an effective monitoring mechanism that cultivates a robust and trustworthy operational environment.

Governance of Business Ethics

In 2024, the Party Committee and Discipline Inspection Commission of LANPEC strengthened integrity education and fostered a clean business environment through executing *Party Conduct and Integrity Responsibility Agreements*, updating cadres' integrity records with signed *Integrity Pledge Letters*, establishing *Integrity Cooperation Agreement* with qualified suppliers, and distributing *SINOMACH's Positive/Negative Checklist* for Implementing the *Central Eight-Point Directive* to all employees, thereby safeguarding the Company's high-quality development. Under the Board's leadership, the Company advanced anti-corruption efforts in compliance with superior discipline inspection requirements, with the Discipline Inspection Office disseminating the *SINOMACH's Positive/Negative Checklist* to every employee across all departments and mandating organized training sessions for strict implementation.

Special Topics I: Improper Acceptance/Gifting of Valuable Specialty Products and Monetary Gifts

Special Topics II: Improper Dining and Entertainment

Special Topics III: Improper Reception Practices

Special Topics IV: Improper Handling of Wedding/Funeral Celebrations

Special Topics V: Improper Issuance of Allowances or Benefits

Special Topics VI: Improper Business Travel

Special Topics VII: Improper Allocation/Use of Official Vehicles

Special Topics VIII: Improper Allocation/Use of Office Space

Special Topics IX: Improper Profit-Making Activities

Special Topics X: Improper Overseas Travel

Special Topics XI: Dereliction of Duty and Inaction

Special Topics XII: Bureaucratic Formalism Burdening Grassroots Units

Special Topics XIII: Failure in Implementing Primary Responsibility for Conduct Building

Anti-Corruption Employee Training Program

LANPEC prioritizes integrity culture training for all departments and employees, achieving 100% coverage of senior management, middle-level department heads and deputies, as well as frontline personnel in critical functions such as financing, logistics procurement, administrative procurement, and supplier collaboration. The Company particularly focuses on new hires to establish a comprehensive integrity training and awareness management cycle. In 2024, LANPEC conducted two onboarding training sessions for all new employees covering corporate legal compliance and integrity building systems, achieving 100% participation rate among new staff.

2024 Key Performance Indicators (KPIs)



100%
Anti-Corruption Training
Coverage Rate for Directors



100%
Anti-Corruption Training
Coverage Rate by Department



100% Employee Anti-Corruption Training Coverage Rate

LANPEC 2024 Anti-Corruption Internal Training Series



On May 7, 2024, LANPEC held a warning education conference, during which Cao Jianhong, Secretary of the Discipline Inspection Commission of SUMEC Group Corporation (SUMEC), delivered a keynote speech. He thoroughly analyzed the severe damage caused by relevant cases to enterprises and emphasized the critical importance of strengthening supervision over leading Party-member officials, particularly those in top leadership positions ("first-in-command"). His presentation served as an impactful warning education lesson for all company cadres. Approximately 90 attendees participated in the conference, including members of LANPEC leadership team and deputy managers or above, joining via the main venue and the Lanzhou branch venue.



The Company's Discipline Inspection Commission conducted timely integrity interviews for all newly appointed and transferred cadres throughout 2024, strictly implementing the "mandatory interview upon promotion" principle. Key activities included: the first collective integrity talk session held on March 27 for 14 newly promoted executives, followed by the second session on July 25 involving 25 promoted cadres. These systematic integrity education initiatives significantly enhanced Party members' and cadres' understanding of clean governance importance, strengthened professional ethics awareness, and improved anti-corruption capabilities.

Supply Chain Anti-Corruption Compliance System

LANPEC enhances anti-corruption management in supplier relationships. The Company has established a joint anti-corruption mechanism with suppliers and contractors. In accordance with the requirements of the Corporate Discipline Inspection Commission, all departments and subsidiaries must sign a *Integrity Cooperation Agreement* alongside procurement contracts with suppliers and contractors. This initiative aims to foster a fair and transparent transaction environment, prevent and resist commercial bribery, and guard against disciplinary violations and illegal activities.

2024 Key Performance Indicators (KPIs)



100%
The Signing Rate of the Clean Cooperation Agreement

Whistleblower Protection

LANPEC supports all stakeholders in providing any form of suggestions and feedback regarding business ethics to the Company, and maintains confidential handling of relevant reports. The Company has clearly established multiple policy provisions and commits to ensuring fair treatment for whistleblowers in areas including reporting channels, handling procedures, and whistleblower protection. It explicitly requires that personnel handling reports must not disclose whistleblower information in any form; must not independently investigate whistleblowers; and must redact whistleblowers' personal information when necessary during report acceptance and result procedures, thereby effectively protecting whistleblowers' legitimate rights and interests. Meanwhile, the Company has included reporting channels as essential clauses in relevant policy documents such as the Employee Handbook, bidding and procurement policies, and ensures all reporting channels remain unimpeded and effective.

LANPEC Public Reporting Channels

Hotline	021-51953538
Email	lanpec-jb@lanpec.com; This dedicated mailbox serves exclusively for receiving all corruption-related reports. The Company's Compliance Department has assigned specialized personnel to conduct regular monitoring of this mailbox to ensure timely processing of all reported information.
Mailing Address	Discipline Inspection Office, Lanpec Techonologies Limited, No. 505, Rongchang Road, Lüxiang Town, Jinshan District, Shanghai, P.R.China

Compliance Operations and Risk Control

LANPEC is committed to integrating compliance management throughout all aspects of business operations and management, aiming to empower business development through compliance governance. Simultaneously, the Company continuously optimizes and improves its compliance systems based on actual business conditions, ensuring that both corporate and employee conduct adhere to all applicable laws, regulations, industry standards, and internal corporate policies.

Compliance Governance System

To further standardize internal audit practices, enhance audit quality, and protect investors' legitimate rights and interests, the Company has established a comprehensive compliance management system covering corporate governance, market transactions, labor laws, and other areas in accordance with *the Supervision Law of the People's Republic of China, the Audit Law of the People's Republic of China, and the Provisions of the National Audit Office on Internal Audit Work*.

In daily operations, the Company maintains a three-line defense mechanism to ensure business compliance, including the business department, the compliance department and the senior management team.

The Company designates the Legal Department as the lead compliance unit, which regularly evaluates and updates compliance documents to ensure alignment with the latest laws, regulations and industry developments. All levels of management and employees actively participate in and implement these measures to ensure effective compliance management. The Company continues to improve its business compliance review mechanisms and has successively issued the *LANPEC Compliance Management Measures, LANPEC Legal Dispute Case Management Measures, LANPEC Major Legal Dispute Case Management Measures, LANPEC Contract Management Measures, LANPEC Rules and Regulations Management Measures, LANPEC Fund Management Measures, LANPEC Procurement Management Measures, LANPEC Supplier Management Measures, LANPEC Project Review Management Measures, and LANPEC Financial Derivatives Business Management Measures*, which comprehensively cover all business areas and levels of the Company.

Risk Identification and Control System

The Company has established a governance structure for ESG risk management led by the Board of Directors and primarily executed by the Strategy and Sustainable Development Committee, based on its operational realities and business development needs. Furthermore, the Company periodically collaborates with external experts to promptly identify risk factors in accordance with actual business operations and issues corresponding notification documents. This ensures the full implementation of the Company's risk management philosophy and safeguards its healthy development.

LANPEC Operational Risk Identification

Risk Categories		Risk Descriptions	Mitigation Strategies
Legal & Compliance Risks	Compliance Risks	Risks arising from non-compliant operations or professional conduct that may lead to legal liabilities, regulatory penalties, financial losses, or reputational damage	Establish comprehensive compliance management systems covering organization, policies, processes and operational requirements; Enhance capabilities in compliance risk prevention, response and resolution; Ensure timely and proper risk mitigation
	Integrity & Ethical Risks	Risks of employees or related parties accepting bribes, misappropriating company assets, or obtaining personal benefits through fraudulent means, causing detriment to the Company	Develop specialized management systems and departments to ensure ethical business conduct Formulate clear corporate policies and legal compliance requirements; Maintain close compliance communication with business teams and clients
Operational Risks	Quality Risks	Risks arising from inadequate production technology, insufficient product design considerations, or lax production process controls leading to quality uncertainties	Implement systematic quality risk management processes and guidelines covering full project lifecycles Utilize three digital platforms for risk management, production issue reporting, and delivery problem notification to establish closed-loop risk control
	Work Safety Risks	Risks of fire, explosion or other accidents during usage and storage of production materials	Develop clear safety management plans and conduct regular hazard inspections Equip fire prevention and fighting facilities; Establish internal safety training portals and strengthen personnel training
	Occupational Health Risks	Health hazards to frontline personnel during business operations	Establish a multi-tier responsibility system that clearly defines occupational disease prevention duties for both corporate functional departments and on-site management personnel Strengthen occupational disease hazard education for construction personnel, conduct regular training sessions, elevate awareness of occupational health risks, and ensure mastery of prevention and control methodologies.
	Environmental Pollution Risks	Risks of medical materials and production processes polluting and affecting nearby communities	Properly store the raw materials required for business operations in accordance with standards, and appropriately handle production noise as well as discharged wastewater and waste gas.

Pay Taxes in Accordance with the Law

The Company strictly complies with *the Enterprise Income Tax Law of the People's Republic of China* and *the Tax Collection and Administration Law of the People's Republic of China*, having established a comprehensive fiscal and taxation management system that includes *the LANPEC Financial Management Measures*. Under this system, the Board of Directors serves as the highest governing authority responsible for reviewing and approving the Company's tax strategies, while the Financial Management Center and Chief Financial Officer are charged with their execution. To ensure full compliance with tax obligations and effective risk management, the Company conducts internal audits and financial/tax audits at least annually. These measures are implemented to rigorously fulfill tax compliance requirements and maintain robust controls against tax-related risks.

Information Security and Emergency Protection

Lanke High-Tech places paramount importance on data and privacy security, having established a comprehensive internal information security management system and organizational structure. The Company continuously enhances its technical capabilities in the field of information security to maintain an all-round defense of security baselines.

The Company strictly complies with legal statutes including the *Cybersecurity Law of the People's Republic of China, the Electronic Signature Law of the People's Republic of China, and the Regulations on Security Protection of Computer Information Systems of the People's Republic of China*.

Internally, the Company has implemented an information security management system centered on policy documents such as the *Computer and Information System Management Measures, Information Systems, Information Equipment and Storage Equipment Management Regulations, Security and Confidentiality Strategies for Classified Computers, and the Comprehensive Risk Management Measures*. This system ensures organized and leadership-guided execution of information security management activities across all operations.

Climate Action and Environmental Protection

Commitment to Sustainable Development Goals (SDGs)



The climate and environment serve as the cornerstone for LANPEC's survival and development. A stable climate ensures the smooth and continuous progress of its business, and actively safeguarding the ecological environment is an unshirkable social responsibility of the enterprise. In practical actions, we has adopted a multi-pronged approach. On the production line, it has been continuously optimizing processes to make every effort to reduce energy consumption and greenhouse gas emissions, and earnestly implement energy conservation and emission reduction. In the field of R&D, it has increased investment in clean energy equipment to contribute to the green transformation of the industry. The Company has also been committed to the greening of the plant area to enhance the ecological self-purification function. Moreover, it has comprehensively implemented paperless office in daily operations to help employees develop environmental protection habits. With a series of powerful measures, the Company is bravely advancing at the forefront of addressing climate change and steadily embarking on a new journey of high-quality development in the process of protecting the environment.

Climate Risk Response

LANPEC consistently emphasizes the impacts of climate change on corporate operations. This year, the Company has conducted information disclosures in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Climate Risk Governance System

We actively respond to the 1.5°C global warming target set by the *Paris Agreement* and the *Action Plan for Carbon Peaking Before 2030* issued by the State Council. Based on our own business, referencing relevant industry cases, and integrating with the company's ESG governance foundation, we are gradually incorporating a climate risk governance framework system into our operations.

Climate Change Risks and Opportunities Management

In accordance with the TCFD framework recommendations, we have systematically identified climate-related risks and opportunities that may impact the Company, and implemented corresponding mitigation strategies.

Risk Category		Risk Description		Financial Impact	Mitigation Measures	Time Horizon
Transition Risks	Policy & Regulatory Risks	ESG Reporting Obligations	The increasingly improved system of sustainable information disclosure standards for Chinese enterprises has set higher requirements for ESG information disclosure.	Increased expenses, Increased non-operating expenditures	The Company regularly discloses environmental information in accordance with laws and regulations and formulates and publishes independent ESG reports.	Medium-term
		Carbon Emission Reduction Requirements and Supervision	The Company's main business involves a certain level of carbon emissions. Under the "dual carbon" goals, the company may face stricter carbon emission reduction requirements and supervision.	Increased costs, Increased non-operating expenditures	The Company continuously monitors policies related to the "dual carbon" initiative to improve energy efficiency and optimize energy structure.	Medium-term
		Carbon Market Expansion	China may advance the construction of a carbon emissions trading market, and the petrochemical industry in which the Company operates may be included in the future, potentially requiring additional quota purchases and generating extra costs.	Increased costs	The company continuously explores carbon reduction potential to minimize carbon emissions generated during production and operations, preparing for the expansion of the carbon market.	Medium-term

Risk Category			Risk Description	Financial Impact	Mitigation Measures	Time Horizon
Transition Risks	Technical Risks	Low-carbon Technology Transition	The "Dual Carbon" policy requires enterprises to undergo low-carbon transformation, necessitating investment in R&D and deployment of energy-saving and environmental protection technologies.	Increased costs	The company actively optimizes and deploys water and electricity saving technologies to achieve energy conservation and consumption reduction.	Long-term
		New Technology Investment Risks	The "Dual Carbon" policy drives rapid development in the company's industry, requiring proactive investment in new technology R&D to maintain market position.	Increased costs	The company has a complete R&D system and rich R&D experience, supported by industry-leading technological expertise and financial strength.	Long-term
	Market Risks	Raw Material Supply Difficulties or Cost Increase	Major raw material suppliers of the company may face stricter energy conservation and emission reduction requirements under sustainable development initiatives.	Increased costs, Declined revenue	The company actively builds a sustainable supply chain, incorporating sustainability into supplier evaluation criteria to ensure supply chain stability.	Long-term
		Customer Preference for Green Products	With the gradual adoption of ESG concepts, customers may prefer environmentally friendly products.	Declined revenue	The company integrates green and low-carbon concepts into its products and services to achieve green business transformation and support sustainable development.	Long-term
	Reputational Risks	ESG Negative Events	Stakeholders such as customers and investors attach greater importance to environmental information disclosure. When the disclosed information falls short of stakeholders' expectations, it may have an adverse impact on the company.	Declined revenue	The company establishes a sound ESG management system, integrating ESG management into risk control to prevent negative ESG incidents.	Short-term
Physical Risks	Short-term Risks	Typhoons and Floods	Future climate change may increase the frequency of typhoons and extreme precipitation, raising the company's disaster risk and potential losses.	Increased costs, Declined revenue	Develop and implement emergency management systems for typhoon and flood prevention. Equip emergency equipment and supplies, conduct typhoon disaster analyses, and establish emergency drill mechanisms.	Short-term
	Long-term Risks	Rising Average Temperatures	The company's Shanghai office is located in a subtropical region, vulnerable to high-temperature impacts from long-term climate change.	Increased costs, Declined revenue	Introduce employee high-temperature allowances, upgrade cooling systems in factories and offices, develop heatstroke emergency plans, and achieve energy efficiency in cooling systems.	Medium-term
		Sea-Level Rise	The company's Shanghai office, located at low altitude and close to the sea, is vulnerable to sea-level rise.	Increased costs, Declined revenue	Develop special emergency plans for flood prevention.	Long-term
		Droughts	According to WRI data, the company's production base in Gansu is located in an area with high drought risk and water stress. Water shortages may disrupt production and employee activities, leading to operational downtime and revenue loss.	Declined revenue	Actively promote water-saving technologies and advocate water conservation. The production base is in an urban area with complete infrastructure, making water shortage risks largely manageable.	Medium-term

Risk Category		Risk Description	Financial Impact	Mitigation Measures	Time Horizon
Resource Efficiency	Improvement of Resource Utilization Efficiency	Through optimizing management models, implementing low-carbon technologies, and replacing energy-efficient equipment, the company can effectively enhance the usage efficiency of equipment, energy, and water resources.	Declined costs	The Company attaches importance to energy conservation and emission reduction, promotes green and low-carbon transformation of its main business, implements green office practices and water conservation, and reduces resource consumption in production and office processes.	Short-term
Energy Source	Use of Renewable Energy	By optimizing the energy structure, the enterprise increases the proportion of renewable energy in total energy consumption to reduce dependence on fossil fuels.	Declined costs	Replace grid electricity with photovoltaic green power to increase the proportion of renewable energy used in production and operation processes.	Short-term
Products and Services	Green Products and Services	The "Dual Carbon" strategy drives the low-carbon transformation of the company's industry, and the company can launch products more in line with the Dual Carbon policy through technological innovation.	Increased revenue	The Company actively develops and deploys energy-saving and consumption-reducing technologies, and its main products have been well applied in emerging industries such as concentrating solar power, clean energy, and environmental protection and emission reduction.	Medium-term
Market	International Market	The company's active implementation of sustainable development strategies can further enhance its international reputation, meet the sustainability requirements of international customers, and help expand overseas markets.	Increased revenue	The Company proactively improves its product technology and management standards, has obtained multiple international certifications in the industry, and its leading products have reached the leading level in domestic and international industries.	Short-term
	New Energy Market	The "Dual Carbon" transformation has driven the expansion of the new energy market, boosting the rapid development of the company's main business.	Increased revenue	The company actively lays out the new energy industry, aiming to optimize and strengthen the new energy equipment industry.	Short-term
Resilience	Corporate Resilience	The company's adaptability to climate change to better manage related risks and seize opportunities.	Increased revenue, Declined cost	The company has established a sound climate risk and opportunity management system.	Short-term

Metrics and Targets

At the climate change indicator level, due to the Company's business model not involving actual production activities or ownership of manufacturing/processing equipment (such as boilers, furnaces, turbines, or chemical and raw material production equipment) and large-scale greenhouse gas emission facilities, the Company's primary Scope 1 emissions originate from fuel combustion in transportation vehicles required for business operations. Therefore, the consumption scale of gasoline, diesel, and other fuels is directly correlated with the Company's Scope 1 carbon emissions. Accordingly, we monitor and report the usage scale of these fuels, including gasoline and diesel.

Regarding indirect carbon emissions, the Company primarily relies on externally purchased electricity and heat (gas) to support daily operations, office activities, and power requirements for some new energy vehicles. As a result, we monitor and track purchased electricity and heat to assess and manage the scale of Scope 2 greenhouse gas emissions.

2024 Key Performance Indicators (KPIs)



The Company's Scope 1 greenhouse gas emissions amounted to **2,705.60** tCO₂e.



The Company's Scope 2 greenhouse gas emissions amounted to **2,989.52** tCO₂e.

Environmental Management System

LANPEC adheres to the development philosophy of conservation and environmental protection, and actively embraces the circular economy. In product development, design, and/or formulation of production processes, it advocates the use of new products, new processes, new materials, and new technologies that are non-toxic, low-toxic, and generate less waste, and prefers clean and safe production technologies and processes. It also promotes the use of new products that are easy to recycle, dispose of, or degrade in the environment to reduce the generation and emission of industrial waste. The Company has established a number of systems, including the *Safety/Environmental Management Procedures (LANPEC 501 - 2024)*, the *Environmental Protection Management System (LANPEC [2023] No. 100)*, and the *Environmental Protection and Hazardous Waste Pollution Prevention and Control Management Responsibility System (LANPEC [2023] No. 101)*. The Company's environmental protection system has obtained the ISO9001:2015 certification.

Certification of LANPEC's Environmental Protection Management System



In 2024, the Company invested 4.75 million yuan in environmental protection, and all production bases have met the certification requirements of ISO 14001:2015 and obtained corresponding certificates.

Management Structure

The Board of Directors of LANPEC serves as the highest authority responsible for decision-making on ESG matters. It is tasked with implementing Xi Jinping's thought on ecological civilization and General Secretary Xi's important discourses on carbon peaking, carbon neutrality, energy conservation, and ecological environmental protection, and ensuring the implementation of major decision-making arrangements of the Central Committee. The Board is also responsible for implementing national and local government policies and guidelines on energy conservation and ecological environmental protection, and fulfilling the energy conservation and ecological environmental protection work requirements and objectives set by the competent authorities.

The Company has established a Safety and Environmental Protection Department, which, together with the ESG working group, is responsible for implementing national laws, regulations, policies, and standards on energy conservation and ecological environmental protection, and carrying out various decisions of the Company in the field of energy conservation and ecological environmental protection. It formulates work procedures and management systems for the Company's energy conservation and ecological environmental protection, and establishes a scientific and standardized organizational management, statistical monitoring, and assessment and reward-punishment system for energy conservation and ecological environmental protection. At the same time, the Safety and Environmental Protection Department is responsible for cooperating with the local environmental management departments in inspections of the company's environmental management work, including continuous training and environmental protection publicity.

Environmental Risk Management and Training Response

The Company has established regulations such as the *Management Measures for Environmental Protection Equipment and Facilities* (LANPEC [2023] No. 102) and the *Hazardous Waste Management System* (LANPEC [2023] No. 103). In 2024, based on the *Safety/Environmental Management Procedures*, the company regularly identifies environmental risks, applies a multi-factor scoring method for numerical calculations to determine specific risk values, and implements hierarchical control. By adopting an environmental management system, the Company ensures compliance with environmental regulations and standards, strengthens the maintenance and management of equipment and processes, reduces environmental risk sources, controls the use and storage of hazardous chemicals, and conducts regular environmental inspections and monitoring to promptly identify and address environmental issues, thereby minimizing the likelihood and impact of environmental incidents. The *Emergency Response Plan for Sudden Environmental Incidents* is periodically revised and filed with the local government's Ecological and Environmental Bureau.

LANPEC Environmental Risk Management Identification and Training Routine Work



The Company conducts regular environmental hazard inspections to identify potential environmental risks in areas such as environmental protection equipment and facilities, exhaust gas treatment, wastewater treatment, and hazardous waste disposal. Timely corrective measures are taken to prevent environmental pollution incidents. In accordance with the requirements of the pollutant discharge permit, the Company organizes regular monitoring of environmental impact factors to ensure that pollutant emissions comply with national and local standards.

LANPEC Environmental Management Risk Identification and Emergency Response Drill



On September 27, 2024, the Company conducted a desktop drill for its emergency response plan for sudden environmental incidents. The drill scenario involved two employees from the radiography team accidentally spilling waste developer (fixer) solution while transporting it to the hazardous waste storage facility, causing the liquid to flow onto the road. Another employee promptly noticed the spill and uprighted the overturned container (failure to act in time could have allowed large amounts of waste developer (fixer) solution to enter storm drains, potentially contaminating nearby waterways). Upon receiving the report, the Company's Work Safety Office immediately activated the emergency response plan, and the emergency team quickly mobilized to organize on-site containment measures. Through this exercise, the Company enhanced its emergency response capabilities in handling unexpected environmental incidents.

To encourage employees to consciously address environmental risks and production safety risks, the company regularly conducts environmental protection training programs, fostering a deep-rooted awareness of environmental safety and safeguarding the company's sustainable development.

Treatment of Three Wastes

The Company attaches great importance to environmental management and protection, strictly complying with laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Environmental Impact Assessment Law of the People's Republic of China*. It has established a comprehensive environmental management system that has obtained relevant certifications. To strengthen environmental governance, the Company has developed a series of regulatory documents including the *Environmental Protection Management System* (LANPEC [2023] No. 100), the *Environmental Protection and Hazardous Waste Pollution Prevention Management Responsibility System* (LANPEC [2023] No. 101), the *Management Measures for Environmental Protection Equipment and Facilities* (LANPEC [2023] No. 102), and the *Hazardous Waste Management System* (LANPEC [2023] No. 103). These documents systematically identify and assess potential environmental impact factors arising from production and service activities, ensuring effective control of environmental risks and continuously reducing the Company's environmental impact.

Wastewater Treatment

For wastewater discharge management, LANPEC strictly complies with relevant laws and regulations and has established the *Environmental Protection Management System* (LANPEC [2023] No. 100) at the corporate level to standardize the management of compliant wastewater discharge. The Company's Shanghai and Lanzhou bases manage wastewater discharge under uniform standards. At the Shanghai base, rainwater is discharged into natural water bodies through three outlets, while domestic sewage is treated and then released into the municipal pipeline network via four discharge points. At the Lanzhou base, both rainwater and domestic sewage are directed to municipal facilities through their respective outlets. Both bases commission third-party agencies to conduct regular testing. In 2024, pollutants such as chemical oxygen demand (COD) and ammonia nitrogen were all discharged within compliance limits.

2024 Key Performance Indicators (KPIs)



A total of **108,044** cubic meters of domestic wastewater was discharged.

Waste Gas Treatment

For the management of atmospheric pollutant emissions, LANPEC strictly complies with relevant laws and regulations and has established the *Environmental Protection Management System* (LANPEC Document No. [2023] 100) at the corporate level to standardize the management of compliant waste gas emissions. The Company's Shanghai and Lanzhou bases have implemented multiple waste gas treatment and emission control measures. At the Shanghai base, emissions from gas-fired boilers and heat treatment furnaces are collected and released through elevated exhaust stacks, while sandblasting dust and paint spray fumes are treated before being discharged via high-altitude emissions. The Lanzhou base has completed the upgrade of its heating gas boilers, with all types of waste gases being collected, treated, and discharged through elevated stacks. Regular monitoring confirmed that pollutant emissions from both bases met compliance standards in 2024.

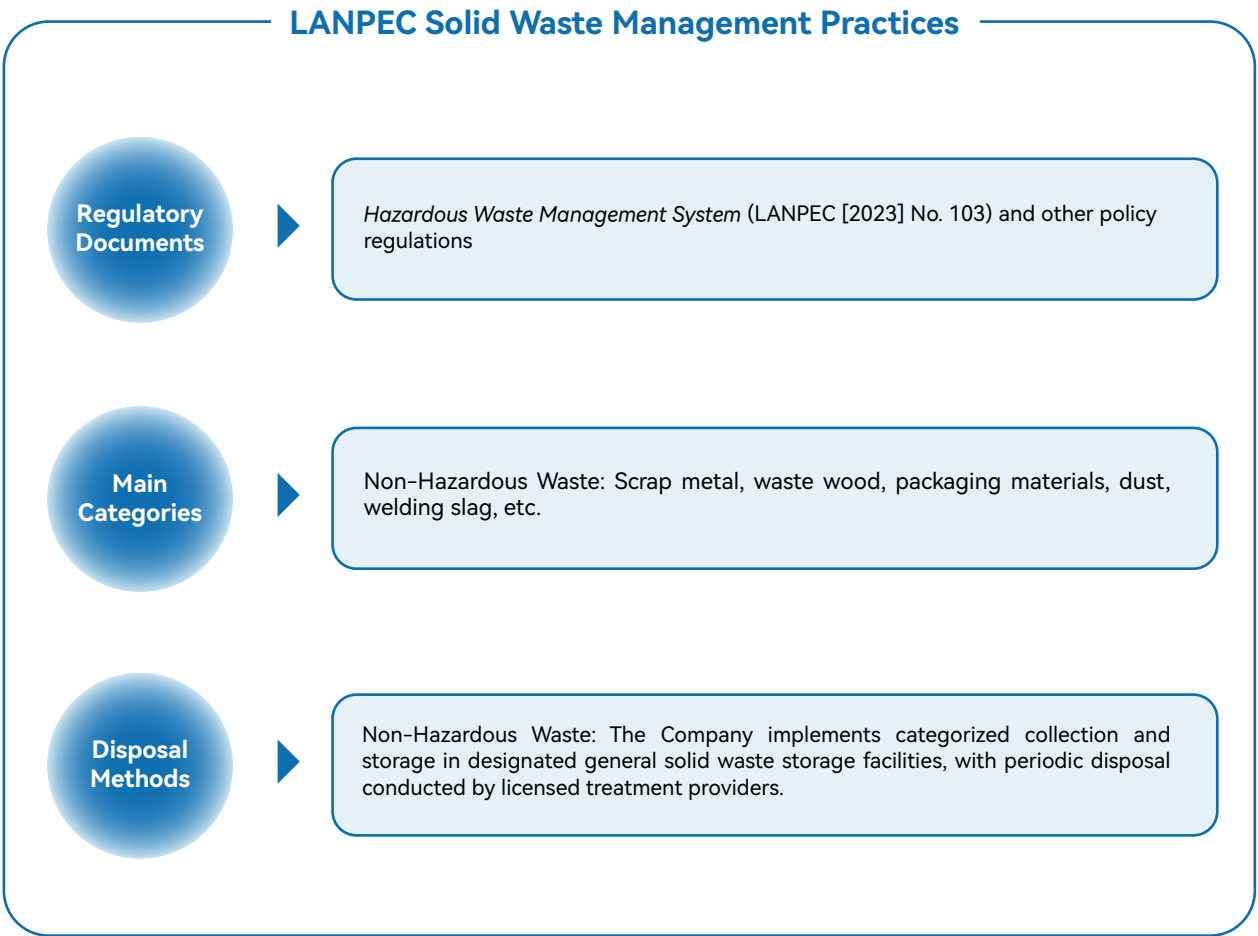
2024 Key Performance Indicators (KPIs)



In 2024, the Company's nitrogen oxide (NOx) emissions totaled **852.32** kilograms, while sulfur oxide (SOx) emissions amounted to **92.98** kilograms.

Waste Management

Regarding the solid waste generated during the Company's production and operations, LANPEC strictly complies with relevant laws and regulations by establishing policies such as the *Environmental Protection Management System* (LANPEC [2023] No. 100) and the *Hazardous Waste Management System* (LANPEC [2023] No. 103). During the reporting period, the Company entrusted qualified third-party units to properly dispose of all general industrial solid waste and hazardous waste. After evaluation, their inputs, activities, and outputs neither caused nor potentially led to any significant environmental or social impacts.



2024 Key Performance Indicators (KPIs)



Hazardous Waste: **70.34** metric tons
Non-Hazardous Waste: **1,084.62** metric tons

Resource Utilization & Energy Conservation

LANPEC strictly complies with the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations, as well as industry standards such as ISO 50001, continuously optimizing the company's energy and material management. At the corporate level, LANPEC has established regulations including the *Energy-Saving and Consumption Reduction Management Measures*. The Company primarily uses electricity, natural gas, and water—all of which are clean energy sources—and its main products consist of high-tech petrochemical equipment, aligning with green development requirements in terms of both energy structure and industrial structure. In 2022, LANPEC was recognized as a National-Level "Green Factory."



Water Resource Management

The Company's water supply is entirely sourced from municipal systems, and domestic sewage is discharged into municipal pipelines. The Company has established the *Energy Conservation and Emission Reduction Management System*, under which facilities such as water supply systems, fire water pipelines, tap water pipes, faucets, and heating pipelines are subject to regular inspection and maintenance to prevent any leakage (e.g., dripping, seepage, or overflow). In case of damage or leakage in pipelines, faucets, or other facilities, prompt repairs shall be carried out to eliminate "permanent running water" waste. Meanwhile, the water levels of fire reservoirs and pressure test reservoirs are prioritized for inspection to prevent waste caused by direct overflow due to excessively high water levels or malfunctioning water level control valves. Delayed-action valves in washbasins are also regularly checked, and those with excessively long delay times or inadequate resetting are replaced or repaired in a timely manner.

2024 Key Performance Indicators (KPIs)



Total Water Consumption: **127,786** tonnes

Energy Management & Green Operations

Lanpec Technologies strictly complies with the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations, as well as industry standards such as ISO 50001. We continuously optimize the company's energy and material management by establishing corporate-level regulations including the *Energy Conservation and Emissions Reduction Management System* and the *Energy Conservation and Emissions Reduction Responsibility System*.

Energy Efficiency & Renewable Energy Adoption



- Corporate photovoltaic projects are being gradually put into operation, replacing part of industrial electricity consumption with solar power.
- Intelligent lighting systems have been installed in offices, production sites, and residential areas.
- Priority is given to purchasing nationally certified energy-saving equipment or products, with preference for environmentally friendly and energy-efficient electrical appliances and devices.
- All departments have configured computers, printers, copiers, and other office equipment to automatically enter low-power sleep mode when not in use.
- Employees are encouraged to reduce daily air conditioning usage by 1 hour, with minimum temperature limits set.

Office Supplies Conservation & Low-Carbon Initiatives



- Promote paperless office initiatives to reduce paper consumption.
- Use printers/copiers rationally by following the "on-demand, reasonable, and economical" principle. Always print/copy one page or one copy for verification before proceeding with full document printing/copying.
- For maintenance materials, relevant departments shall prepare detailed budgets and material plans by category to control and reduce material consumption.
- Implement an old-for-new replacement system for parts used in maintenance activities. Reusable components should be recycled whenever possible.
- Relevant departments shall enhance production equipment upgrades and process optimization to reduce raw material consumption.

Circular Economy

The Company has formulated the *Energy Conservation Management Measures for Production System*, *Management Measures for Raw Materials and Low-Value Consumables in Production Department*, and *Management Measures for Recycling and Utilization of Scrap Materials*. We continue to deepen our commitment to the circular economy. In product development, design, and/or formulation of production processes, we advocate the use of new products, processes, materials, and technologies that are easy to recycle, dispose of, or degrade in the environment, and prioritize energy-efficient/economical production technologies and processes to reduce the generation and emission of industrial waste.

2024 Key Performance Indicators (KPIs)

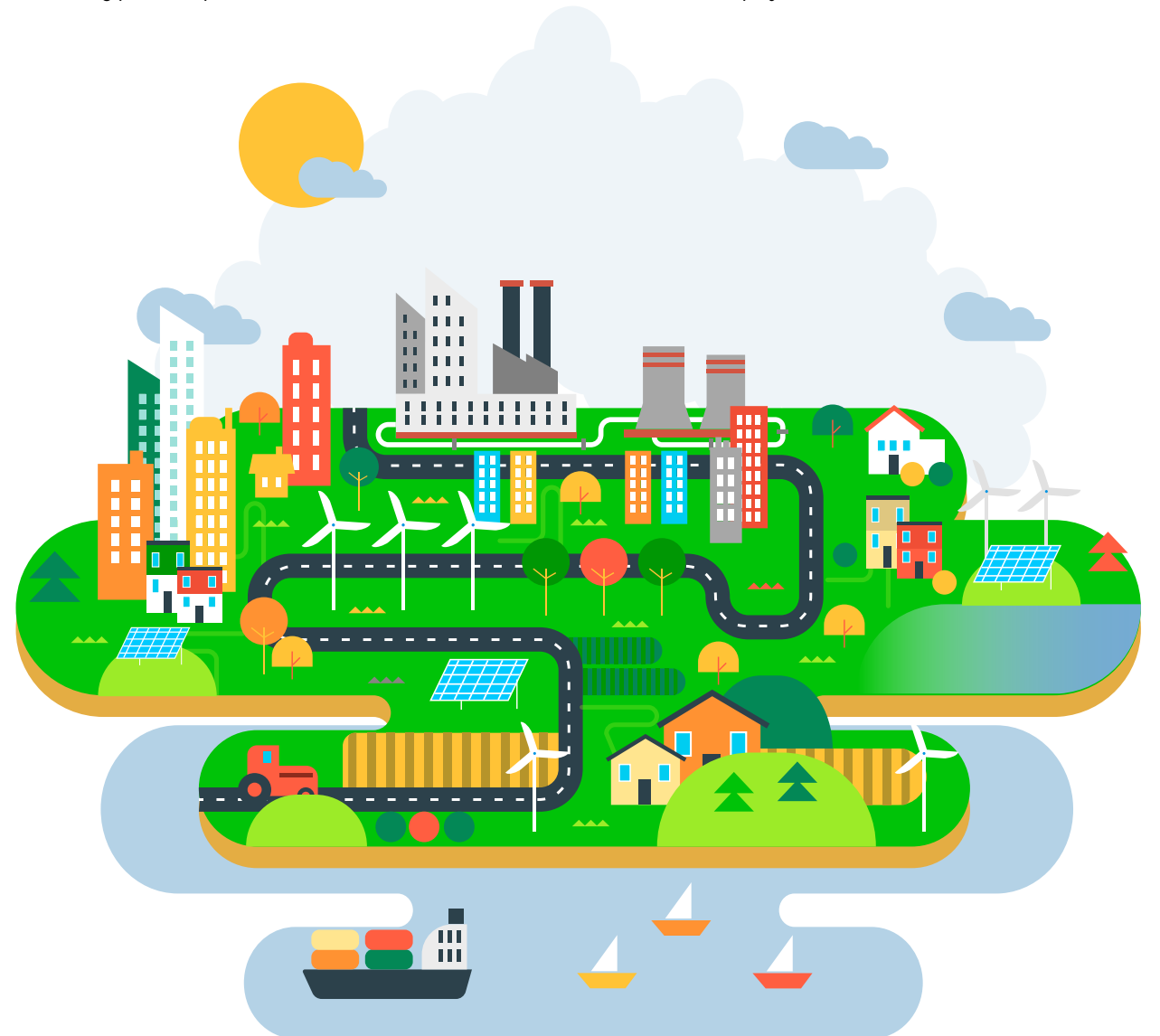


Total Waste Recycled and Reused: **899.22** Tons

Biodiversity Conservation

LANPEC continuously monitors the impact of its activities on biodiversity and recognizes the significance of water area cleaning and greening maintenance in influencing the ecological environment. Therefore, in compliance with relevant laws, regulations, and policies such as the *Opinions of the General Office of the State Council on Further Strengthening Biodiversity Conservation*, *Soil Pollution Prevention and Control Law of the People's Republic of China*, and *Groundwater Management Regulations* issued by the State Council, the Company carries out tasks including opportunity factor identification and business quality risk screening.

Specifically, the Company's production and operations align with national and local industrial policies. Its sites are located in reserved industrial zones designated by the local government, and the projects generally meet the requirements of clean production. Through the implementation of targeted environmental protection measures, the Company ensures that pollutants are discharged up to standards, with minimal environmental impact from production-related emissions that do not alter the environmental quality grade. By adopting strict environmental risk prevention measures, environmental risks are kept under control, and their impact levels are deemed acceptable. The public generally supports the projects, and the environmental management and monitoring plans are practical and feasible in line with the actual conditions of the projects.



Technological Innovation and Product Services

Commitment to Sustainable Development Goals (SDGs)



In the development of LANPEC, product responsibility and innovation are of paramount importance. The Company strictly controls quality, having obtained multiple professional certifications to ensure product safety and reliability, safeguarding customer interests, and upholding corporate reputation. Regarding innovation, LANPEC continuously invests in R&D and possesses numerous patented technologies. The Company actively participates in industry standard-setting and consistently introduces new products that meet market demands. Driven by this dual focus on product responsibility and innovation, we have enhanced its competitiveness, achieving steady growth in the petroleum, petrochemical, and new energy sectors. This approach also provides strong support for reaching sustainable development goals.

Technological Innovation

Innovation Ecosystem

LANPEC insists on taking technology as the core driving force leading the Company's development, continuously investing resources in the research and development of new technologies and products, and is committed to maintaining a leading technological position in fields such as petroleum and petrochemicals, and new energy to meet the continuous upgrading needs of the industry.

The Company has established multiple professional research departments, which form the main body of technological innovation. It possesses 2 national-level quality inspection centers and 10 R&D platforms at or above the provincial and ministerial levels, including a post-doctoral research workstation and a Shanghai expert workstation platform. We have formulated a series of complete scientific research management systems, such as the *Measures for the Management of Scientific and Technological Work (Trial)*, *Measures for the Management of Scientific and Technological Development Fund Projects*, *Measures for the Evaluation of Scientific and Technological Achievements (Trial)*, and *Measures for the Work of the Technical Committee (Trial)*. These systems cover multiple aspects including scientific research project management, fund management, achievement management, and intellectual property protection, standardizing scientific research management, improving the efficiency of scientific and technological management and work efficiency, and ensuring the orderly development of R&D work.

Corporate R&D Achievements & Market Recognition

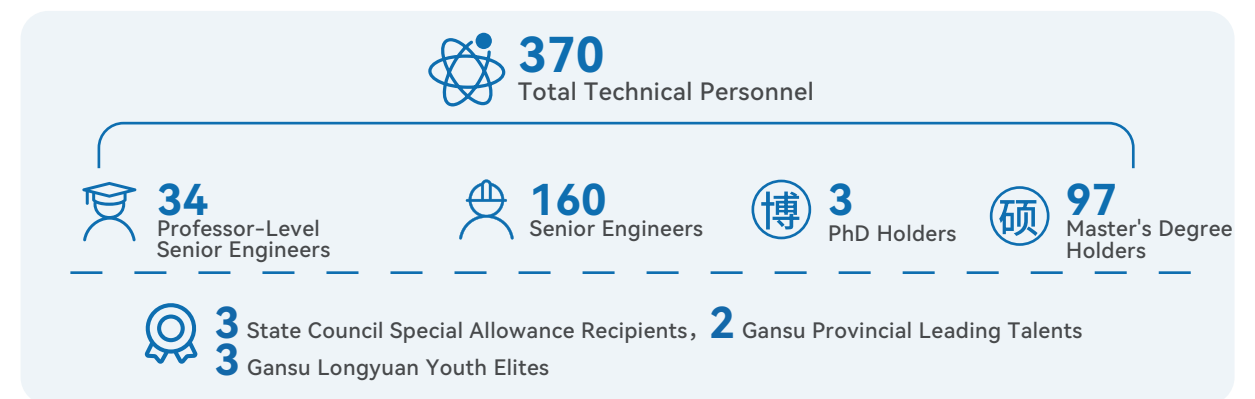


Talent Recruitment & Incentive

LANPEC attaches great importance to talent recruitment and motivation, expanding its pool of capable professionals through a refined recruitment system and stimulating employee vitality by establishing a diversified incentive mechanism, thus providing a solid talent foundation for the Company's development. The Company has introduced the *Measures for Awarding Scientific and Technological Innovation Work (Trial)*, which grants commendations and financial rewards to employees who achieve national or provincial-level scientific and technological achievements, obtain national patents, publish papers or works, and those who make outstanding contributions to the company's scientific research, new product development, and promotion. These material incentives encourage employees to actively innovate.

Adhering to a performance-oriented approach, the Company has established an evaluation and incentive mechanism. For key and critical positions, competitive recruitment is adopted to fully ignite employees' enthusiasm for entrepreneurship. This allows employees to gain promotion opportunities based on their capabilities and performance, achieving the integration of personal value and corporate development.

2024 Key Performance Indicators (KPIs)



Industry-Academia-Research Collaboration

The Company has successively established long-term cooperative relationships with multiple domestic scientific research institutions, universities, and large enterprises in the areas of scientific research, talent development, and application of new technologies and products. In recent years, through participating in international academic conferences, technical exchanges with overseas companies, and technology introduction/output, the Company has learned and mastered the latest relevant foreign technologies and technological development trends. It has strengthened communication with business-related departments and industry technical associations to keep abreast of industry technological developments and trends, and enhanced technical exchanges with international standardization organizations to participate in the formulation and revision of relevant international professional technical standards.

CNOOC Young and Middle-Aged Cadres Training Delegation Visits Lanpec Tech for Research Exchange



Focusing on accelerating the research on new quality productivity in marine energy, on December 1, Mr. Wang Yu, General Manager of the Production Department at CNOOC Tianjin Branch, led a delegation from the CNOOC 2024 Mid-Career Leadership Training Program to our company for a research exchange. Mr. Zhang Shangwen, Member of the Company's Party Committee and Deputy General Manager, received the delegation and hosted discussions.

Leading Industry Standards · Driving Collaborative Growth



2024 Annual Conference of the Heat Exchangers Sub Committee of China Standardization Committee on Boilers and Pressure Vessels (SAC/TC262/SCS) Held in Shanghai on December 2024. LANPEC served as the official host of this prestigious industry event, which brought together numerous distinguished experts to advance the development of the heat exchange technology sector.

Intellectual Property Protection

LANPEC strictly complies with intellectual property-related laws and regulations such as the Civil Code, Trademark Law, Patent Law, and Copyright Law, safeguarding its competitive advantages and brand reputation through a sound intellectual property management system, while avoiding infringement of others' intellectual property rights. The Company has formulated documents including the *Intellectual Property Protection Management Measures*, *Intellectual Property Protection Measures*, and *Letter of Guarantee for Intellectual Property Protection*, implementing full-process standardized management for the creation, management, utilization, and protection of the company's intellectual property rights, and further improving the intellectual property management of company projects and the life cycle management of patent applications.

LANPEC Intellectual Property Protection Initiatives

Organizational Exchanges and Training

To enhance employees' awareness of intellectual property protection, a team of instructors composed of internal senior professionals and external experts has designed training courses on patent drafting, patent protection, intellectual property management, etc., tailored to different groups.

Improve Institutional Processes

We attach great importance to intellectual property management, strictly comply with relevant laws and regulations, and continuously improve the intellectual property management system. Employees are required to sign the *Integrity Behavior and Intellectual Property Agreement*.

Pay Attention to Information Confidentiality

LANPEC has carried out online and offline training and learning on intellectual property (IP) - related knowledge for key personnel and relevant staff of the company. This aims to enhance the IP protection awareness of management and relevant employees, and strengthen the awareness of patent application and infringement prevention among relevant personnel in the R&D and production processes.

2024 Key Performance Indicators (KPIs)

The Company holds a total of **334** patents

including **79** invention patents.



Advance National Key Projects and Technological Innovation

With its profound technical accumulation and rich industry experience, the Company has deeply participated in major domestic projects, continuously increased investment in technological innovation, and achieved fruitful results.

China's First Demonstration Project of Molten Salt Heat Storage Coupled with a Million-Kilowatt Unit



In 2024, the first national demonstration project of molten-salt heat-storage-coupled million-kilowatt unit and four-machine-coordinated steam-water-electric-controlled frequency-modulation and peak-shaving, which was undertaken by LANPEC (Shanghai), was successfully put into operation. This project is of great significance. In this project, the energy-storage scale of the cold and hot molten-salt storage tanks constructed by LANPEC (Shanghai) reaches 120 MWh. The successful commissioning of this project has set a model for the flexibility transformation of domestic thermal power plants, and it has important demonstration value for promoting the technical development and application of domestic thermal power plants in energy-storage peak-shaving, high-efficiency heat supply, and other aspects. It also helps to improve the stability of the domestic power system and the energy-utilization efficiency.

Bozhong 19 - 6 Binzhou Condensate Gas Field CO₂ Recycling Project



In the Binzhou Natural Gas Terminal Project undertaken by LANPEC, the designed natural gas treatment capacity in the first stage is 3.8 million cubic meters per day. In this project, the activated MDEA amine-based absorption-regeneration method is adopted to remove acid from natural gas. The CO₂ removed by the acid-removal unit enters the recycling unit. This unit uses the production process of desulfurization, dehydrocarbonization, dehydration, and purification to treat the regenerated acid gas. It is expected that qualified food-grade liquid CO₂ and solid dry ice can be produced by recycling CO₂ every year, with a production capacity of up to 260,000 tons. LANPEC is responsible for supplying various equipment such as towers, vessels, and heat exchangers, as well as the adsorption agents in the towers for the CO₂ recycling unit of this project.

EPC Project of Molten Salt Storage Tank for Huidong New Energy Photovoltaic + Solar Thermal Hybrid Power Station in Akesai County



In August 2024, the cold and hot molten salt tanks in the EPC project of molten salt storage tanks for the Huidong New Energy 640MW photovoltaic + 110MW solar thermal hybrid power station (referred to as the Akesai Project) undertaken by LANPEC (Shanghai), a subsidiary of LANPEC, completed preheating and successfully received salt.

The Akesai Project is of great significance. As one of the first batch of "solar thermal + photovoltaic" pilot projects on desert, Gobi, and wasteland foundations in China, it is also a major provincial project in Gansu Province. In this project, the high-temperature molten salt storage tanks undertaken by Lanpec Technologies serve as the core equipment of the energy storage system for the solar thermal power station. As large-scale high-temperature fatigue equipment with extremely harsh operating conditions, these tanks are extremely difficult to design and construct, and their safety and reliability play a decisive role in the safe and stable operation of the entire heat storage system.

The advancement of this project not only helps explore the "solar thermal + photovoltaic" development model in desert, Gobi, and wasteland areas, providing valuable experience for the application of new energy under complex geological conditions, but also promotes the development of the new energy industry in Gansu Province, assists in optimizing and upgrading the local energy structure, and is of great significance for achieving the national energy transformation and sustainable development strategy.

National Demonstration Power Station of Advanced Compressed Air Energy Storage in Feicheng, Shandong



In April 2024, the National Demonstration Power Station of Advanced Compressed Air Energy Storage (300MW/1,800MWh) in Feicheng, Shandong, for which LANPEC participated in the design, successfully achieved its first grid connection. As the world's largest new-type compressed air energy storage power station, all 8 spherical storage tanks with a volume of 8,000 m³ in its thermal storage system were developed and designed by the Company. Compared with conventional spherical storage tanks, the spherical tanks in this project feature large volume, high design temperature, frequent load changes, and complex operating conditions, making them the largest fatigue containers for thermal storage in China.

In the energy sector, as the world's largest new-type compressed air energy storage power station, it provides a demonstration model for the development of large-scale energy storage technologies, helps improve energy storage and utilization efficiency, and promotes the optimization of the energy structure and the development of sustainable energy. Its successful grid connection marks a major breakthrough in the application of new-type compressed air energy storage technologies in China, and is of great significance for alleviating energy supply-demand contradictions and ensuring stable energy supply.

Comprehensive Breakthroughs in Overseas Services

Facing the overseas market, the Company adheres to high-quality development driven by new technologies. Relying on the brand advantages and technical reserves of its overseas business, it continues to achieve breakthroughs in new business implementation globally.

South Africa Redstone CSP Project



In 2024, during the South Africa Redstone CSP Project, LANPEC (Shanghai) successfully completed the hydrostatic test for the hot molten salt tank, with the liquid level inside the tank reaching the maximum hydrostatic level of 13.25 meters. The tank is primarily constructed from A240Gr347H material, with the maximum wall thickness reaching 58 mm. During project implementation, leaders at all levels from LANPEC (Shanghai) and Shandong Electric Power Construction Third Engineering Company actively collaborated, proactively adopted advanced quality management methods from Europe and America, and combined past construction experience with advanced quality control techniques to overcome multiple challenges and ensure the smooth progress of molten salt tank construction. This effort earned high recognition from all participating units, including the owner, ACWA (investor), SEPCOIII (general contractor), and EMYPRO (design institute), in terms of construction quality,

safety, and schedule.

The success of this project holds significant meaning: on one hand, it demonstrates the strong construction capabilities and technical expertise of Shanghai Lanbin and its partners; on the other hand, it provides valuable experience for the construction of subsequent similar CSP projects, promotes technological development and project practices in the global CSP industry, and serves as a positive demonstration for advancing the diversified development of the energy sector.

Large Plate - Shell Heat Exchanger for Kazakhstan Refinery



In 2024, the large plate-shell heat exchanger designed and manufactured by LANPEC (Shanghai) for a Kazakhstan refinery was successfully shipped. This marks another overseas expansion of the Company's high-efficiency heat exchanger equipment manufacturing technology and opens a new chapter for high-efficiency heat exchanger equipment manufacturing.

Focus on Serving Product Quality

The Company upholds the quality policy of "Technological Leadership, Excellent Quality, People-Oriented Approach, Social Contribution, Compliance with Laws and Regulations, and Continuous Improvement", integrating quality enhancement throughout the entire process of product research and development, production, and service. Guided by the needs of industries such as petroleum and petrochemicals and new energy, it is committed to providing customers with high-quality specialized equipment and services, striving to establish an excellent quality reputation within the industry.

The Company strictly adheres to domestic and international product quality and safety policies and standards, such as the *Product Quality Law of the People's Republic of China* and the *Standardization Law of the People's Republic of China*. It formulates and implements systems such as the *Quality Assurance Manual*, implements the main responsibility for quality and safety, and improves the quality assessment mechanism.

Quality Management System

In accordance with the provisions of the Special Equipment Safety Law of the People's Republic of China, the Regulations on Safety Supervision of Special Equipment, the Rules for Licensing of Special Equipment Production and Filling Units (including Amendment No. 1 and No. 2) (TSG 07-2019), and corresponding laws, regulations, and standards, a quality assurance system for pressure vessel product manufacturing has been established in combination with the Company's characteristics.



The Manufacturing Department and Quality Management Department of the Company are responsible for product quality, working collaboratively to conduct strict inspections. During the production process, multiple departments work in coordination to strictly control quality, implementing rigorous management of in-plant product quality and actively responding to externally feedbacked quality issues. In 2024, the Company's quality objectives were organized and formulated by the Quality Assurance Engineer and quantified as follows: the compliance rate with laws, regulations, standards, and user technical agreements shall be 100%; customer satisfaction shall reach over 95%; the certification rate for welders and non-destructive testing personnel shall be 100%; the qualification rate for materials and spare parts used in products shall be 100%; the first-time qualification rate for each manufacturing process shall be over 90%; and the qualification rate for ex-factory products shall reach 100%.

LANPEC Service Quality Control Measures

Quality Assurance Engineer

The quality objectives are decomposed by the Quality Assurance Engineer and implemented into each quality control system, relevant departments, and responsible personnel in accordance with the following requirements, with regular assessments conducted.

Manufacturing Department

Be responsible for arranging human and material resources to provide timely service to users.

Process Room and Quality Management Department

The manufacturing and acceptance of products shall be completely controlled in accordance with the corresponding laws, regulations and standards.

Manufacturing Department

Be responsible for arranging certified personnel to take up their posts for operation; strictly control the material procurement process to ensure the physical quality of products; and strictly control the product manufacturing process.

Quality Management Department

Conduct strict inspections to ensure that the first-time qualification rate of each manufacturing process for products exceeds 90%, and the qualification rate of ex-factory products reaches 100%.

I Quality Risk Management

For product quality risk management of the Company, we mainly focus on material quality risks, manufacturing process risks, and personnel operation risks.

In 2024, the Company primarily centered on system construction. For raw material procurement management, a list of qualified suppliers was established, with priority given to suppliers with good industry reputation and stable quality. Material quality standards and acceptance requirements are clearly specified in procurement contracts. Upon delivery, the quality inspection department conducts inspections in accordance with the standards. Unqualified materials are strictly returned, and suppliers are warned or removed from the list.

For process management, detailed process operation procedures have been formulated, covering operation steps, process parameters, quality control key points, etc., for each production process. Before production, technical personnel conduct process disclosure to operators. During production, process personnel conduct regular inspections to ensure that processes are implemented in place. For new processes and technologies, small-batch trial production is carried out first, and formal application is made only after verification of feasibility.

For personnel training and management, the Company has formulated an annual training plan, including training content such as theoretical knowledge, operational skills, and safety regulations. When new employees join, they undergo job skill training and assessment, and can only take up their posts after passing the assessment. Existing employees receive regular refresher training to improve their skill levels. A quality reward and punishment system has been established to reward employees with excellent quality performance and punish those who operate in violation of regulations and cause quality problems.

Company Quality Risk Management Meeting

The Company implements a strict "quality regular meeting" system every month, conducting quality analysis across multiple links including material procurement, design, production, inspection, and after-sales service, proposing preventive measures to reduce the occurrence of non-conforming products. Participants cover quality assurance engineers, quality management system personnel, R&D designers, production management personnel, and all section chiefs.



I Handling of Products and Nonconforming Items

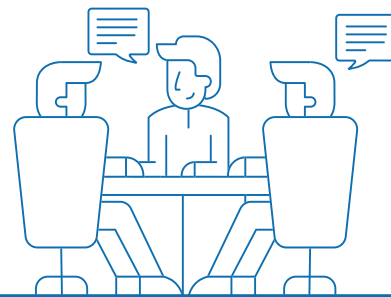
The Company adheres to standardized management, continuous improvement, people-oriented principles, and green development, striving to become a world-class clean energy service provider. For products that do not meet standards, we prioritize identification and record-keeping. From raw material input to finished product delivery, each link is assigned a unique identifier, with detailed records of various data during the production process, including raw material batches, processing equipment, operators, and inspection data.

On the other hand, we strengthen the traceability process. Upon discovering non-conforming products, the traceability procedure is immediately activated. Production records are queried based on product identifiers to determine information such as raw material sources, processing procedures, and operators, and analyze the causes of non-conformity. If multiple batches of products are involved, the traceability scope is expanded, and relevant departments are notified to take measures such as recall, isolation, and re-inspection.



Customer Service

LANPEC's customer service system covers all key aspects of customer service. Through high-quality products, efficient services, professional technical support, and a sound communication mechanism, it comprehensively meets customer needs, enhances customer satisfaction and loyalty, and has established a good corporate image.

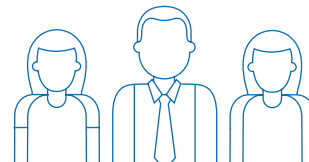


Customer Service System

LANPEC deeply recognizes that listening to customer feedback is crucial for continuously improving the customer service experience. Especially considering the Company's international business layout, it actively adopts and values every piece of feedback from customers, regarding it as a valuable resource for service optimization and innovative development.

The Company has established a sound after-sales service management procedure and an after-sales service procedure within its quality assurance system. The technical personnel dispatched for after-sales service are all relevant personnel of the quality assurance system, and the service personnel dispatched all hold relevant qualification certificates for special equipment operation. The Company's after-sales service-related procedural documents are established in strict accordance with the requirements of TSG21-2016 *Safety Technical Supervision Regulations for Stationary Pressure Vessels* and TSG21-2019 *Rules for Licensing of Special Equipment Production and Filling Units* in terms of service processes and resource configuration.

LANPEC's Customer Service Process



1

After product delivery, business personnel continuously communicate with users to ensure timely and effective after-sales service or technical support can be provided at the first time.

2

Upon receiving service information feedback from users, business personnel shall notify the after-sales service office, which is responsible for organizing relevant technical personnel to respond. Routine issues shall be feedback within 8 hours, and issues affecting user safety or production shall be responded immediately.

3

If a solution is required for equipment quality issues, the after-sales service office shall organize relevant departments, experts, and technical personnel to analyze the causes and propose solutions. The solutions shall be prepared by the relevant responsible departments and implemented or sent externally only after being reviewed by the technical director and approved by the quality assurance engineer in accordance with the company's design or manufacturing quality assurance system requirements.

4

After handling equipment quality issues, the department/unit responsible for after-sales service shall dispatch personnel to fill in after-sales service records as required, and provide relevant service materials to the after-sales service office after customer evaluation. The after-sales service office shall be responsible for filing and preserving technical documents, handling methods, solutions, and processing results.

Guided by the customer service philosophy of "Technological Innovation for National Brands, Quality to Earn Chinese Credibility", the Company conducts targeted internal training programs annually for its full-chain management processes. By strengthening internal capabilities and promoting collective improvement, it aims to build a high-standard team and continuously enhance customer service levels. In 2024, more than 10 training sessions were held, with 120 participants and a total training duration of 40 hours. These initiatives improved employees' sensitivity to customer needs, enhanced their rapid response capabilities in problem-solving, and reinforced compliance awareness to avoid non-compliant behaviors during service delivery.

Company Customer Service Training



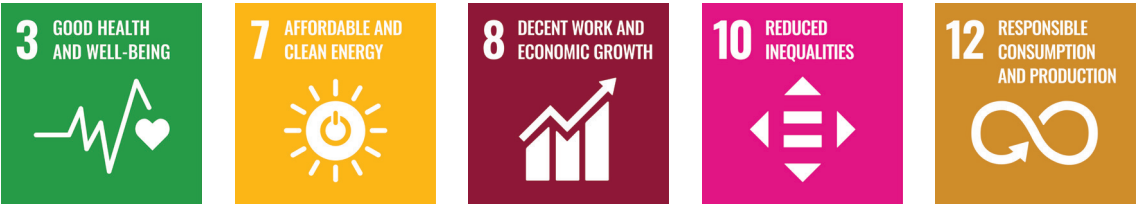
Product Sales Emergency Feedback Plan

The Company has established a dedicated emergency response team to ensure rapid and efficient reactions to various sudden incidents in product sales. The team leader is appointed by senior company leadership, with members comprising professionals from key departments such as quality, business, technology, and legal affairs. When abnormal events occur in product sales, such as customer complaints about product quality defects or sudden product failures during normal use, frontline sales personnel must truthfully report the information to the emergency response team at the fastest speed upon acquisition. Upon receiving the report, the emergency team immediately convenes an urgent meeting, quickly activates the corresponding emergency response level based on pre-set scientific classification criteria, ensures resource allocation matches the severity of the issue, and lays a foundation for subsequent proper handling.

For customer complaints, the Company promptly dispatches technical and quality personnel to the site to understand the problem and conduct cause analysis. If the issue is indeed a product quality problem, the company will negotiate solutions with customers in accordance with contract terms and relevant laws and regulations, such as repair, replacement, or compensation. At the same time, recall procedures will be initiated for the problematic products to prevent the issue from escalating. If the incident attracts media attention or public questioning, the Company will timely release authoritative information, address societal concerns, and avoid causing negative impacts.

Partnerships and Social Responsibility

Commitment to Sustainable Development Goals (SDGs)



LANPEC attaches great importance to communication and management with its supply chain and community. A stable and sustainable supply chain is crucial for ensuring product quality and stable delivery, directly impacting the Company's competitiveness. The community provides the foundation for the Company's development, and long-term growth can only be achieved through harmonious coexistence. We actively practice responsible supply chain management, strictly screens suppliers to ensure raw materials are environmentally friendly and compliant, and works together with them to promote industrial upgrading. In the community, we carry out science popularization activities to share cutting-edge knowledge of energy utilization and organize volunteer support to bring warmth to disadvantaged groups. Through these efforts, the Company consolidates its development foundation and achieves win-win cooperation with all parties.

Responsible Supply Chain

The Company is committed to building a sustainable supply chain. While ensuring procurement needs are met and agreements are fulfilled in a timely manner, it actively promotes suppliers to enhance their sustainable development capabilities. We implement full-process management covering supplier admission, procurement, evaluation, and empowerment, and purposefully incorporate considerations of suppliers' ESG risks.

Supply Chain Governance Framework

The Company has developed a *Quality Assurance Manual* and periodically revises and improves it. Strict procedures for material requisition, procurement, inspection, and warehousing have been established, along with cross-departmental procurement coordination mechanisms to clarify the responsibilities and collaborative relationships of demand departments, procurement departments, quality inspection departments, warehousing departments, financial departments, etc., in the procurement process. The Company conducts full-process supervision of procurement activities to ensure compliance and fairness; it regularly performs internal audits of procurement activities to examine the implementation of procurement processes, control of procurement costs, supplier management, etc., and promptly rectifies any issues identified. The procurement department has established a monthly quotation mechanism for major material suppliers, where suppliers submit quotations in writing each month, and the company seeks optimal procurement channels through inquiry and price comparison.

Supply Chain Risk Identification and Assessment

The significance of the Company monitoring and managing supply chain risks lies in ensuring business continuity, compliance, and reputation, while promoting sustainable development. The Company's philosophy is to identify and assess potential risks through comprehensive supply chain risk management, adopt effective preventive and responsive measures, so as to enhance the resilience and responsiveness of the supply chain, ensure the quality of products and services, protect the environment and human rights, and maintain the Company's business ethics and governance standards.

Supplier Full Lifecycle Management

The Company continuously focuses on suppliers' sustainable development and ESG governance. It gradually introduces management requirements such as environmental protection, social responsibility, and business ethics throughout the full lifecycle of supplier management, and conducts regular evaluations to ensure suppliers' continuous compliance and risk prevention and control.

Supplier Selection	The Company prioritizes selecting suppliers from the existing supplier list based on requirements and technical specifications. If unsuitable, suppliers are sourced from the market, subject to preliminary screening. In-depth evaluations are conducted after qualified document reviews.
Supplier Product Quality Management	Suppliers must inspect the products they provide and furnish qualified reports or certifications. Prior notice is required for any changes; detailed information must be submitted for name changes. Suppliers with long-term non-delivery or quality anomalies will undergo re-evaluation or may have their qualifications revoked.
Supplier Assessment and Re-evaluation	Dynamic management is implemented, with evaluations conducted at the end of each year or when new qualified suppliers are added. Sub-subsidiaries organize the evaluations and revise the list of qualified suppliers based on comprehensive assessment results, such as supplier audit reports.
Supplier Dynamic Grading and Management	Suppliers are periodically graded according to performance evaluation results, and dynamic management is applied accordingly to reward excellence, eliminate inferiority, and drive suppliers to continuously improve product and service quality.

The Company gives priority to collaborating with suppliers rated at Level A. For Level B suppliers (good suppliers), the Company will maintain normal procurement relationships and encourage them to continue improving their performance. For Level C suppliers (qualified suppliers), the Company will adopt stricter measures such as reducing procurement volume or suspending procurement to urge them to make necessary improvements. For Level D suppliers (unqualified suppliers), the Company will consider eliminating them or requiring them to rectify and undergo re-evaluation, so as to ensure that the overall performance of the supplier group meets the company's requirements in terms of product quality, sustainable development, and other aspects.

Supplier Level	Score Range	Measures
A	90-100	Priority in procurement, increase monthly procurement volume allocation
B	80-89	Good suppliers, normal procurement allowed
C	60-79	Qualified suppliers requiring improvement; reduce procurement volume or suspend procurement
D	59 and below	Unqualified suppliers; subject to elimination or re-evaluation after rectification

Supply Chain ESG Responsibilities

We align with international labor standards such as the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)*, as well as standards like SA8000, China’s *Environmental Protection Law*, and the national “Dual Carbon” Strategy. In our business practices, we adhere to green procurement principles, prioritizing suppliers with robust EHS (Environmental, Health, and Safety) management systems. Additionally, suppliers demonstrating exceptional ESG (Environmental, Social, and Governance) performance will receive preferential treatment in our supplier/partner evaluation system, enjoying priority collaboration under equivalent conditions.

Environmental Protection	Supply Chain Management	Labor Rights	Business Ethics
Environmental Regulatory Compliance	Supplier Environmental Management	Child Labor and Forced Labor	Anti-Corruption and Anti-Bribery
Waste Management and Circular Economy	Supplier Social Responsibility Management	Health and Safety	Information Confidentiality
Energy Consumption and Climate Change	Supplier Business Ethics	Freedom of Association and Collective Bargaining	Fair Competition
Hazardous Chemicals Management		Equal Employment and Anti-Discrimination	

Conflict Minerals

The Company currently does not use 3TG mineral resources in its production processes. Meanwhile, the Company adheres to responsible procurement, committing not to use mineral resources from conflict-affected areas, and explicitly requiring suppliers to refrain from using mineral resources from conflict-affected areas or in violation of the company's policies.

The Company commits to complying with the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* published by the Organization for Economic Co-operation and Development (OECD), as well as the regulations on the management of tungsten, tin, tantalum, and gold minerals in conflict-affected areas under the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

Industry Collaboration

Upholding the philosophy of industry-wide progress, the Company is committed to building win-win partnerships with collaborators, suppliers, and customers. By sharing resources, technologies, and market insights, it aims to drive innovation and advancement across the entire industry, achieving mutual growth and sustainable development.

Supplier Communication

The Company periodically organizes supplier exchange activities to promote friendly and equal development between both parties through face-to-face communication.

Equal Treatment of SMEs

In 2024, the Company strictly abided by the contractual terms with small and medium-sized enterprises (SMEs), ensuring that all payable amounts in line with the contract were paid on time, with no overdue payment incidents occurring. We will continue to maintain good cooperative relationships with SMEs in the future, uphold financial responsibilities, and implement robust asset management to ensure equal treatment of all partners.


Social Welfare & Rural Revitalization


The Company's philosophy in social welfare and volunteer service is to actively give back to society and contribute love, dedicating itself to social welfare undertakings and charity, and interpreting the corporate social responsibility with practical actions.

Public Welfare and Charity

Through active fulfillment of corporate social responsibility and participation in social services and charitable activities, the Company gives back to society with practical actions, promotes sustainable community development, and achieves harmonious progress between the enterprise and society.

2024 Key Performance Indicators (KPIs)

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Donated **150,000** yuan to Lvxiang Town, Jinshan District, Shanghai. This initiative leverages the role of charitable organizations in poverty alleviation, improving people's livelihoods, promoting traditional Chinese virtues, and socialist core values, further ensuring the basic living needs of vulnerable workers and residents during the Spring Festival.
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Paid **200,000** yuan in poverty alleviation funds to Huaiyin County, Henan Province, a designated poverty alleviation site of Sinomach Group, for local infrastructure construction.

Employee Sponsorship of Single-Parent Left-Behind Children at Lantian Primary School in Wangchangsi Village

Wangchangsi Village, located in a remote mountainous area with underdeveloped economic conditions, is LANPEC's designated poverty-alleviation partner. Many local families face significant livelihood challenges. As the village's sole educational institution, Lantian Primary School bears the critical mission of nurturing the next generation. However, children from single-parent or left-behind families, due to financial hardships, face heightened dropout risks.

Upon learning this situation, our two employees proactively contacted the Company's labor union to understand the sponsorship procedures and requirements, then took immediate action. Every year, they timely remit 2,400 yuan in student grants to the school's designated account, ensuring the funds are promptly and accurately allocated to the children in need.

For the sponsored children, these grants not only alleviate their financial burdens but also make them feel the care and warmth from society. With this support, the children can focus more on their studies, continuously enhancing their knowledge and skills to lay a solid foundation for their future growth and development.

As a central state-owned enterprise, LANPEC demonstrates corporate responsibility by proactively fulfilling its social duties and supporting education in remote areas. The company will strengthen cooperation and exchanges with governments, schools, and other social sectors to jointly explore more innovative and effective funding models, injecting greater vitality and momentum into educational undertakings in remote regions.

I Volunteer Service

The Company promotes the volunteer service philosophy of "Serving Society and Delivering Love," encouraging employees to actively participate in various public welfare activities and demonstrate the enterprise's social responsibility through practical actions. Through volunteer services, the Company aims to cultivate employees' social awareness and dedication spirit, while bringing positive impacts to the community and promoting harmonious social development.

Love in the Sunshine, Planting Youth — LANPEC Young Volunteers in Action

March 12, 2024 – The Company's Youth League Committee, in collaboration with Lüxiang Town Youth League Committee and Lüxiang Town Disabled Persons' Federation, organized a volunteer activity titled "Love in the Sunshine, Planting Youth." Seventeen young volunteers from the Company sowed love in the sunlight and planted hope with their youth.

During the event, the young volunteers partnered with members of the "Sunshine Home" to complete succulent potted plant arrangements. They also teamed up to participate in fun interactive games such as bean bag toss, traditional Chinese arrow pitching, and "Hands in a Frenzy". Through these youthful actions, they embodied the spirit of volunteerism, bringing the warmth and brightness of spring to the "Sunshine Home" members. Their efforts encouraged these individuals to embrace self-reliance, build confidence, and cherish life.



I Rural Revitalization

The Company has been actively engaged in rural revitalization, contributing to the development of rural economies and the upgrading of agricultural industries through innovative consumption-based assistance measures. These initiatives have effectively bridged corporate resources with rural needs, achieving an organic integration of corporate social responsibility and the national rural revitalization strategy.

LANPEC's Rural Revitalization Program Series

In Wangchangsi Village, which is under LANPEC's targeted assistance, located in a remote mountainous area, the village sanitation workers could only rely on traditional hand carts for daily cleaning. This was not only inefficient but also failed to meet the cleaning standards in the vast and complex rural environment. Sanitation workers often had to work hard under the scorching sun or in wind and rain, not only consuming a lot of physical strength but also struggling to ensure the timeliness and comprehensiveness of their work.

Upon learning about the situation, LANPEC immediately purchased five electric sanitation vehicles and donated them to each village in need, including Wangchangsi Village. This initiative is not only a direct support for rural environmental hygiene but also a deep concern for the hard work of sanitation workers. At present, the electric sanitation vehicles are playing an important role in improving the efficiency of sanitation work, reducing operating costs, promoting environmental protection and energy conservation, and enhancing the image of rural areas.

In the future, LANPEC will continue to help improve rural environmental hygiene conditions, so that every sanitation worker can find happiness and a sense of achievement in their work, and jointly contribute to building a beautiful and livable rural environment.



Rural Consumption Assistance

LANPEC responded to the call of Sinomach Group by organizing consumer poverty alleviation, with a consumption assistance expenditure of 91,300 yuan used to purchase agricultural and sideline products in Pinglu County, Shanxi Province, and Heshui County, Gansu Province. By directly purchasing and consuming agricultural products, the company helped address the problem of unsalable agricultural products.

Rural Cooperative Base/Infrastructure Construction

A poverty alleviation fund of 100,000 yuan was paid to Gucheng Town, Heshui County, Qingyang City, Gansu Province – the Company's designated poverty alleviation site – to support the infrastructure renovation project of the local vegetable production base.

Employee Development and Workplace Safety

Commitment to Sustainable Development Goals (SDGs)



LANPEC has always closely integrated employee development with the Company's sustainable growth, establishing and improving a human resource management system covering multiple aspects such as recruitment, training, compensation and benefits, career development, and health and safety. The Company's board of directors formulates the overall employee development strategy, which is specifically implemented by the management and human resources department to ensure that employee rights and interests are fully protected. Through a combination of measures such as compliant employment, diversified development, talent introduction and motivation, the Company continuously optimizes employee growth paths and enhances organizational stability and competitiveness. In addition, LANPEC attaches importance to employee well-being and occupational health, implements diversified welfare and care initiatives, strengthens safety production management, and creates a safe, healthy and harmonious working environment to jointly promote the Company's high-quality development.



Employee Development Management Framework

Our overall employee development strategy is formulated by the Board of Directors, implemented by the executive management team. As the primary department responsible for corporate human resources, the HR Department oversees the execution of all employee development matters including compensation & benefits, diversified employment models, labor rights protection, and staff training programs – ensuring full protection of employee rights and interests.

Employee Development Risk Management

We employ multiple channels—including employee surveys, one-on-one interviews, and statistical analysis of quantitative performance metrics—to identify and assess staff training & development needs, benefits & work-life balance status, as well as overall job satisfaction. Concurrently, the Company conducts regular audits of internal communication efficiency and employment compliance to ensure effective protection of employee rights.

Employee development serves as a cornerstone for corporate sustainable growth, with its impacts and potential risks spanning legal compliance, supply chain management, and workforce stability. To address these challenges, the Company implements proactive ESG management initiatives to enhance regulatory adherence, corporate reputation, and talent competitiveness.

Employee Development Strategy

Equal Employment

Compliant Employment

Upholding the principles of openness, fairness, and justice, we are committed to enhancing the efficiency and quality of recruitment to drive the effective implementation of the Company's talent strategy. To this end, we have formulated the *Personnel Management System*, which specifies relevant details on employee recruitment, employment contracts and social insurance, compensation and assessment, professional and technical evaluation and appointment, etc.

Measures for Managing the Employee Recruitment Process

Requirement Application	Application and Approval of Manpower Requirements: The annual manpower requirement plan of each department and the application for job requirements outside the annual plan shall be submitted to the competent leader for approval.
Review	<p>Review of Recruitment Candidates: The Human Resources Department is responsible for reviewing the qualifications and credentials of recruitment candidates (including those recommended by departments), and shall conduct professional knowledge, competence, and quality assessments and interviews in conjunction with department heads and other relevant personnel.</p> <ol style="list-style-type: none"> For proposed hires, conduct pre-employment reviews based on the materials attached to the New Employee Onboarding Notice, complete the onboarding confirmation form, and obtain a commitment to the authenticity of the materials; After passing the qualification review, conduct onboarding training and education (company policies, employee handbook, work safety, occupational health, etc.), and sign labor contracts; Personnel who have previously worked in special positions such as welding, flaw detection, and painting must first undergo occupational health examinations, and their eligibility for onboarding shall be determined based on the examination results.
Probation Period	Enter the hiring or internship department to undergo the probation period.

Employment Principles

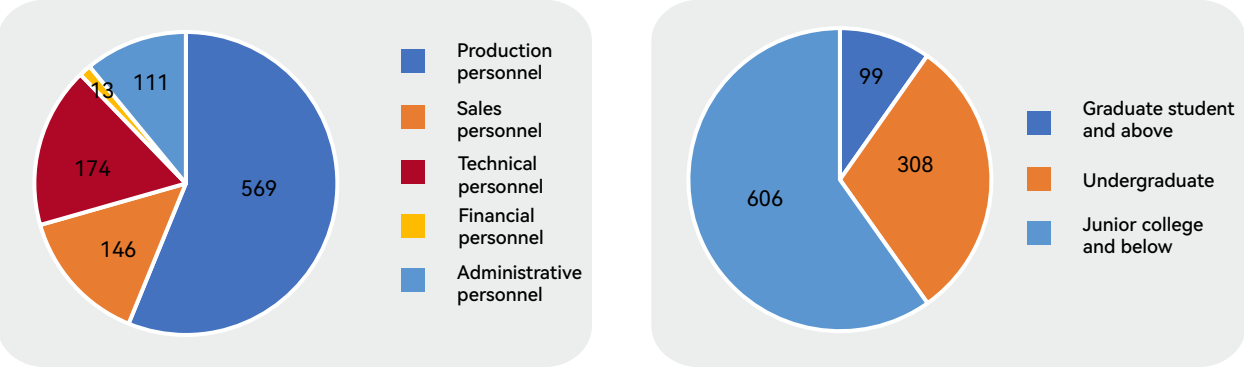
Fairness and Transparency	To ensure equal job opportunities and career development space for all, the company has always adhered to the principles of fairness, equity, and openness in talent selection and employment. In the talent evaluation process, we comprehensively consider an individual's educational background, professional skills, and work experience to ensure the transparency and fairness of the selection process.
Anti-Harassment	We commit to eliminating workplace sexual harassment that violates human dignity and occurs against others' will, as well as abuse of power.
Anti-Child Labor and Anti-Forced Labor	Our company does not recruit child labor under the age of 16, nor use prison labor, forced labor, bonded labor, or slave labor or engage in human trafficking. For minor workers aged 16 to 18, we strictly comply with the national regulations on the protection of minor workers as stipulated in the Minor Worker Protection Law.
Personal Privacy Protection	We attach great importance to protecting employees' personal privacy and will not disclose their personal privacy information to the public without their consent.

2024 Key Performance Indicators (KPIs)

	<p>There is no form of employment discrimination or forced labor in the company, and the labor contract signing rate for employees is 100%.</p>
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Equality and Diversity

We firmly put an end to any form of employment discrimination and ensure that employees' work rights and development opportunities are not affected by factors such as race, color, age, region, gender, sexual orientation, disability, height, religious belief, political stance, community identity, or marital and pregnancy status.



Talent Recruitment and Retention

The Company attaches great importance to talent recruitment and retention. In 2024, the Company strengthened talent retention efforts by optimizing the compensation incentive mechanism and promoting other relevant measures. To ensure the stability of key talents, the Company actively motivates and retains employees who can currently support future development work, ensures their past contributions are recognized, and enhances their work motivation through continuous incentive measures. At the same time, when retaining talents, the company follows the principle of cost reduction and efficiency improvement, balances the number of recruits and costs, mainly motivates talents in core key positions, and adopts different talent retention strategies based on the Company's strategic priorities and the responsibility value of each position.

Measures for Talent Recruitment and Retention

Measure	Content
Talent Recruitment School-Enterprise Cooperation	Establish in-depth cooperation with universities to train and recruit outstanding graduates through targeted programs.
	Offer internship opportunities, participate in campus job fairs, and establish stable university-enterprise talent recruitment channels.
Talent Retention	Establish an annual Outstanding Employee Award program to enhance staff loyalty and motivation.

2024 Key Performance Indicators (KPIs)

Recruited **33** talents (including **11** fresh graduates),
with **23** employees leaving and **21** retiring.

Employee Benefits & Well-being

Compensation & Benefits Management

The Human Resources Department of LANPEC has formulated systems such as the *LANPEC Performance Appraisal Management Measures*, *LANPEC Compensation Management Measures*, and *LANPEC Cadre Management Measures*. These regulations clarify the implementation rules for performance appraisal and bonus distribution in functional departments, business and R&D departments, and production sector departments, while standardizing the compensation management system. In 2024, the Company further advanced the "Six Fixed" plan, namely fixing organizational structure, positions, staffing, job grades, personnel, and compensation, continuously optimizing human resource management to enhance organizational efficiency and employee incentive mechanisms. To further motivate employees and ensure the compensation management system can effectively drive incentives, the company improved the compensation management system by addressing existing issues and aligning with its current development stage.

Welfare & Care

The Company provides employees with social insurance, welfare benefits, and additional perks such as regular health check-ups and holiday bonuses. Relevant documents, including the *Employee Welfare Guidelines*, have been established to ensure effective implementation and continuous optimization of these benefits. In line with regional characteristics, LANPEC grants high-temperature subsidies to employees in Shanghai and heating allowances to those in Lanzhou. Additionally, the company contributes to corporate annuities in both locations and strictly adheres to local regulations for social insurance payments, safeguarding employees' rights and interests.

LANPEC Holds 2024 Mid-Autumn Festival Employee Care Event



In recent years, LANPEC's engineering projects have experienced rapid development, leading to an increasing number of field personnel from the Engineering Management Department working on-site. Due to work demands, these employees have fewer opportunities to return home and spend time with their families. Prior to the Mid-Autumn Festival, the Company's labor union invited family members of these field employees to the Shanghai base. Company leaders held a symposium with the families to listen to their thoughts and concerns. A live video call was arranged with the employees at project sites, allowing everyone to better understand the working conditions and challenges faced on the ground. The company distributed festive care packages to the families in appreciation of their long-standing support and understanding.



Wang Jian, representing the Company's Party Committee and executive leadership, extended holiday greetings to all field personnel and their families. He emphasized that BlueSci-Tech's growth is built upon the hard work of every employee and the silent support of their families. He assured that the labor union would make every effort to address challenges in both work and personal life, fostering collective progress toward a brighter future.

LANPEC Participates in Group Company's 2024 Dragon Boat Race



On the eve of the Dragon Boat Festival, LANPEC's "Blue Lightning" team made its debut in the parent company's dragon boat competition as a first-time participant. With strong support from the Company's Party Committee and Labor Union, the team learned from experienced sister companies while overcoming numerous challenges including limited training facilities, lack of professional coaches, and crew members' inexperience in water sports.

Through intensive one-month training, the team significantly improved their physical conditioning, technical skills, and teamwork coordination. In the fiercely contested race, they achieved a remarkable time of 1 minute 38 seconds, earning them the Third Prize.

LANPEC Competes in 2024 Parent Company Sports Games

On May 25, 2024, the grand 8th Employee Sports Games of the parent company was held at Wutaishan Stadium. Nearly 1,000 athletes from 10 delegations—including group headquarters, managed enterprises, and subsidiaries—gathered for this sporting extravaganza. After a full day of intense competition, the "New Blue Synergy Team," jointly formed by LANPEC and SUMEC, demonstrated tenacious perseverance, self-transcendence, and an indomitable spirit, ultimately achieving outstanding results.

With less than a month of preparation, team members rigorously followed training regimens—from foundational fitness to competitive drills—pushing their athletic potential to the limit. Each athlete honed their competitive edge, optimized training cadence, and strengthened mental resilience, striving for peak performance.

LANPEC's athletes embodied an unyielding competitive ethos and vibrant team spirit, perfectly interpreting the corporate motto: "Pursue excellence until limits break; Heaven rewards diligence—turning 'impossible' into 'possible.'" Their drive has become a powerful force propelling LANPEC's high-quality development.



LANPEC Holds 2024 International Women's Day Themed Event

To create a vibrant and uplifting festive atmosphere in celebration of the 114th International Women's Day, LANPEC organized special activities under the theme "Passionate Spring · Brilliant Lives".

The Shanghai facility hosted a "Haipai Flower Arrangement" workshop. Under professional guidance, female employees enthusiastically learned and practiced, immersing themselves in the charm of floral art amidst fragrant blooms. Deputy Party Committee Secretary Gao Wei and Labor Union Chairman Wang Hong extended heartfelt gratitude and best wishes to all female colleagues. The Lanzhou base held a festive gathering featuring traditional hulusi flute solo, solo performances and chorus, poetry recitation, dance routines and medleys. Through graceful melodies, inspiring songs, and heartfelt performances, the gala showcased the multifaceted talents and aspirational spirit of women in the new era.



Employee Grievance & Communication

At LANPEC, employee communication and participation are regarded as important cornerstones of corporate development. The Company is committed to building a comprehensive and multi-level communication and participation system to promote deep understanding and close collaboration between employees and the enterprise, jointly driving the Company's sustained progress. The Company also continuously improves the organizational structure of labor unions and strengthens grassroots trade union work. In 2024, in response to changes in the personnel of trade union committees and adjustments to organizational structures, the Company supplemented and elected new trade union committee members and a trade union chairman in accordance with the provisions of the *Trade Union Law of the People's Republic of China* and the *Constitution of the Chinese Trade Union*. It also carried out general elections for grassroots trade union organizations and established thirteen grassroots trade unions to better represent and serve employees, and promote continuous communication and development between the company and its employees.

LANPEC Conducts Election for the 3rd Workers' Congress Representatives

In November 2024, the Company held the election of deputies to the Third Staff Congress. A total of 13 electoral districts were set up for this election, with elections conducted by party branches as units. In accordance with the allocated number of deputies and the eligibility criteria for staff representatives, each electoral district strictly followed the electoral procedures and elected staff representatives through secret ballot. The Congress successfully elected 80 staff representatives, covering company leaders, middle-level managers, key employees, and ordinary staff. The representatives expressed their commitment to earnestly fulfilling their representative functions and democratic rights, and effectively safeguarding the legitimate rights and interests of employees.



Employee Benefits & Care

Employee Training

We have formulated systems such as the *New Employee Onboarding Training Manual* to enhance employees' professional knowledge, business competence, and work capabilities, continuously cultivate and deliver outstanding talent with both moral integrity and professional skills for various positions, support the achievement of the Company's strategic goals, and promote the common development of LANPEC and its employees. We continuously optimize and upgrade the training system, closely integrating business priorities and challenges, and create a series of branded training programs around six dimensions: operational management, professional technology, professional literacy, talent echelon, new hires, and instructors, further strengthening the construction of a business-oriented talent team.

LANPEC 2024 New Employee Onboarding Program

On July 24, 2024, the training for newly recruited campus hires of LANPEC in 2024 was officially launched. Before the training, the Company carefully prepared a "one-stop" orientation service covering various links such as station pick-up, accommodation arrangements, and onboarding procedures, creating a warm and comfortable atmosphere for new employees. During the training, heads of each business segment and functional department respectively introduced the relevant work content of their segments and departments, strengthening new employees' understanding of the company's operations.



2024 Key Performance Indicators (KPIs)

Indicator	Unit	2022	2023	2024
Total Training Investment	10k RMB	57.98	84.5	86.1
Training Coverage Rate	%	100	100	100
Avg. Training Hours per Employee	hours	50	61.6	73.5
Including: Senior Management	hours	62.5	72	95
Middle Management	hours	55	66	86
Frontline Staff	hours	50	60.5	73

Performance Evaluation & Career Progression

We always place employee career development in a critical position, committing to building a scientific, transparent, and diversified career promotion system. We continuously improve the construction of talent growth pathways and have formulated institutional documents such as the Cadre Management Measures.

In 2024, Lanpec High-Tech established career development pathways based on six sequences—management, professional (functional, technical), business (sales, engineering), and skills—considering the company's current development stage, employee compensation, and the development needs of various talent groups. This includes establishing job grades and corresponding compensation systems.

To further strengthen the philosophy of "focus on strivers, high-performance orientation," we explore the establishment of a scientific and reasonable performance evaluation mechanism to fully mobilize the enthusiasm and initiative of cadres and employees, improve work efficiency and quality, and ensure the effective achievement of the company's annual goals and tasks.

2024 Key Performance Indicators (KPIs)

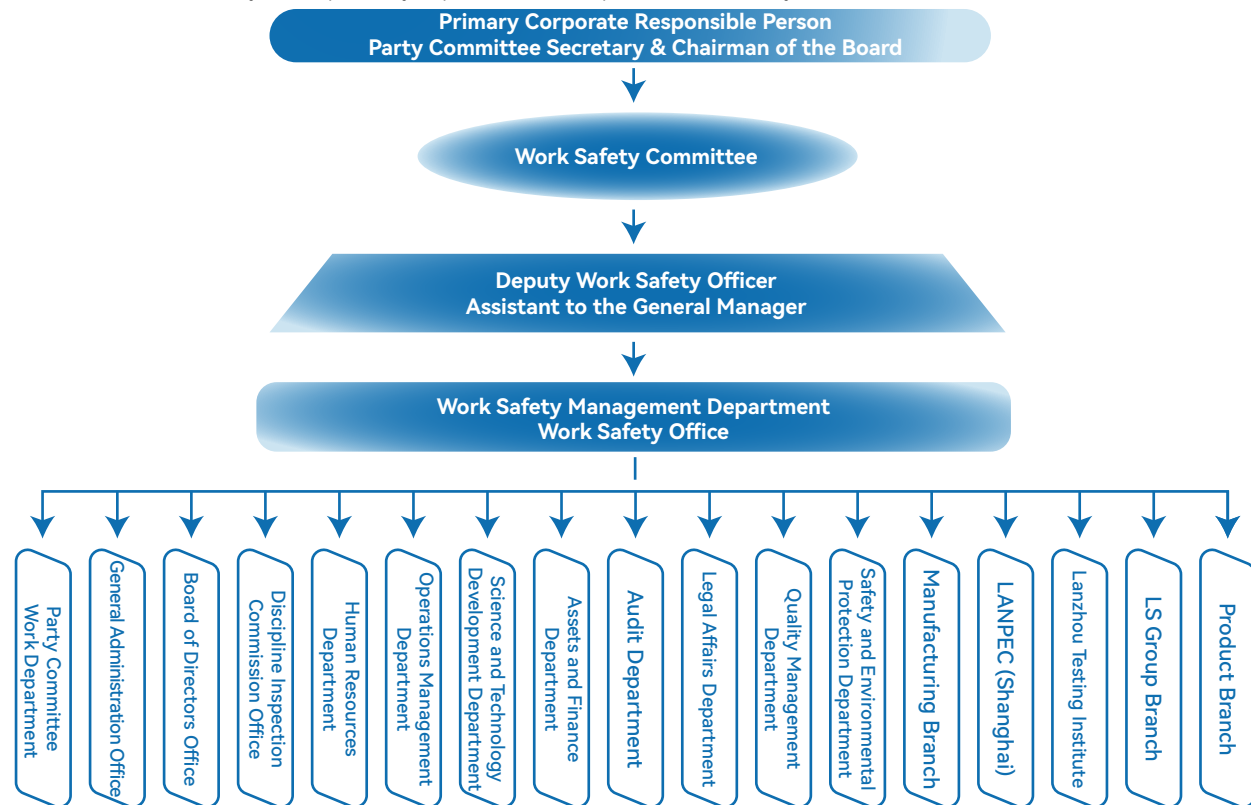
LANPEC promoted **19** cadres to the level of assistant general manager of departments or above, and **30** cadres to the level of manager of secondary departments or above.

Health & Safety

The Company strictly complies with relevant laws, regulations and policy requirements such as the *Work Safety Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, *Environmental Protection Law of the People's Republic of China* and *Fire Control Law of the People's Republic of China*. In combination with the annual new regulatory requirements of the supervisory authorities, the company continuously improves the construction of its safety management system and management system to promote the company's safety operation level to a new stage.

Health and Safety Management Framework

LANPEC attaches great importance to safety and health management. It has formulated systems such as the *Implementation Rules for the Interim Provisions on Dual Accountability of Party and Government for Work Safety* and *One Post, Two Responsibilities* and the *Work Safety Responsibility Target Assessment Measures*. The Company has established a Work Safety Committee with the Chairman as the first responsible person, which is subordinate to a Work Safety Office specifically responsible for the implementation of safety work.



LANPEC Occupational Health and Safety Management System Certification



Health & Safety Risk Management

Identification and Assessment of Occupational Health & Safety Risks

The Company attaches great importance to the identification and management of hazard sources and occupational diseases. It has formulated the *Safety Risk Classification and Control System*, continuously optimized the safety risk identification mechanism, deepened the application of risk assessment management tools, and promoted the systematic, standardized, standardized, and informatized risk identification and assessment to build a dual prevention mechanism for safety risk classification and control and hidden danger investigation and treatment. The Company carries out safety risk identification and assessment every year, formulates control measures, and eliminates safety weaknesses.

In May 2024, guided by the established system documents, the Company's *Work Safety Office*, as the leading force, coordinated and assembled various departments to form a special work team to comprehensively and deeply re-identify, scientifically assess, and reasonably classify environmental factors, safety risks, and hazard sources in all internal departments and operating sites. On this basis, the work team further revised and updated two core management documents of the company: the *Compilation of Safety Risks, Hazard Source Identification, Assessment and Graded Control* and the *Compilation of Environmental Factor Identification, Evaluation and Control*. These measures aim to ensure that the Company's safety risks are always kept under strict and manageable control, thereby improving the overall safety management efficiency.

Health & Safety Strategic Framework

Safety Culture Development

The Company regards employee safety knowledge training as a vital component of its occupational health and safety protection efforts. It has formulated regulations such as the *Work Safety Education Management Regulations* and established a comprehensive employee safety education and training system to deliver targeted safety education, enhance employees' safety awareness, and effectively improve the knowledge level of occupational health and safety managers.

During the Publicity Week for the Occupational Disease Prevention and Control Law, the Work Safety Office carried out a series of activities themed "Adhering to Prevention as the Priority and Safeguarding Occupational Health." The Company organized relevant personnel to participate in the themed training on the Occupational Disease Prevention and Control Law conducted by the group and distributed related promotional materials. Meanwhile, through the Company's internal network, electronic screens broadcasting promotional videos, hanging banners, and posting posters within the company, multiple channels were used to improve frontline employees' awareness and prevention capabilities regarding occupational diseases.

Additionally, the Company actively urges all departments to carry out special occupational health and safety training and organizes employees to participate in occupational health knowledge quizzes to enhance the overall occupational health awareness of the workforce.

LANPEC Occupational Disease Prevention & Legal Compliance Training Program

On April 18, 2024, the Company invited a special lecturer from Safety and Health Network to conduct an occupational health training session for all personnel exposed to hazards in Production Department I, including welders, shot blasting/painting operators, flaw detection workers, and thermal cutting operators. The training covered topics such as occupational disease prevention and related laws and regulations, prevention and improvement of common occupational diseases and chronic illnesses (pneumoconiosis, noise-induced deafness, radiation sickness, cardiovascular and cerebrovascular diseases, cervical spondylosis), and enhancement of mental health literacy and healthy lifestyle for employees.



Promoting Employee Health

In order to effectively prevent and control occupational hazard factors in the workplace and ensure employees' occupational health and safety, LANPEC has issued 12 rules and regulations related to occupational health and safety, including the *Occupational Disease Hazard Prevention and Control Responsibility System*, *Occupational Health Examination Management Regulations*, *Occupational Disease Prevention Publicity and Education Training System*, *Occupational Disease Hazard Warning and Notification System*, and *Occupational Disease Hazard Monitoring and Evaluation Management System*. The Company strictly complies with legal and regulatory requirements, implements the main responsibility of the enterprise, actively adopts protective measures to reduce or eliminate occupational hazards, provides employees with adequate occupational health protective equipment, and organizes annual occupational health examinations for employees in hazard-exposed jobs to ensure a 100% qualification rate in occupational health examinations.

Chemical Safety

In 2024, the Company formulated the *Hazardous Chemicals Management System* to strengthen the management of storage, utilization, and disposal of hazardous chemicals. Specifically, the Company purchased and replaced secondary anti-leakage pallets for the paint warehouse and hazardous waste warehouse, posted eye-catching safety warning signs and Material Safety Data Sheets (MSDS) for hazardous chemicals, equipped the paint mixing room with combustible gas alarms and ventilation facilities, and reapplied epoxy treatment to the floor of the hazardous waste warehouse.

On July 25, 2024, the Company organized a special emergency drill for hazardous chemical leakage accidents. This aimed to standardize the management and emergency response procedures for hazardous chemicals, ensure timely and effective implementation of emergency measures in case of chemical leaks, minimize casualties and property losses, protect the ecological environment, and safeguard the lives and property of employees.

Emergency Management

The Company has formulated the *Work Safety Accident Emergency Plan (Version G)*, which covers a comprehensive emergency plan for work safety accidents, 11 special emergency plans, and 5 specific on-site disposal plans. An emergency response command center has been established with the General Manager as the Director and department heads as members; an emergency response team led by the safety supervisor with safety supervisors of each department and work safety management personnel as members; and an emergency rescue team composed of workshop directors, team leaders, and operators. This has formed an efficient and responsive emergency rescue system, implementing an operational mechanism featuring unified command, hierarchical response, resource sharing, coordinated operations, a combination of professional and part-time capabilities, and integration of prevention and rescue.

In 2024, a total of 10 batches of drills were carried out, accompanied by training, which tested the operability of the company's emergency rescue and response system, improved the emergency response capabilities of employees and relevant departments to sudden accidents, enhanced the disaster prevention and avoidance awareness of frontline employees, enabled rapid, orderly, and safe evacuation and rescue in the event of production accidents, minimized losses caused by accidents, and safeguarded employees' lives.

LANPEC 2024 Fire Emergency Drill

On November 21, 2024, the Company organized a production safety accident and fire-fighting drill, simulating and explaining the process of cardiopulmonary resuscitation (CPR) for rescue on site. It also explained the usage methods of fire-fighting equipment such as fire extinguishers and fire hydrants, and organized hands-on practical experience.



Appendix

Quantitative Performance Dashboard

Environmental Performance

Indicator	Unit	2024
Total environmental protection expenditure	10,000 yuan	475.00
Scope 1 direct greenhouse gas emissions	tCO2e	2,705.60
Scope 2 energy indirect greenhouse gas emissions	tCO2e	2,989.52
Total Water Withdrawal	Tons	127,786.00
Total domestic wastewater discharge	Cubic meters	108,04
Total non-hazardous waste generated	Tons	1,084.62
Total hazardous waste generated	Tons	70.34
Total Waste Recycled/Reused	Tons	899.22

Social Performance

Indicator	Unit	2024
Total Employees	Persons	1,013
- Postgraduates and above	Persons	99
- Undergraduates	Persons	308
- Junior college and below	Persons	606
Labor contract signing rate	%	100
Five social insurances and housing fund coverage	%	100
Total investment in employee training	10,000 yuan	86.1
Employee training coverage rate	%	100
Average training hours per employee	Hours	73.5
- Senior management	Hours	95
- Middle management	Hours	86
- Frontline employees	Hours	73
Product recall rate	%	0
Product qualification rate	%	100
Product return rate	%	0
Number of R&D personnel	Persons	370
Number of authorized patent projects	Items	317
Number of invention patent applications	Items	25
Number of authorized invention patents	Items	80
Total investment in public welfare and charity	10,000 yuan	35
Number of data security incidents	Cases	0
Number of customer privacy leakage incidents	Cases	0

Governance Performance

Indicator	Unit	2024
Proportion of independent directors	%	33
Proportion of female directors	%	11
Number of public announcements issued	Documents	143
Anti-corruption training coverage rate for directors	%	100
Anti-corruption training coverage rate for departments	%	100
Anti-corruption training coverage rate for employees	%	100
Signing rate of <i>Integrity Cooperation Agreement</i> with suppliers	%	100

Report Index

Categorization	Topic	Related Chapter
Environmental	1. Climate Change Response	Climate Action and Environmental Protection
	2. Pollutant Emissions	Environmental Management System
	3. Waste Management	Environmental Management System
	4. Ecosystem & Biodiversity Protection	Biodiversity Conservation
	5. Environmental Compliance Management	Environmental Management System
	6. Energy Utilization	Resource Efficiency & Energy Savings
	7. Water Resource Utilization	Resource Efficiency & Energy Savings
	8. Circular Economy	Resource Efficiency & Energy Savings
Social	9. Rural Revitalization	Social Welfare & Rural Development
	10. Social Contribution	Social Welfare & Rural Development
	11. Innovation-Driven Development	Technological Innovation
	12. Technology Ethics	Not Covered
	13. Supply Chain Security	Responsible Supply Chain
	14. Equal Treatment of SMEs	Equal Treatment of SMEs
	15. Product Safety & Quality	Product & Service Quality Focus
	16. Data Security & Customer Privacy Protection	Information Security and Emergency Protection
	17. Employees	Employee Development & Safety
Sustainability Development	18. Due Diligence	Stakeholder Communication
Governance	19. Stakeholder Communication	Stakeholder Communication
	20. Business Ethics and Anti-Corruption Compliance Framework	Business Ethics & Anti-Corruption
	21. Fair Competition	Business Ethics & Anti-Corruption