SDMT 天鹅股份 Swan Cotton Machinery | 股票代码:603029

2025 环境、社会和公司治理(ESG)报告

ENVIRONMENTAL,SOCIAL AND GOVERNANCE (ESG) REPORT

Contents

Foreword

About this Report

This is the first Environmental, Social and Governance (ESG) Report (the "ESG Report") released by Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. ("Swan Cotton Machinery", the "Company", or "we"). In the principles of objectivity, standardization, transparency, and comprehensiveness, the Report provides detailed disclosure of the Company's practices and performance in environmental, social, and governance for the year 2025.

Reporting Scope

The Report covers Swan Cotton Machinery and its subsidiaries. Unless otherwise stated, the scope of the Report is consistent with that of the Company's Annual Report.

Reporting Period

The Report covers the period from January 1, 2025 to December 31, 2025 (the "Reporting Period"). To improve perspectives, some sections of the Report may contain forward-looking statements. The Report is released on an annual basis, consistent with the financial year.

Preparation Basis

- Shanghai Stock Exchange *Self-Regulatory Guidelines for Listed Companies on Shanghai Stock Exchange No. 14 - Preparation of Sustainability Reports (for Trial Implementation)*
- Shanghai Stock Exchange *Self-Regulatory Guidelines for Listed Companies on Shanghai Stock Exchange No. 4 - Preparation of Sustainability Reports*
- Global Reporting Initiative *Sustainability Reporting Standards (GRI Standards)*
- Chinese Academy of Social Sciences (CASS) *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG6.0)*
- UN Sustainable Development Goals (SDGs)
- *Sustainability Accounting Standards Board (SASB) Standards*

Data Source

Data sources used in the Report include public data from government agencies, actual operational data, annual financial data, internal statistical reports of the Company, third-party questionnaire surveys, third-party evaluations or interviews, etc. The financial data in the Report is expressed in RMB. For any discrepancy between the Report and the annual report, the annual report shall prevail.

Quality Assurance for the Report

The Company strives to ensure the completeness, materiality, balance, and comparability of the Report, and systematically elaborates on the philosophies, systems, actions, and performance results of the Company in pursuing development across economy, environment, and society. The Company guarantees that the content of the Report is objective, accurate, and complete, without any false records, misleading statements, or material omissions. Through the release of the Report, we aim to improve social responsibility management, strengthen communication with stakeholders, and promote the sustainable development of the Company.

Appellation Description

Term	Definition
Swan Cotton Machinery, SDMJ, the Company, or we	Shandong Swan Cotton Industrial Machinery Stock Co., Ltd.
Xinjiang Swan	Xinjiang Swan Modern Agricultural Machinery Equipment Co., Ltd.
Yetian Tieniu	Inner Mongolia Yetian Tieniu Agricultural Equipment Co., Ltd.
Huyanghe Swan	Huyanghe Swan Smart Agriculture Technology Co., Ltd.

Access to this Report

The Report is available for review and download on the official websites of the Company (https://www.sdmj.com.cn/) and Shanghai Stock Exchange (http://www.sse.com.cn).

Feedback

If you have any comments or suggestions concerning the Company's sustainability efforts, please feel free to provide feedback via the contact information below to help us continuously improve this Report.

Tel.: 0531-58675810
Fax: 0531-58675810
Website: www.sdmj.com.cn
Email: swan@sdmj.com.cn
Address: No. 99, East Road of Dawei Village, Tianqiao District, Jinan City, China

Message from the Chairman

2025 marks the inaugural year for Swan Cotton Machinery to release its first Environmental, Social and Governance (ESG) Report. As the only listed company in China's cotton machinery industry, we consistently uphold the values of "virtue to fly loftily—establish a responsible and ambitious company with faith and virtues; and good to dance across the sky—strive for excellence through persistent innovation and improvement". Integrating the philosophy of sustainable development into our corporate strategy and daily operations, we are committed to driving industrial upgrading through technological innovation and repaying our stakeholders through the fulfilment of our responsibilities.

Prioritizing Core Businesses to Forge New Quality Productive Forces with Independent Innovation. Swan Cotton Machinery resolutely implements the three major strategies of "strengthening the core cotton machinery business, achieving breakthroughs in cotton pickers, and expanding into agricultural machinery". With high-intensity investment in R&D, we have achieved key breakthroughs in fields of high-end cotton pickers, intelligent machine-picked cotton processing line, and large-scale tomato harvesters, with multiple core equipment successfully replacing imported alternatives. With our four major technology centers and multiple provincial innovation platforms, we are driving the continuous accumulation of intellectual property achievements, and providing solid support for the security of the national agricultural equipment industry chain and supply chain.

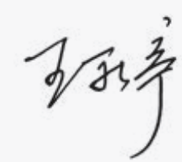
Enhancing Corporate Governance to Solidify the Foundation for Sustainable Growth. Mainly guided by Party building, Swan Cotton Machinery integrates the leadership of the Party into governance structure. We have systematically established a three-tier ESG governance system where our ESG efforts are coordinated by the Strategy and ESG Committee, executed by the ESG Management Committee, and implemented by various functional departments, under the unified leadership of the Board of Directors. In addition, we have formulated and implemented dedicated systems concerning ESG management, communication with stakeholders, etc. In areas such as compliance, business ethics, and investor relations, we consistently adhere to the principles of transparency, fairness, and integrity, and safeguard the steady and long-term development of the Company through standardized governance.

Advancing Green Transformation to Fulfill Eco-Friendly Commitments. Swan Cotton Machinery strictly complies with laws and regulations related to environmental protection, and continuously promotes clean production, energy conservation and carbon reduction. Our main production bases are recognized as Green Factories and Green Manufacturing Demonstration Units, and have obtained international certifications for environmental and energy management systems. Through measures such as the upgrading of high-energy-consuming equipment, we have effectively reduced the environmental footprint of our production and operations, and achieved the compliant disposal and recycling of waste. We have also extended our green philosophy to the supply chain, and worked with environmentally compliant partners to jointly build a low-carbon, high-efficiency industrial ecosystem.

Fostering Shared Prosperity to Deliver Industrial Warmth and Social Value. To protect employees' rights and interests, we uphold equal employment opportunities and oppose all forms of discrimination. The Trade Union represents all employees across our major business units, to ensure harmonious and stable labor relations. We implement an effective occupational health and safety management system, and fully meet all work safety requirements. Safety training and health checkups are routinely conducted for all employees. Through smart agriculture projects, high-end equipment innovation, technical training, and charitable donations, we actively practice the philosophy of shared responsibility and symbiosis. We also actively respond to the Belt and Road Initiative by promoting high-end agricultural machinery equipment to emerging markets such as Central Asia, South America, and Africa, empowering global agricultural modernization with diverse equipment made in China.

The release of our first ESG report marks a significant milestone in Swan Cotton Machinery's commitment to sustainable development. Looking ahead, we will, with technological innovation as the driving force and responsible governance as the cornerstone, work hand in hand with stakeholders to create more sustainable business and social value on the journey toward building a "century-old international Swan".

Signature by Chairman:



About Swan Cotton Machinery

Company Profile

Established in 2002, Swan Cotton Machinery went public on the Main Board of the Shanghai Stock Exchange in 2016 (Stock Code: 603029), and is a listed company controlled by the Shandong Supply and Marketing Cooperatives. The predecessor of Swan Cotton Machinery was founded in 1946. With a legacy of over 80 years of manufacturing expertise and craftsmanship, the Company is now a high-tech enterprise integrating scientific research and development, precision manufacturing, marketing services, and capital operations, and specializes in providing one-stop supply and services for full-process mechanized, intelligent, and information-based equipment for the cotton industry.

As a national single champion manufacturing enterprise and a specialized and sophisticated "Little Giant" enterprise, Swan Cotton Machinery has always upheld responsibility and commitment to serving the country through industry and driving the high-quality development of the cotton industry through technological innovation. Now, the Company's industrial footprint has expanded globally. 18 subsidiaries and four major technology centers and production bases both at home and abroad have formed a global network integrating R&D, production, sales, and service. Swan Cotton Machinery's main products hold a leading market share domestically and are exported to 37 countries and regions. The Company has been awarded two Second Prizes of the National Science and Technology Progress Award (the highest honor in the industry to date) and over 30 other provincial and ministerial awards.

Looking ahead, we will stay true to our original mission of serving the agriculture industry, anchor our development in the high-end equipment manufacturing sector, continuously strengthen technological innovation, and steadfastly advance the three major strategies of "strengthening the core cotton machinery business, achieving breakthroughs in cotton pickers, and expanding into agricultural machinery". In addition, we will actively build a "one body, two engines, three wings" development framework, vigorously cultivate and develop new quality productive forces, empower agricultural modernization with high-end intelligent agricultural machinery, and continue to contribute to building China into an agricultural powerhouse and ensuring national food and cotton supply security.

Corporate Culture

Our Vision

To go towards high-end equipment manufacturing industry and to create a century-old international Swan

Our Values

Virtue to fly loftily—establish a responsible and ambitious company with faith and virtues; and good to dance across the sky—strive for excellence through persistent innovation and improvement.

Our Mission

To provide customers with the most valuable system solutions

Our Family Culture

One family, one heart, one spirit

Milestones

1946

Established the predecessor — "Jinan Sanxingyuan Iron Works"

1955

Adopted a joint state-private ownership.

1961

Renamed "Machinery Factory of Shandong Supply and Marketing Cooperatives"

1986

Undertook the task of "digesting and absorbing one of 150 Key Technologies" as per China's reform and opening-up policy - specifically, the digestion and absorption of the complete cotton ginning equipment from Continental Eagle Corporation in the USA.

1987

Renamed "Shandong Cotton and Jute Machinery Factory."

1990

Witnessed a landmark achievement of the second technological revolution in China's cotton processing industry — MY121 New Cotton Ginning Process and Complete Sets of Equipment— passed national inspection and acceptance.

1996

Undertook a national aid project for Africa, established a world-class ginning production line in Zambia, marking the beginning of the Company's products entering the global market.

1997

Took the lead in the industry in passing ISO9001 international quality management system certification, and pioneered the integration of industry quality management with international standards.

1998

Established the service philosophy of "regional quantification, seamless cutting, and comprehensive lifetime service".

2002

Reorganized and established "Shandong Swan Cotton Industrial Machinery Stock Co., Ltd." Officially implemented the brand strategy.

2005

Cooperated with Continental Eagle Corporation in the USA, accelerated the implementation of the internationalization strategy.

2008

Conducted digital upgrading of production equipment.

2010

Initiated IPO; completed and commissioned Wujiaqu Industrial Park in Xinjiang and the U.S. subsidiary, and implemented the localization strategy.

2013

Put Jinan Yaoshan Industrial Park into operation.

2016

Listed on the Shanghai Stock Exchange A-share Main Board, marking the beginning of a new chapter in the Company's history.

2017

Upgraded information systems, and promoted the Company's digital transformation in operations.

2019

Embarked on a new journey of "re-entrepreneurship", and established three strategic goals: "strengthening the core cotton machinery business, achieving breakthroughs in cotton pickers, and expanding into agricultural machinery".

2020

Embarked on a new journey of "re-entrepreneurship", and established three strategic goals: "strengthening the core cotton machinery business, achieving breakthroughs in cotton pickers, and expanding into agricultural machinery".

2021

Began the construction of a smart manufacturing production line with an annual capacity of 200 high-end cotton pickers in Wujiaqu.

2022

Underwent profound changes in business structure, and achieved substantial progress in transformation and upgrading.

2023

Began the construction of the comprehensive smart agriculture service centers in Southern and Northern Xinjiang, and comprehensively upgraded the Company's service system.

2024

Successfully developed tomato harvesters, realizing the substitution of imported machinery; and sold cotton pickers and grain harvesters to overseas markets for the first time.

2025

Advanced the "123" strategy for foreign trade breakthroughs, and achieved historic breakthroughs in overseas business.

Honors in 2025

List of Key Leading Enterprises Cultivated by the Supply and Marketing Cooperatives

Key Industrial "Chain Leader" Enterprise in Xinjiang Production and Construction Corps (XPCC)

Innovation Demonstration Enterprise of Shandong Equipment Manufacturing Industry

Green Manufacturing Demonstration Unit in Inner Mongolia Autonomous Region

2025 Key Leading Agricultural Industrialization Enterprises in Jinan City

First Prize of Science and Technology Award in Shandong Machinery Industry

Gold Award of Industrial Design Competition in XPCC

First Prize of Science and Technology Progress Award in Shandong Equipment Manufacturing Industry

Second Prize for the Enterprise Category of the 10th "Maker China" SME Innovation and Entrepreneurship Competition (XPCC) and the 2025 "Maker XPCC" Competition

First Prize in the Growth Group of the 14th China Innovation and Entrepreneurship Competition (XPCC Division)

First, Second and Third Prizes for Outstanding Scientific and Technological Innovation in the 2025 Jinan "Presentation & Competition" Event

First Prize for Employee Innovation Achievements in the Quancheng All-Employee Innovation Competition

Outstanding Standard Setting Unit for National Cotton Processing Standardization

5G Smart Factory Enterprise in XPCC

First Prize of Science and Technology Progress Award in XPCC

2025 SSE Eagle · Golden Quality Corporate Governance Award

Special Feature

Innovation — Swan Cotton Machinery's Technological Breakthroughs and Global Layout Forging New Quality Productive Forces in the Industry Through Independent

As a National-level Specialized and Sophisticated "Little Giant" Enterprise and a National Manufacturing Single-Champion Enterprise in the field of complete sets of equipment for cotton picking and processing in China, Swan Cotton Machinery has firmly implemented three major strategies of "strengthening the core cotton machinery business, achieving breakthroughs in cotton pickers, and expanding into agricultural machinery". Through sustained high-intensity R&D investment, the Company has realized comprehensive upgrading of technological system and breakthroughs in core technologies, while simultaneously advancing global market layout. In 2025, the Company's cumulative R&D investment reached RMB 6,496.75 ten thousand, accounting for 6.78% of operating revenue,with R&D investment intensity ranking among the leading levels in the domestic industry. The Company has established four major R&D centers and assembled a multidisciplinary R&D team of over 100 members with expertise in mechanical engineering, electrical engineering, hydraulics, agronomy, intelligent systems, etc. Leveraging provincial innovation platforms such as the Shandong Provincial Enterprise Technology Center and the XPCC Cotton Machinery Processing Engineering Technology Research Center, as well as the provincial pilot testing platform for cotton harvesting and processing equipment manufacturing, the Company has strengthened talent introduction and cultivation, and continuously driven high-quality development through technological innovation. As of the end of the Reporting Period, the Company had obtained a total of 266 authorized valid patents, including 63 invention patents, accounting for more than 20%, continuously enhancing the quantifiable accumulation of R&D achievements.

Breaking Through "Bottleneck" Technologies of High-End Cotton Pickers and Ending the Era of Foreign Monopolies

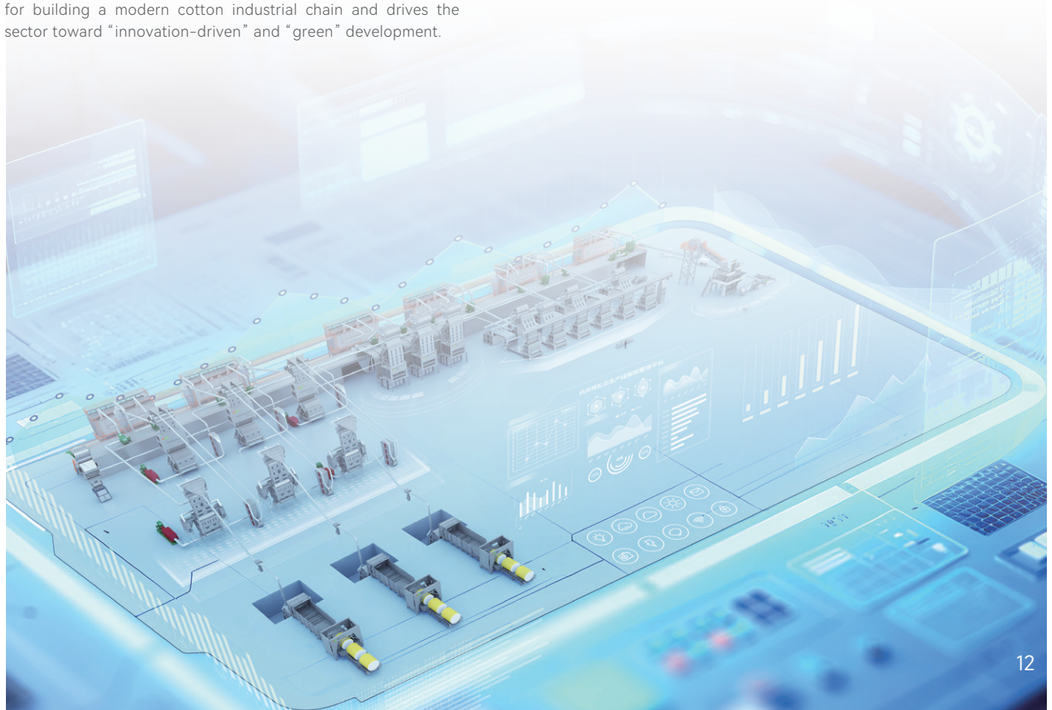
Cotton pickers are regarded as the "crown" of agricultural equipment. Their core technologies had long been firmly monopolized by Western developed countries, and retained a critical "bottleneck" restricting the development of China's cotton industry. Since establishing the cotton picker R&D team in 2009, Swan Cotton Machinery has firmly adhered to the path of "independent controllability". Starting from conventional basket-type cotton pickers, the Company successively overcame key technologies such as high-speed picking systems and variable-chamber baling systems, and in 2019 developed the first domestically produced six-row bale-type cotton picker. Subsequently, the Company continued iterative upgrades, Focusing on green and intelligent development, completed the technological upgrade to meet China IV emission standards and launched range-extended bale-type cotton pickers, forming a serialized product matrix covering three-row, four-row, and six-row configurations, as well as two operating modes: basket-type and bale-type. In 2021, the Company established a domestically leading intelligent manufacturing production line for high-end cotton pickers in Xinjiang, China's core cotton-producing region, realizing stable mass production of high-end cotton pickers. Compared with imported products, the purchase cost of the Company's bale-type cotton pickers is reduced by more than one-third, helping cotton farmers save RMB 9000-12000 per hectare in harvesting costs compared with manual picking, enabling farmers to use domestically produced cotton pickers that are "reliable, affordable, and efficient". During the 14th Five-Year Plan Period, domestically produced cotton pickers represented by that of Swan Cotton Machinery achieved large-scale application, increasing the proportion of domestic cotton pickers in operation to over 70%, fundamentally rewriting the history of "imported machines" harvesting "Chinese cotton" and breaking the monopoly of international brands. The Company's six-row bale-type cotton picker was also showcased at the China Manufacturing Achievements Exhibition of the 14th Five-Year Plan Period as one of the landmark achievements in China's high-end agricultural equipment manufacturing, demonstrating the strategic outcomes of national scientific and technological self-reliance and strength.

Six-Row Bale-type Cotton Picker

Leading a New Intelligent Transformation in Cotton Processing Technology and Filling the Technological Gaps in China

With more than 30 years of dedicated efforts in the field of cotton processing machinery and equipment, Swan Cotton Machinery has consistently led the advancement of China's cotton processing technology. In the face of the wave of digital and intelligent transformation, the Company took the lead in China by launching the "intergrated intelligent solution for 60 bales/hour machine-picked cotton processing line", achieving full-process intelligent control from bale opening and feeding, drying, ginning, baling, to stacking. Through intelligent "matching of machinery to cotton type", the processing efficiency has increased by 2–3 times, and labor requirements at ginning mills have been significantly reduced. Simultaneously, by integrating artificial intelligence technologies, the Company has achieved key breakthroughs in intelligent identification and removal of foreign fibers. Through high-resolution image recognition and advanced algorithms, the content of "three types of foreign fibers" (plastic film, plastic filaments, animal hair, and other heterogeneous fibers) in lint cotton is precisely controlled within 2.5 grams per ton, enabling cotton quality to reach internationally advanced levels, enhancing the competitiveness of cotton enterprises and supporting the textile industry in reducing reliance on imported high-end raw materials. Furthermore, the innovative application of an air-powered internal circulation process and a high-efficiency pulse dust collection system enables high-purity dust removal while recovering waste heat. This significantly raises indoor workshop temperatures, markedly improves the working environment, and safeguards the occupational health of workers in cotton processing plants. This solution has become a benchmark for the high-quality, green, and intelligent development of China's cotton processing industry. It provides robust technical support for building a modern cotton industrial chain and drives the sector toward "innovation-driven" and "green" development.


Application Scenario of the 60 Bales/Hour Machine-picked Cotton Processing Line



Expanding High-End Agricultural Machinery Equipment and Proactively Planning for Future "Seed Businesses"

Rooted in core cotton machinery businesses and mindful of the trend toward diversification in agricultural equipment, Swan Cotton Machinery proactively addresses industry cycle fluctuations by incorporating "agricultural machinery expansion" into the Company's three core strategies. The Company focuses on addressing "bottleneck" issues in niche sectors and domestic technological shortcomings, pursuing a path of differentiated and high-end development. In recent years, the Company has successfully developed new equipment such as large-scale grain combine harvesters, negative-pressure intelligent grain drying towers, and large-scale tomato harvesters. Although the Company's new agricultural machinery segment is still in a development phase and contributes to a relatively small portion of revenue, the strategic layout for agricultural machinery has taken initial shape. The Company is transforming from a single "cotton machinery specialist" into a comprehensive agricultural machinery provider covering multiple sectors and offering robust domestic equipment support for modern agricultural production.

Tomato Harvester

High-end Grain Drying Towers

Deepening Overseas Market Expansion and Accelerating the Globalization of Technological Achievements

Swan Cotton Machinery actively responds to the "Belt and Road" initiative, implements a "foreign trade breakthrough" strategy, proactively expands overseas, accelerates the development of the Company's overseas market presence, and achieves breakthrough growth in international business. Exported products have expanded from a single category of cotton processing equipment to multiple categories including cotton pickers and grain combine harvesters, with the structure of international markets continuously optimized. In 2025, the Company achieved overseas operating revenue of RMB 27,125.61 ten thousand, up by 746.61% year on year. In particular, to meet the market demand in Uzbekistan, Central Asia, the Company customized and developed a 4-row basket-type cotton picker, achieving a transition from small-batch trial sales to large-scale exports. Bale-type cotton pickers have also successfully entered emerging markets such as Central Asia, South America, and Africa. In addition, the Company adopted a "going global" model by collaborating with leading enterprises in China's cotton industry chain to expand overseas markets. The 60 Bales/Hour Machine-picked Cotton Processing Line and bale-type cotton pickers have been successfully deployed in Central Asia, and have become typical demonstration cases of Chinese high-end agricultural machinery "going global". Simultaneously, to strengthen local service capabilities, the Company established two wholly-owned subsidiaries in Kazakhstan and Uzbekistan in 2025. These subsidiaries are comprehensively advancing the development of localized overseas operations, technical services, and market response systems, thereby facilitating the deep integration of Chinese agricultural machinery into the global agricultural value chain.

Application Scenario of Four-Row Basket-Type Cotton Picker in Cotton Fields in Uzbekistan

Governance

- Sustainable Development Governance
- Party Building Leadership
- Standardized Governance
- Compliant Operation
- Investor Relations Management
- Business Conduct

Sustainable Development Governance

Sustainable Development Goal and Vision

Swan Cotton Machinery fully integrates ESG commitments into strategy formulation and daily operations. By deeply embedding ESG into corporate governance and business processes, the Company continuously optimizes management and enhances resource efficiency, striving to drive coordinated growth in both commercial value and social value. In active response to the 2030 Agenda for Sustainable Development, the Company focuses on 13 Sustainable Development Goals closely related to daily operations, and continuously improves internal ESG management mechanisms to provide sustained momentum for long-term growth. Guided by ESG principles, the Company is accelerating the transition toward high-quality development and a sustainable future, and strives to build a benchmark for green transformation and contribute to sustainable development.

SDGs	Our Actions	Chapters and Sections
1 无贫穷	Support rural revitalization and actively engage in social welfare initiatives.	Contribution to Society
2 零饥饿	Develop and manufacture intelligent agricultural machinery to serve agricultural modernization and support the safe and stable supply of agricultural products and sustainable agricultural development.	Innovation-driven Development
3 良好健康与福祉	Enforce strict occupational health and safety management to foster a sound working environment.	Occupational Health and Safety
4 优质教育	Provide customers with training on machinery operation, maintenance, and sustainable agricultural technologies; and offer the training on professional vocational skills and personalized career development planning for employees.	Employees' Rights and Interests, and Safety and Quality of Products and Services
5 性别平等	Safeguard the legitimate rights and interests of female employees and adhere to the principle of equal pay for equal work.	Employees' Rights and Interests
7 经济适用的清洁能源	Develop range-extended agricultural machinery and promote the development of green agriculture.	Energy Utilization
8 体面工作和经济增长	Provide employees with broad development opportunities.	Employees' Rights and Interests
9 产业、创新和基础设施	Develop smart agricultural machinery and promote the digital transformation of agriculture.	Innovation-driven Development
10 减少不平等	Eliminate discrimination based on religion, nationality, marital status, gender, or disability, and embrace and accept employee diversity.	Employees' Rights and Interests
12 负责任消费和生产	Optimize green manufacturing processes, and systematically enhance the resource and environmental benefits of agricultural machinery production.	Material Utilization
13 气候行动	Vigorously promote energy conservation and carbon reduction, drive the green and low-carbon transformation of the industry, and implement climate action.	Response to Climate Change
16 和平、正义与强大机构	Adhere to strict codes of business ethics, oppose corruption, and ensure transparent and responsible procurement.	Business Conduct
17 促进目标实现的伙伴关系	Establish close cooperative relationships with domestic and international partners, and jointly promote sustainable development of the industry.	Innovation-driven Development

Governance System for Sustainable Development

Swan Cotton Machinery integrates sustainable development into overall governance structure and continuously optimizes the sustainable development governance system. In accordance with applicable laws and regulations such as the Company Law of the People's Republic of China, the ***Code of Corporate Governance for Listed Companies, the Self-Regulatory Guidelines for Listed Companies on Shanghai Stock Exchange No. 14 - Preparation of Sustainability Reports (for Trial Implementation)***, as well as normative documents and the ***Articles of Association***, the Company has formulated the ***ESG Management Measures,*** the ***ESG Work Manual***, and the W***orking Rules of the Strategy and the ESG Committee under the Board of Directors***. These documents clarify that the Strategy and ESG Committee is the highest governance body for ESG-related matters of the Company. The ESG Management Committee chaired by the General Manager has also been established to provide support and professional assistance to the Strategy and ESG Committee in managing ESG-related matters. The ESG Management Committee has established an office to organize and oversee the ESG Execution Group and all executing units in carrying out ESG-related work.

◎ ESG Governance System

Board of Directors

Formulate the Company's ESG management policies, vision, strategies, management systems, and indicator framework; review major ESG-related matters of the Company and determine major ESG risk management plans; review the Company's annual ESG report and confirm the completion status of ESG-related work.

Strategy and ESG Committee

Study and propose recommendations on the Company's ESG-related vision, objectives, and strategic plans; research, decide and oversee the implementation progress of major ESG-related matters; review and submit the Company's ESG report to the Board of Directors; and guide and supervise the ESG Management Committee in research, analysis, identification, assessment, and response to ESG-related risk matters.

ESG Management Committee

Formulate ESG policies and strategies, systems, and assessment and incentive mechanisms as the management center of the Company's ESG matters; establish the indicator framework and annual plans and coordinate their implementation; identify and manage ESG risks and set and track targets; identify material issues and coordinate data management and annual report; and optimize capital market ratings and communications.

ESG Execution Group, Departments, and Subsidiaries

Serve as the execution units for ESG work, and formulate ESG indicators, management objectives, and specific work plans related to their respective units based on the work plan of the ESG Management Committee, and regularly report implementation progress; periodically identify and analyze the Company's ESG risks and opportunities and collect ESG-related information and data; prepare the Company's annual ESG report and submit it to the ESG Management Committee for review; and conduct stakeholder engagement to address their ESG-related needs.

The Company attaches great importance to building employees' ESG capabilities and awareness, and regularly organizes ESG-themed training sessions to comprehensively enhance employees' understanding of sustainable development concepts and practical capabilities, strengthen internal ESG governance and integration awareness, and consolidate the talent foundation for advancing ESG management and achieving long-term high-quality development.

[Case] Training on ESG Reporting Project

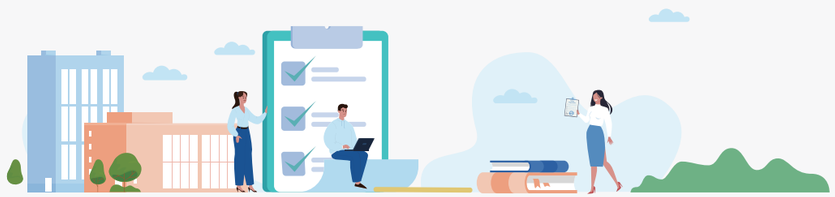
In June 2025, the Company organized and offered a training on ESG report project. This training covered senior management at headquarters, responsible personnel from various departments and subsidiaries, and key business staff, achieving full coverage of key management positions. It focused on ESG information collection and management practices and provided in-depth explanations of the importance and urgency of ESG management for the Company's long-term development. This training not only enhanced participants' professional knowledge and practical skills but also effectively promoted the top-down transmission of ESG management concepts.

On-site Photos of the Training on ESG Report Project

Key Performance

During the Reporting Period, the Company offered a total of **2** ESG capability training sessions and held **6** meetings to discuss ESG-related matters.

To deepen the philosophy of sustainable development and strengthen the foundation of ESG management, Swan Cotton Machinery formulated and implemented the ESG Information Management System, which prioritizes the full lifecycle management of sustainability information and systematically standardizes key processes such as information collection, analysis, and internal reporting. Through multiple channels including regular research, external institutional reports, internal system records, and cooperative exchanges, the Company collects data to ensure comprehensive, accurate, and timely access to sustainable development-related information. This provides a reliable basis for strategic decision-making and steadily advances the sustainability process.



Communications with Stakeholders

Swan Cotton Machinery's operations and development are closely intertwined with numerous stakeholders. To ensure that the content of the Report is precisely focused, enables efficient communication, and fully responds to the concerns of all parties, the Company has formulated the ***Stakeholder Communication Management System*** and established a normalized communication mechanism. The Company continuously strengthens communication with both internal and external stakeholders, including employees, customers, supply chain partners, investors, government and regulatory authorities, and communities. Through diversified platforms and channels, we conduct in-depth dialogue to accurately understand stakeholder expectations. On this basis, the Company, in the principles of openness and transparency, responds to stakeholder concerns in a timely and comprehensive manner, promotes a mutually beneficial and win-win development pattern, and jointly draws a blueprint for sustainable development.

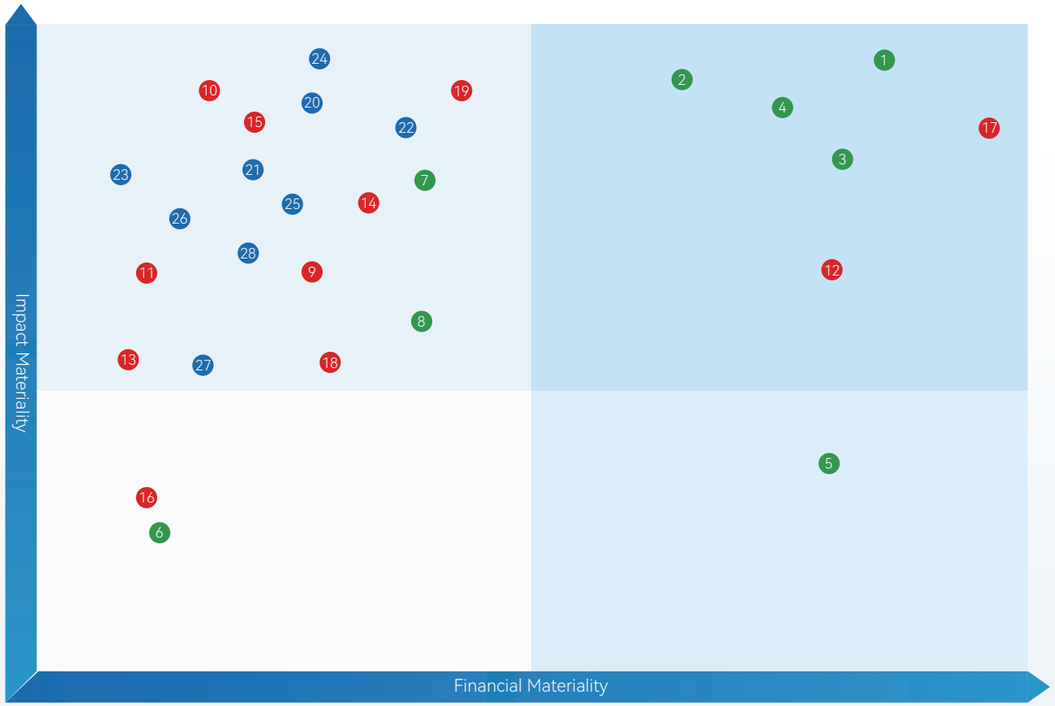
Stakeholders	Expectations and Demands	Our Action	Response Modes
Employees	• Protection of Employees' Rights and Interests • Career Development Opportunities • Compensation and Benefit • Occupational Health and Safety	• Optimize the compensation and benefits system • Continuously enhance employee benefits • Improve democratic management and employee participation mechanisms • Offer employee training • Ensure smooth career advancement channels • Organize diverse employee activities • Create a sound working environment	Regularly • Employee Satisfaction Survey • Performance Appraisal and Feedback • Employees' Congress • Factory Affairs Disclosure Channels
Customers	• Product Quality • Service Quality • Product Innovation	• Improve the quality management system • Quality control • Enhance customer rights protection mechanisms • Improve service satisfaction • R&D and innovation	Regularly • Customer satisfaction surveys As Needed • Product Technical Support and Usage Guidance
Supply Chain Business Partners	• Fulfill contractual obligations and promote industrial chain coordination • Mutual Benefit and Win-Win Cooperation	• Adhere to business ethics • Uphold the bottom line of integrity in operations and build long-term partnership relationships	Regularly • Supplier Conference • Offer training for suppliers
Investors	• Governance • Information Disclosure • Return on Investment • Sustained Profitability	• Improve internal control systems • Enhance internal control levels • Strengthen compliant information disclosure and attach importance to investor returns	Regularly • General Meetings of Shareholders, Annual Reports, Sustainability Reports: Annually • Financial Reports: Quarterly As Needed • Earns Briefings, Investor Open Day, Investor Roadshows, Public Announcements, and SSE E-Interactive Platform
Government and Regulatory Agencies	• Compliant Operation • Lawful Tax Payment • Technological Innovation • Energy Conservation and Emission Reduction	• Compliance with laws and regulations • Proactively comply with tax obligations • Carry out R&D and innovation • Adhere to green and low-carbon development	As Needed • Accept inspections by regulatory authorities • Accept government supervision
Community	• Support for Community • Social Welfare	• Support rural revitalization • Organize public welfare activities	As Needed • Party-building Collaboration, Public Welfare Activities

Management of Material Topics

Swan Cotton Machinery has formulated the ***Materiality Assessment Management System***, under which the working group of the ESG Management Committee conducts an annual materiality assessment of sustainable development topics to identify the sustainable development topics that are material to both the Company and stakeholders. In 2025, a total of 577 questionnaires were collected. Seven topics with financial materiality and 25 topics with impact materiality were identified and addressed in the Report.

Materiality Assessment Process	Assessment Method
Step 1 Learn about the background of the Company	Using value chain analysis, we identified ESG-related impacts, risks, and opportunities across various links of our operations, and, with reference to AA1000, identified stakeholders' concerns and expectations.
Step 2 Preliminary Identification of Topics	With reference to the S*elf-Regulatory Guidelines for Listed Companies on Shanghai Stock Exchange No. 14 – Preparation of Sustainability Reports (for Trial Implementation)*, the *Sustainability Accounting Standards Board (SASB) Materiality Map*, the MSCI ESG Rating Standards, the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, and the Global Reporting Initiative (GRI) Sustainability Reporting Standards, among other guidelines and standards, develop a list of ESG topics aligned with the Company's business operations and strategic objectives, taking into account domestic and international sustainability trends, regulatory requirements, best practices in the industry, and the unique business characteristics of the Company.
Step 3 Assess the materiality of topics	1. Impact materiality assessment: Based on management interviews, identify topics with impact materiality by evaluating three dimensions—scale (the magnitude of impact), scope (the breadth of impact), and irremediability (the difficulty of offsetting or remedying harm). 2. Financial Materiality Assessment:Analyze impacts, dependencies, and other factors (such as climate risk exposure and regulatory changes addressing systemic risks), identify the risks and opportunities the Company faces, the likelihood of occurrence and the extent of the financial impact of these risks and opportunities by considering revenue, costs, assets and liabilities, as well as the cost of capital, and establish a reasonable monetary threshold for financial materiality.
Step 4 Confirm topics and draw a Double Materiality Matrix	Based on the results of the impact materiality and financial materiality assessments, compile a list of topics based on impact and financial materiality and construct a double materiality matrix.

◎ Matrix of Material Topics



环境

1. Management of Environmental Compliance
2. Pollutant Emissions
3. Energy Utilization
4. Waste Disposal
5. Response to Climate Change
6. Ecosystem and Biodiversity Protection
7. Circular Economy
8. Water Resource Utilization

社会

9. Protection of Employees' Legal Rights and Interests
10. Employee Training and Development
11. Occupational Health and Safety
12. Innovation-driven Development
13. Rural Revitalization
14. Contribution to Society
15. Equal Treatment of Small and Medium-Sized Enterprises
16. Science and Technology Ethics
17. Safety and Quality of Products and Services
18. Data Security and Privacy Protection
19. Supply Chain Security

治理

20. Protection of shareholders' rights and interests
21. Standardization of Corporate Governance
22. Risk Management
23. Anti-Unfair Competition
24. Tax Compliance
25. Anti-Commercial Bribery and Anti-Corruption
26. Due Diligence
27. Communications with Stakeholders
28. ESG Governance

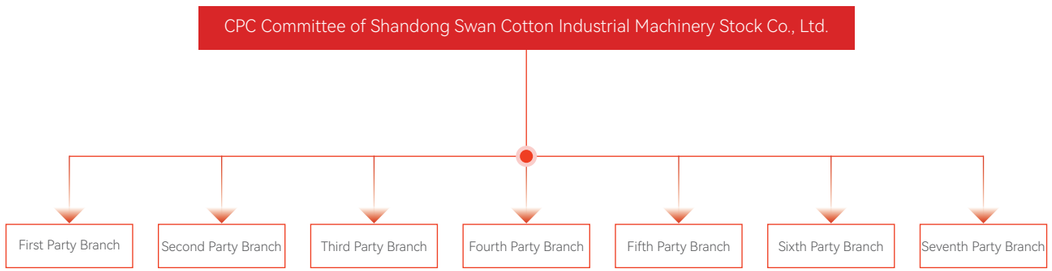
Note: As Swan Cotton Machinery's core business involves the research, development, production, and sale of cotton harvesting and processing machinery, and other agricultural machinery, the Company's business operations have no direct connection to cutting-edge technology fields such as artificial intelligence or life sciences. Furthermore, the production and operational sites of the Company do not involve ecologically sensitive or fragile areas such as key terrestrial or marine ecological functional zones, ecological protection red lines, or nature reserves. None of the products impact ecosystems, species habitats, or biodiversity throughout their entire lifecycle; therefore, issues related to technology ethics, ecosystem conservation, and biodiversity protection do not apply.

Party Building Leadership

Swan Cotton Machinery upholds the leadership of the Party as a core principle of corporate governance, and considers it as the foundation for the Company's stable development and a solid political guarantee for deepening reforms. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company fully implements the guiding principles of the 20th National Congress of the Communist Party of China and all plenary sessions of the 20th Central Committee. We prioritize the Party's political development, ground our work in firm ideals, convictions, and purposes, and focus on mobilizing the enthusiasm, initiative, and creativity of all Party branches and Party members. Through these efforts, the Company comprehensively advances Party building to drive high-quality corporate development.

In accordance with the Constitution of the Communist Party of China, and applicable laws and regulations, such as the Company Law of the *People's Republic* of China, Swan Cotton Machinery has established the Party Committee of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. and formulated the Rules of Procedure of the Party Committee of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. By integrating Party leadership into every aspect of corporate governance, the Company ensures that the Party Committee effectively fulfills its leadership role in "setting the direction, overseeing the overall development, and ensuring implementation".

◎ Party Organization Structure



[Case] General Meeting of Party Members

In December 2025, the General Meeting of Party Members of the CPC Committee of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. was successfully convened. The meeting heard, deliberated, and approved the Work Report of the CPC Committee of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. and the Work Report of the CPC Discipline Inspection Commission of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd., and elected the new members of the CPC Committee and the Discipline Inspection Commission.

General Meeting of Party Members

[Case] Party Lecture

In June 2025, the Secretary of the CPC Committee of Swan Cotton Machinery delivered a Party lecture titled "Solidly Conducting Education and Learning, and Continuously Strengthening Work Style" to all Party members, prospective members, active applicants for Party membership, and department heads, to lead them in renewing their Party admission oath and jointly celebrate the upcoming 104th anniversary of the founding of the Communist Party of China.

Renewal of the Party Admission Oath

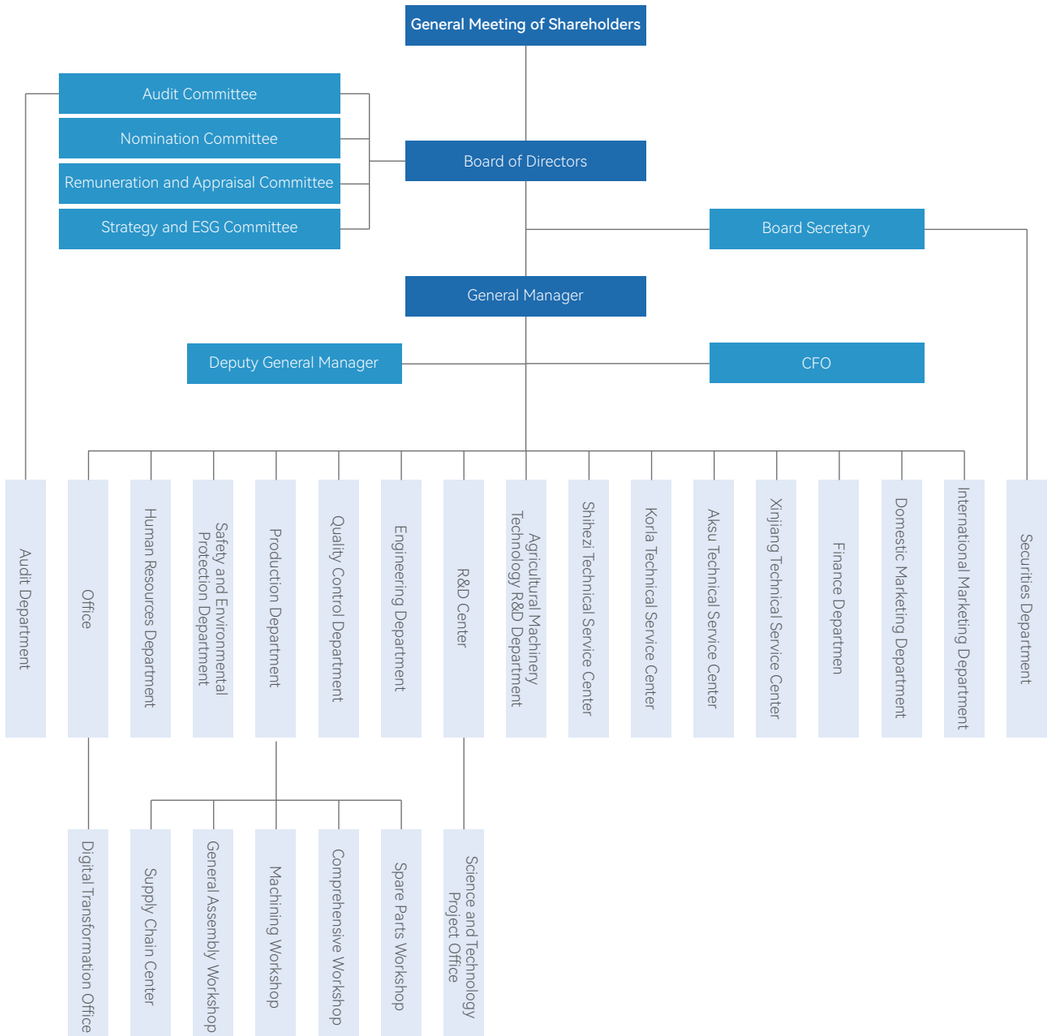
Key Performance

As of the end of the Reporting Period, the CPC Committee of the Company had established **7** Party branches, with a total of **80** Party members, and had convened **37** committee meetings.

Standardized Governance

Swan Cotton Machinery has established a corporate governance structure consisting of the General Meeting of Shareholders, the Board of Directors and its specialized committees, as well as the senior management team, and operates in strict compliance with the requirements of applicable laws and regulations. The Company has formulated a series of corporate governance regulations, including the ***Articles of Association of Shandong Swan Cotton Industrial Machinery Stock Co., Ltd. (the "Articles of Association"), the Rules of Procedure for General Meeting of Shareholders***, and the Rules of Procedure for Board of Directors. These regulations clearly delineate the boundaries of authority and responsibility among the governance bodies, ensuring clear division of labor, mutual checks and balances, and coordinated operations, thereby providing a solid foundation for the Company's standardized governance and efficient decision-making.

◎ Organizational Structure of Swan Cotton Machinery



General Meeting of Shareholders

In strict compliance with the ***Company Law of the People's Republic of China*** (the "Company Law"), the ***Rules for General Meeting of Shareholders of Listed Companies***, and the ***Rules of Procedure of the General Meeting of Shareholders,*** the Company ensures compliance with legal requirements regarding the convening procedures, participant qualifications, and voting processes of General Meeting of Shareholders. The Company adopts a combination of on-site voting and online voting for the resolution of proposals at the General Meeting of Shareholders. To effectively safeguard the legitimate rights and interests of minority investors, separate vote counting is conducted for major matters involving the interests of minority investors to ensure fairness in voting.

Key Performance

During the Reporting Period, the Company convened **4** General Meeting of Shareholders, at which **24** proposals were reviewed and approved.

Board of Directors

The Board of Directors is accountable to the General Meeting of Shareholders. It reviews and makes decisions on major operational matters of the Company, or submits such matters to the General Meeting of Shareholders for review and approval in accordance with relevant regulations. In accordance with the ***Company Law, the Articles of Association, and the Rules of Procedure of the Board of Directors***, the Company clearly defines the scope of authority and responsibilities of the Board of Directors and standardizes its operating procedures in convening meetings, deliberation, voting, and resolution-making, thereby effectively giving full play to the core role of the Board of Directors in business decision-making.

To enhance the scientific basis of decision-making, improve the corporate governance structure, and strengthen the assessment and compensation management of directors and officers, the Board of Directors has established four specialized committees in accordance with applicable laws and regulations: the Strategy and ESG Committee, the Nomination Committee, the Audit Committee, and the Remuneration and Appraisal Committee. These committees are designed to assist the Board of Directors in fulfilling its decision-making and supervisory functions, and their operations strictly adhere to the relevant rules of procedure.

Key Performance

The Board of Directors consists of **9** members, including **1** employee representative director. During the Reporting Period, the Board of Directors held a total of **6** meetings, at which **30** proposals were reviewed and approved. The Audit Committee reviewed and approved **25** proposals, while the Strategy and ESG Committee and the Nomination Committee each reviewed and approved **1** proposal, and the Remuneration and Appraisal Committee reviewed and approved **2** proposals.

Board Diversity

The Board of Directors attaches importance to diversity in its composition. Based on the Company's actual conditions, it actively includes directors with diverse backgrounds, professional expertise, and practical experience, promoting the integration of diverse perspectives and innovative thinking into the decision-making process in order to enhance corporate governance standards and the quality of strategic decision-making.

Indicator	Unit	2025
Number of Members of the Board of Directors	Person	9
By Gender		
Male	Person	6
Female	Person	3
By Type		
Independent Directors	Person	3
Non-Independent Directors	Person	6

Remuneration Management for Directors and Officers

In strict accordance with the relevant provisions of the ***Company Law and the Articles of Association***, Swan Cotton Machinery has formulated systems such as the ***Measures for the Administration of the Remuneration of Directors and Officers***, clarifying that the Remuneration and Appraisal Committee serves as the remuneration assessment body for the Company's directors and officers. In alignment with current operating strategies and businesses, the Company dynamically adjusts its remuneration system and ensures adequate disclosure, thereby closely linking the personal interests of members of the management team with the Company's long-term, sound development. This approach enhances the motivation of senior management, improves operational efficiency and quality, and ensures the achievement of the Company's strategic and operational objectives.

Compliant Operation

Swan Cotton Machinery attaches great importance to the development of a compliance management system, continuously strengthens internal controls and compliance management, and actively promotes the cultivation of a compliance culture to lay a solid foundation for the high-quality development of the Company.

Key Performance

During the Reporting Period, the Company offered a total of **5** legal-themed training sessions and **17** compliance training sessions, covering topics such as compliant performance of duties by directors and officers, legal risk prevention, and AI applications.

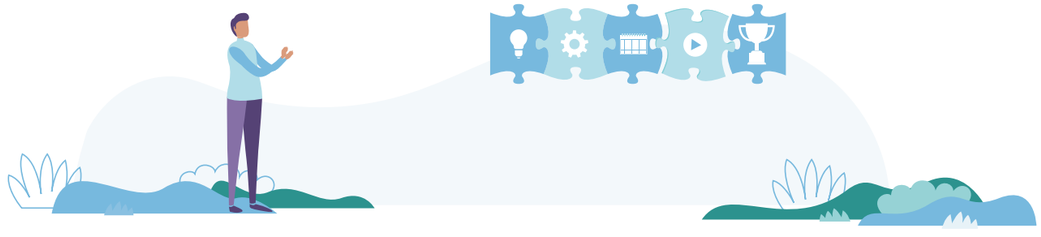
Risk Management

To manage and evaluate the effectiveness and completeness of various internal control systems, ensure compliant operations, and safeguard the security of Company assets, Swan Cotton Machinery has formulated the ***Working System for Reporting Major Operational Risks***, so as to ensure the rapid reporting of major operational risk matters and enable timely response measures, thereby effectively preventing and mitigating major operational risks.

[Case] Training on Risk Management

In February 2025, the Company organized training on legal practice and risk prevention for employees in key departments such as sales, finance, and audit, further enhancing the legal awareness and risk prevention capabilities of personnel in critical positions.

Training on Risk Management



Tax Management

Swan Cotton Machinery regards integrity-based operations and tax compliance as fundamental principles, strictly complies with national tax laws and regulations, and actively fulfills tax payment obligations. Through standardized declaration procedures and timely tax payments, the Company ensures accurate, compliant, and timely tax reporting, thereby fostering a responsible corporate image.

Internal Control

In accordance with laws and regulations such as the ***Basic Norms for the Internal Control of Enterprises,*** Swan Cotton Machinery has formulated the ***Internal Control Management System*** and established an internal control organizational structure comprising the Board of Directors, the Audit Committee, the Management, the Internal Audit Department, various functional departments, and subsidiaries to promote the standardized operations of the Company.

Department	Responsibility
Board of Directors	Determine the internal control organizational structure, formulate basic policies, ensure the effective establishment and implementation of the internal control system, and approve the annual internal control self-assessment report.
Audit Committee	Supervise the effective implementation and evaluation of internal controls, review the annual evaluation report and submit it to the Board of Directors for approval, and organize and coordinate internal control audits.
Management Level	Establish and improve the internal control system, promote the implementation of the system, inspect implementation status and resolve implementation issues, and approve overall objectives and work plans for risk management.
Internal Audit Department	Draft internal control-related regulations, formulate annual evaluation plans and conduct evaluations, prepare annual self-assessment reports, supervise the rectification of internal control deficiencies, and report to the Audit Committee and the Management.
Functional Departments	Build the internal control system within the scope of responsibility, formulate and implement corresponding regulations, conduct self-inspections, cooperate with internal and external inspections, promptly rectify deficiencies, and organize internal control compliance training.
Subsidiaries Controlled	Establish and improve their own internal control systems, identify and rectify internal control deficiencies, and promptly report significant deficiencies.

Internal Audit

The Internal Audit Department of Swan Cotton Machinery strictly follows the ***Internal Control Management System*** and relevant internal audit working standards, actively fulfills audit supervision responsibilities, and focuses on conducting audit supervision over major asset security, major investment projects, and Company-level systems and procedures.

Investor Relations Management

Swan Cotton Machinery strictly complies with the requirements of laws and regulations such as the ***Guidelines for Investor Relations Management of Listed Companies***, adheres to the core principles of compliance, equality, proactivity, and integrity, and continuously deepens the development of the investor relations management system. By leveraging diverse communication channels, the Company actively engages with and responds to investor concerns, thereby effectively enhancing investor confidence in the Company.

Communication with Investors

Swan Cotton Machinery has established the I***nvestor Relations Management System***, which standardizes communication and interaction with investors as well as the process for responding to their requests, and designates the Securities Department as the functional department responsible for investor relations management.

Swan Cotton Machinery actively expands diversified investor communication channels and is committed to establishing communication platforms with investors through performance briefings, cash dividend briefings and major event briefings, General Meetings of Shareholders, roadshows, analyst meetings, visit reception, and discussion sessions. In addition, the Company systematically carries out investor relations management through both online and offline channels such as the official website, new media platforms, telephone, fax, email, and investor reception activities. Through continuous communication across multiple platforms and channels, the Company conveys corporate value information to the market in a timely and transparent manner, effectively safeguards investors' legitimate rights and interests, and actively builds transparent, long-term, stable, and mutually beneficial strategic partnerships with investors.

[Case] Highlights of Investor Relations Management

The Company attaches great importance to investor relations management and systematically establishes and continuously improves the investor relations management system in the principles of "efficiency, transparency, and win-win cooperation". The Company strictly implements the information disclosure system to ensure that disclosures are truthful, accurate, complete, timely, and fair. Through multiple channels, we communicate updates on our operations and development to the market, effectively safeguarding investors' right to be informed. In terms of communication and interaction, we have established sound multi-channel communication mechanisms and normalized performance briefing mechanisms, and innovatively adopted a "digital human" video interaction format and utilized AI technologies to present the Company's value in an intuitive manner. Concurrently, we also strictly implement a shareholder return policy, maintain a stable level of cash dividends, and earnestly fulfill our commitments. In recognition of outstanding performance in investor relations management and digital innovation, the Company received the "2025 Award for Excellence in Investor Relations Development for Listed Companies" and the "2025 Best Practice Award for Digital Innovation of Board Secretary Offices" presented by Shenzhen Valueonline.

2025 Best Practice Award for Digital Innovation of Board Secretary Offices

2025 Award for Excellence in Investor Relations Development for Listed Companies

Key Performance

During the Reporting Period, the Company held **3** performance briefings, participated in one regional investor collective reception day event, hosted one on-site investor visit, received **11** investor visits, engaged with investors **14** times via SSE E-Interactive Platform, and answered **17** phone calls from investors.

Returns to Shareholders

Swan Cotton Machinery has established a scientific and transparent decision-making and adjustment mechanism for profit distribution to ensure process transparency, thereby fully safeguarding the rights of minority shareholders to information, participation, and other legitimate interests. We have elevated shareholder returns to a strategic priority for the Company. Through the formulation of the *Three-Year Shareholder Return Plan (2024–2026)*, we have made clear arrangements regarding distribution policies, which not only maintain policy continuity and stability but also enhance the investment confidence and satisfaction of minority shareholders. During the Reporting Period, the Company implemented the 2024 annual equity distribution.

Indicator	Unit	2025
Cash Dividend per Share	Yuan/Share	0.172
Total Cash Dividend (Including Tax)	RMB 10,000	2,087.08
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements	%	30.11

Information Disclosure

Swan Cotton Machinery has established the *Information Disclosure Management System* to further standardize information disclosure practices. This system clarifies the responsibilities of disclosure officers, the scope of disclosure, procedures, confidentiality requirements, and related liabilities. By systematically standardizing disclosure practices and strengthening administrative management, the Company has effectively ensured the compliance and effectiveness of information disclosure. During the Reporting Period, the Company did not face any penalties due to noncompliance with information disclosure regulations.

The Company adheres to the principles of openness, fairness, and impartiality, and conducts timely and accurate information disclosure through statutory channels such as the website of the Shanghai Stock Exchange, ensuring that all investors have equal access to information and effectively safeguarding their right to be informed.

Business Conduct

Swan Cotton Machinery strictly complies with laws and regulations such as the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-Monopoly Law of the People's Republic of China*. The Company has deeply integrated the upholding of business ethics, the implementation of anti-commercial bribery and anti-corruption policies, and the promotion of fair competition into its operational practices, and is committed to becoming a benchmark for business ethics in the industry. During the Reporting Period, 100% of the Company's new employees signed the Commitment to Integrity, the Commitment to Business Ethics, and other commitments, and no incidents of corruption or unfair competition occurred in the Company.

Anti-Commercial Bribery and Anti-Corruption System

The Company actively implements anti-commercial bribery and anti-corruption policies and has formulated the *Anti-Corruption and Anti-Bribery System*. The Discipline Inspection and Audit Department has been designated to oversee matters related to business ethics and ensure the effective implementation of anti-corruption and anti-bribery efforts. By strengthening supervision and management of key positions, the Company ensures that institutional requirements are implemented at specific positions and operational processes.

[Case] Training on Party Conduct and Integrity Education

In August 2025, the Company organized Party members, cadres, and key personnel to visit Qizhou Prison for a warning education activity. This initiative aimed to guide Party members and cadres in strengthening their awareness of integrity and self-discipline, as well as their ability to resist corruption and prevent moral decline, thereby providing a strong disciplinary guarantee for the Company's high-quality development.

Training on Party Conduct and Integrity Education

In accordance with the *Anti-Corruption and Anti-Bribery System,* the Company has prepared the Commitment to Anti-Corruption and Anti-Bribery for employees and incorporated the implementation of the commitment into important bases for evaluation, assessment, and appointment decisions, to ensure that anti-commercial bribery and anti-corruption requirements are embedded into the evaluation of personnel in key positions. In business ethics assessments, the Company's work extends beyond compliance reviews and focuses on proactively identifying potential issues and risks.

Anti-Commercial Bribery and Anti-Corruption Measures

The Company designates the Discipline Inspection and Audit Department as the supervisory and management body for anti-corruption, anti-bribery, and other business ethics-related matters, to promote the normalization of anti-bribery efforts. The Company encourages employees and all relevant parties to report and expose all types of corrupt practices by establishing dedicated whistleblowing hotline and mailing, and strictly keeps the information of whistleblowers confidential. For verified corruption-related activities, penalties will be imposed according to the severity of the circumstances. In serious cases, labor contracts will be terminated, compensation will be pursued in accordance with applicable laws and regulations, and cases will be transferred to judicial authorities.

Reporting Channels	Whistleblowing Channels
Online Whistleblowing by Phone	Whistleblowing Hotline: 0531—58675815
Offline Reporting by Mail	Mailing Address and Department: Audit Department, Swan Cotton Machinery, No. 99, East Road of Dawei Village, Tianqiao District, Jinan City, China

To prevent and strengthen our integrity defenses, Swan Cotton Machinery has conducted integrity risk identification and assessment, evaluated the risk levels of each risk point, and formulated targeted countermeasures. The Company regularly compiles and updates the integrity risk list to ensure dynamic, accurate, and comprehensive risk identification.

◎ Examples of Integrity Risk Points

Accounting

Description of Risk

Risks of under-recording, omission, delay, or misstatement in financial accounting, resulting in discrepancies in the accounting of revenue, costs, expenses, taxes, and receivables/payables;Intentional delays in tax declaration, underpayment, omission, or late payment of taxes in tax administration; risks of leakage of financial and operational data.

Countermeasures

Strictly record the Company's economic activities in accordance with the requirements of the Accounting Standards for Business Enterprises to improve the quality of accounting information; strengthen professional competence and analytical capabilities; declare and pay all taxes as required and actively fulfill tax obligations; maintain sound tax enterprise relations and ensure compliance in tax-related matters; strictly fulfill confidentiality responsibilities, establish internal control mechanisms, conscientiously perform confidentiality obligations of insiders, and strengthen the storage and safeguarding of financial data.

Chief Accountant

Description of Risk

Risks of inaccurate accounting of costs and expenses due to under-recording, omission, or misstatement; risks of concealing corporate assets; risks of data leakage in financial and operational data security control.

Countermeasures

Truthfully record all economic activities, improve the quality of accounting information; strengthen asset management, accounting, inventory verification, and reconciliation; strictly fulfill confidentiality responsibilities, strengthen financial confidentiality safeguards, and reinforce the storage and safeguarding of financial data.

Head of Finance Department

Description of Risk

Preparation of false financial statements; false declarations for government project funds; risks of improper benefit transfer in financing activities; risks of misappropriation of funds during fund utilization; risks of data leakage in financial and operational data security control; risks of concealment of risk information and insider trading during information disclosure.

Countermeasures

Strictly implement laws, regulations, and institutional provisions to improve the quality of accounting information and ensure the authenticity and accuracy of accounting reports; standardize declarations for government funds and establish strict review mechanisms; improve financing management systems; strengthen financial internal control systems and enhance auditing and supervision to ensure the security of fund utilization; strengthen internal departmental management and strictly fulfill confidentiality responsibilities and obligations.

CFO

Description of Risk

Misrepresentation of financial information, fraud, and improper fund management; misinterpretation of regulations and lack of risk warnings; violations of expense control regulations and information leaks.

Countermeasures

Strengthen learning, become familiar with and correctly understand applicable laws, regulations, and systems; strictly prepare corporate financial reports in accordance with national financial laws and regulations, departmental rules, and other normative documents; analyze and report on the Company's financial position and operating results, identify and prevent major risk points, and establish institutional constraints; consciously strengthen the defense against corruption and promote integrity; enhance the identification and prevention of major risk points; strengthen confidentiality awareness and strictly implement information security requirements.

Swan Cotton Machinery actively provides anti-commercial bribery and anti-corruption training to directors, management, and employees. Through continuous education and communication, the Company ensures that compliance awareness does not remain merely at the institutional level, but is truly internalized in mindset and externalized in practice, taking root across all levels and throughout all processes of the Company.

Indicator	Unit	2025
Number of Directors Participating in the Training on Anti-commercial Bribery and Anti-Corruption	Person	6
Percentage of Directors Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	66.67
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	Hour	112
Average Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	Hour/Person	18.67
Number of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	6
Percentage of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	100
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for the Management	Hour	112
Average Duration of Training on Anti-commercial Bribery and Anti-Corruption for Management	Hour/Person	18.67
Number of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	91
Percentage of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	10.2
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Employees	Hour	1,414
Average Duration of Employee Training on Anti-Commercial Bribery and Anti-Corruption	Hour/Person	15.54

Anti-Unfair Competition

Swan Cotton Machinery strictly complies with applicable laws and regulations such as ***Anti-Unfair Competition Law of the People's Republic of China*** and the ***Anti-Monopoly Law of the People's Republic of China***, and rigorously regulates market conduct through continuous system optimization and process control. The Company is committed to eliminating all forms of unfair competition and ensuring that all business activities are conducted fairly and transparently within the legal framework. During the Reporting Period, the Company was not involved in any litigation or major administrative penalties related to unfair competition.

Key Performance

As of the end of the Reporting Period, the Company offered one training session on anti-monopoly and fair competition, with a total of **16** participants and a total training duration of **48** hours.

Environmental Protection

- Response to Climate Change
- Water Resource Utilization
- Environmental Management
- Material Utilization
- Energy Utilization

Response to Climate Change

Swan Cotton Machinery attaches great importance to the impact of climate change on the agricultural machinery sector, incorporating climate risk management and green transformation into the core ESG strategy to systematically address multiple challenges at the policy, technological, and market levels. The Company actively seizes opportunities presented by the "carbon peaking and carbon neutrality" policy and the green development of agriculture. By focusing on R&D of new energy agricultural machinery technologies and optimizing low-carbon production processes, we drive sustainable growth through compliance and solidifies our green competitive advantage in the industry.

Governance

Swan Cotton Machinery has established a clearly structured climate change governance framework, with the Board of Directors and the Strategy and ESG Committee serving as the highest decision-making bodies to coordinate climate-related strategic planning and major decisions. Under these bodies are the ESG Management Committee and executive task forces from various business departments, forming a three-tiered "decision-coordination-execution" mechanism. With the ESG Work Manual as the core, the Company has clarified full-process requirements for climate change risk identification, target setting, and implementation supervision. The responsibilities of each governance body are clearly defined: the Strategy and ESG Committee is responsible for reviewing major climate-related matters and overseeing their implementation; the ESG Management Committee leads the formulation of short- and medium-term action plans; and the Execution Group implement specific measures such as low-carbon production and technology R&D. Furthermore, by establishing an ESG reporting and risk monitoring mechanism, the Company regularly tracks progress toward climate-related goals, to ensure that governance measures align with regulatory requirements and industry trends, thereby providing a solid governance foundation for green transformation.

Strategy

Swan Cotton Machinery fully recognizes the systemic interconnections between climate change risks and opportunities, where challenges such as extreme weather and policy upgrades coexist with opportunities for green transformation and technological innovation. The Company assesses their impacts on business and finance over the short, medium, and long term, clarifies strategic directions and response strategies, and dynamically adjusts relevant approaches to transform challenges into opportunities and consolidate the foundation for sustainable development.

Risk/Opportunity	Category	Description of Risk/Opportunity	Financial Impact	Impact Duration	Impact Level	Likelihood of Occurrence	Countermeasures
Risk	Technology Risks	Existing emission standards and energy consumption levels of current agricultural machinery products have not fully met low-carbon requirements; investment in lightweight and intelligent control technology R&D is substantial and involves long cycles	Increase in R&D costs, delay in technology upgrades, and increasing pressure on revenue	Medium to long term	Medium to high	Medium	Increase dedicated investment in low-carbon technology R&D Achieve breakthroughs in core technologies through industry-university-research cooperation
	Market Risk	Industry competition is intensifying, and user demand for low-emission and intelligent agricultural machinery is growing. If product transformation lags behind, market share may be lost; the "high-quality machinery with high subsidy" policy has led to reduced subsidies for traditional models, affecting product cost-effectiveness	Decline in sales revenue and contraction of market share	Medium term	Medium	Medium to high	Conduct market demand research and accelerate R&D of intelligent low-carbon agricultural machinery Launch a differentiated portfolio of low-carbon products Optimize cost control to enhance
	Physical Risk	Extreme weather may cause production base shutdowns and disruptions in component supply. Agricultural machinery operations may be affected by natural disasters, increasing after-sales maintenance and scrapping costs	Production losses; increase in maintenance and scrapping costs	Short and medium term	Medium	Medium	Strengthen flood prevention, moisture protection, and other protective facilities at production bases Optimize weather-resistant design of agricultural machinery Purchase insurance against natural disasters
Opportunities	Technological innovation	Government policies are driving the green transformation of agricultural machinery, leading to a surge in demand for lightweight designs and smart precision operation technologies; technological innovation can be leveraged to build product competitive barriers	Short-term increase in R&D investment; significant increase in long-term returns	Long term	High	Medium	Increase R&D investment in green agricultural machinery Focus on technological breakthroughs in green and intelligent technologies Pilot and promote modularized and lightweight products
	Market Expansion	With the scaling-up development of the domestic agricultural industry, demand for low-carbon intelligent agricultural machinery is increasing. Recognition of green agricultural machinery in international markets is improving, and combined with cross-regional operation demand, market space is expanding	Growth in medium- and long-term sales revenue; optimization of profit structure	Medium term	High	Medium	Deepen development of domestic and overseas low-carbon intelligent agricultural machinery markets Promote cooperation with agricultural cooperatives and large-scale farms Expand promotion of green agricultural machinery services
	Policy Support	The national "carbon peaking and carbon neutrality" policy and the ***Plan to Accelerate Building Up Strength in Agriculture*** clarify the direction of green transformation for agricultural machinery. and agricultural machinery purchase subsidies are being directed toward low-carbon models, and tax incentives and R&D subsidies are being provided	Increase in subsidy income; reduction in tax burden; sharing of R&D costs	Long term	Medium to high	High	Actively apply for green agricultural machinery policy subsidies and R&D funding support Adjust product structure in line with policy developments Participate in the formulation of green agricultural machinery standards

Notes: We define the short-term, medium-term, and long-term impact duration as 1-3 years, 3-5 years, and over 5 years, respectively; the high, medium and low impact materiality refers to severe, moderate and minor impact on the Company's production and operations, respectively; and the high, medium, and low likelihood of occurrence mean that relevant risks are very likely, likely, and unlikely to occur, respectively.

Impact, Risk, and Opportunity Management

Swan Cotton Machinery has established standardized procedures to identify, assess, and manage climate change risks and regularly reviews the effectiveness of their implementation to ensure timely and effective risk response strategies.

With reference to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, the Company identifies types of risks and opportunities across three major categories—physical risks, transition risks, and opportunities—and defines and describes climate change-related risks and opportunities based on national laws and regulations and policy requirements, domestic and international sustainable development trends, and the Company's actual conditions.

For each identified risk and opportunity, the Company further identifies the primary climate-related drivers, as well as the potential major financial impacts, time horizons, and levels of impact they may bring.

Based on identification and assessment results, the Company formulates corresponding response measures to ensure sufficient capabilities and resources to address climate change risks and seize climate change opportunities, thereby forming a closed-loop management mechanism for climate change risks.

Metrics and Targets

Indicator	Unit	2025
Total GHG Emissions	tCO_2e	4,692.08
Direct greenhouse gas emissions (Scope 1)	tCO_2e	1,589.43
Indirect greenhouse gas emissions (Scope 2)	tCO_2e	3,102.65
GHG Emissions Intensity	tCO_2e/1 million yuan	4.89

Note: The GHG emission data cover Swan Cotton Machinery, Xinjiang Swan, Yetian Tieniu, and Huyanghe Swan.

During the Reporting Period, the Company plans to establish greenhouse gas (GHG) emission reduction targets to reflect the response to climate change. By monitoring these targets, the Company evaluates the effectiveness of the climate change response policies and promotes supervision and governance of climate change response efforts.

Environmental Management

In strict accordance with laws and regulations such as the ***Marine Environment Protection Law of the People's Republic of China***, the ***Law of the People's Republic of China on the Prevention and Control of Water Pollution***, the ***Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution***, and the ***Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes***. The Company has established a full-process environmental management mechanism covering production, R&D, and the supply chain, with clearly defined core targets for pollutant emission reduction. Through measures such as the application of cleaner production technologies, classified recycling of waste, and green product design, we continuously reduce the environmental footprint of our production and operations and fulfil our responsibility for green and low-carbon development in the agricultural equipment industry.

Governance

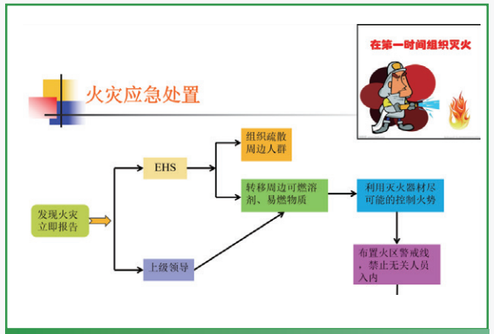
Swan Cotton Machinery has formulated systems such as the Environmental Protection Management System and the ***Environmental Operation Management Provisions***, and has established an environmental protection management department to coordinate environmental management work and implement the environmental protection target responsibility system. The Company strictly implements regulatory requirements such as the "three simultaneities" system and pollutant discharge permit management, focusing on exhaust gas purification, zero discharge of wastewater, standardized disposal of solid waste, and noise control to ensure that pollutant emissions meet standards. The Company strengthens the synchronized operation and dedicated management of environmental protection facilities, improves operation records, enhances environmental awareness among all employees through publicity and training, and promotes cleaner production and the construction of "garden-style" factories in the principle of "focusing on prevention efforts and combining control measures".

In 2025, Swan Cotton Machinery adopted a variety of training methods and conducted multiple environmental protection-related training sessions, covering topics such as standardized management of hazardous waste and environmental emergency response drills. These efforts helped enhance theoretical knowledge and practical skills, laying a solid talent foundation for the efficient implementation of the Company's environmental protection initiatives.

[Case] Training on Standardized Management of Hazardous Waste

In October 2025, the Company organized training on standardized hazardous waste management for relevant personnel from various workshops and departments. The training covered laws and regulations related to hazardous waste, local environmental protection documents, and standards for storage and transfer, as well as practical procedures for the classification, collection, transportation, and temporary storage of hazardous waste. This effectively enhanced employees' legal awareness and practical skills in hazardous waste management, establishing a solid foundation for the Company's safe disposal of hazardous waste and environmental emergency management.

Training Site



Training Contents

During the Reporting Period, the Company, together with Xinjiang Swan and Yetian Tieniu (both are subsidiaries of the Company), passed ISO14001 Environmental Management System certification. In addition, Yetian Tieniu was included in the list of "2025 Regional Green Manufacturing Demonstration Units of Inner Mongolia Autonomous Region" and obtained Green Factory certification, and Xinjiang Swan holds the "Green Factory of XPCC" certification.

ISO14001 Environmental Management System Certification Certificate

Green Factory of XPCC

Strategy

Swan Cotton Machinery has fully identified and assessed environment-related risks and opportunities, formulated forward-looking strategic plans, actively responded to risks, and firmly seized opportunities to support the achievement of sustainable development.

Risk/Opportunity	Category	Description of Risk/Opportunity	Financial Impact	Impact Duration	Impact Level	Likelihood of Occurrence	Countermeasures
Risk	Technology Risks	Existing pollutant control technologies are insufficiently adaptable, and hazardous waste disposal technologies require upgrading	Increase in investment in technological upgrades and rising risk of compliance penalties	Medium to long term	Medium	Medium	Entrust qualified third-party organizations with hazardous waste treatment Upgrade exhaust gas treatment equipment to ensure emissions consistently meet standards
	Market Risk	Hazardous waste disposal prices fluctuate significantly due to supply and demand dynamics and policy changes; procurement costs for environmental protection materials are rising; downstream customers' heightened requirements for compliance credentials are raising the bar for collaboration	Increase in disposal and procurement costs; loss of cooperation opportunities	Short and medium term	Medium	High	Sign long-term agreements with compliant disposal enterprises to lock in disposal prices Optimize the supply chain for environmentally friendly raw materials and expand diversified procurement channels Strengthen compliance certification and disclosure to enhance customer trust
Opportunities	Technological Innovation	The iteration of smart, efficient pollution control technologies and hazardous waste resource recovery technologies is accelerating; digital monitoring systems can improve compliance management efficiency, and technological barriers continue to be established	Reduction in energy consumption and disposal costs; capture of green product premium	Medium to long term	High	High	Increase investment in new material applications and focus on the resource utilization of solid waste Deepen industry–university–research cooperation and adopt advanced environmental protection technologies
	Market Expansion	As international ESG compliance requirements tighten, environmental advantages have become key to accessing overseas markets; domestic demand for the environmental retrofitting of agricultural machinery is growing, and compliant companies are increasing their market share	Revenue growth; increase in gains from overseas market expansion	Short and medium term	High	High	Promote environmentally friendly agricultural machinery that meets international standards to adapt to overseas compliance requirements Strengthen green brand promotion and respond to domestic environmental upgrade demands
	Policy Support	The "carbon peaking and carbon neutrality" policy promotes the development of the environmental protection industry; energy-saving retrofits can obtain special subsidies; upgrading industry environmental protection standards eliminates outdated capacity, enabling compliant enterprises to benefit from policy dividends	Increase in subsidy income; and reduction in policy-oriented cost	Medium to long term	High	High	Participate in the formulation of industry environmental protection standards to seize compliance advantages and align with policy orientation Promote green production transformation and enjoy tax incentives

Impact, Risk, and Opportunity Management

Swan Cotton Machinery actively promotes the implementation of environmental risk management measures and has established a comprehensive and multi-level environmental risk management system. By introducing advanced environmental risk assessment technologies and tools, the Company conducts real-time monitoring and precise assessment of potential environmental risks in production and operations.

Risk Identification

Based on the risk types defined in the management strategy, a risk identification checklist has been established to conduct hazard inspections in areas where risks may exist (such as production workshops, waste discharge outlets, and pollutant treatment facilities).

Risk Assessment

Risks are assessed based on their impact severity, magnitude, and probability of occurrence, and a risk matrix is created to prioritize them.

Risk Monitoring

The Company has established a dedicated risk monitoring team that utilizes IoT and big data technologies to effectively monitor pollutant emissions. Environmental monitoring results are promptly disclosed to the public and are subject to review by regulatory authorities and public oversight.

Risk Management

Using a risk-based management approach, the Company implements differentiated management for pollutants and waste of different types, hazards, and risk levels to improve resource recovery rates and minimize the impact of pollutants and waste generated by production and business operations on the ecological environment. During the Reporting Period, the Company conducted an internal environmental self-inspection covering the implementation of basic environmental protection systems, compliance at discharge points, and the use of alternative materials at the source. The self-inspection results were satisfactory, with no serious issues identified, and corrective measures were taken for any issues discovered.

Metrics and Targets

Indicator	Unit	2025
Total Environmental Investment	RMB 10,000	77.4
Proportion of Environmental Protection Investment to Operating Revenue	%	0.081
Training on Environmental Protection	Case	2
Number of Participants in Training on Environmental Protection	Person-times	17
Duration of Training on Environmental Protection	Hour	34
Waste Gas Emission	10,000 m^3	23,067.98
Air Emission Intensity	10,000 m^3/1 million yuan	24.06
Volatile Organic Compounds (VOC)	Ton	0.54
Volume of non-hazardous waste generated	Ton	47.17
generation intensity of non-hazardous waste	Tons/Million Yuan	0.049
Volume of non-hazardous waste disposed of	Ton	47.17
Volume of Hazardous Waste Generated	Ton	10.95
Generation intensity of hazardous waste	Tons/Million Yuan	0.011
Volume of Hazardous Waste Disposal	Ton	11.10
Waste Disposal Compliance Rate	%	100
Waste Paint Residue (HW12 substances)	Ton	3.48
Waste Activated Carbon (HW49)	Ton	5.83
Waste oil drums (HW08)	Ton	1.64

Note: Air emissions data is based solely on Swan Cotton Machinery's online monitoring data; waste data includes only Swan Cotton Machinery; and during the Reporting Period, the volume of hazardous waste disposed of exceeded the volume of hazardous waste generated, as the disposal scope for this period included the backlog of hazardous waste generated in previous periods.

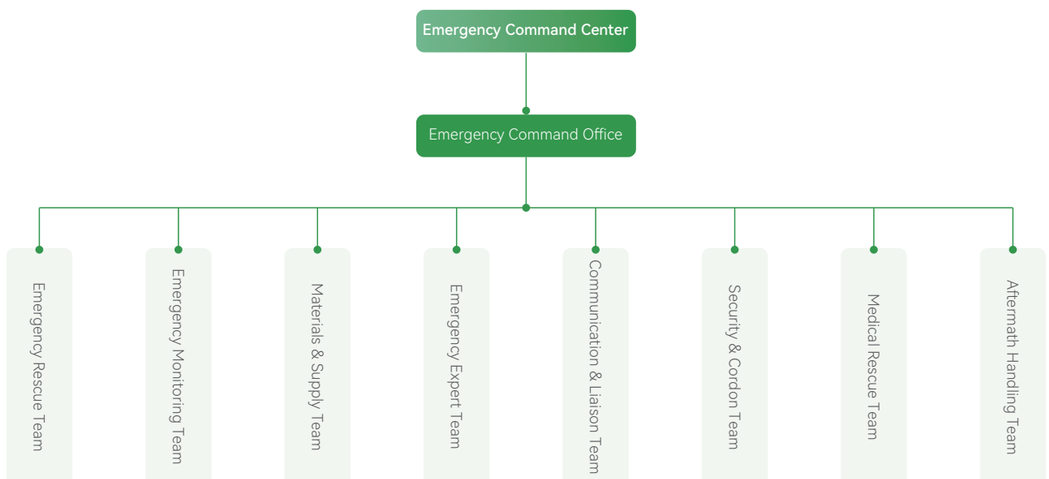
Swan Cotton Machinery has established environmental management targets regarding waste treatment and pollutant emissions, and these targets are incorporated into the performance evaluation metrics for department heads. All environmental management targets were achieved during the Reporting Period.

Targets	Indicator	Assessment Frequency
Classified Collection and Disposal of Solid Waste	Classified Collection and Disposal Rate of Solid Waste: 100%	Quarterly
Compliant Disposal of Hazardous Waste	Compliant Disposal Rate of Hazardous Waste: 100%	Quarterly
Compliance with Noise Emission Standards	Compliance with Noise Emission Standards	Annually
Compliance with Wastewater Discharge Standards	Compliance with Wastewater Discharge Standards	Annually
Compliance with Dust and Waste Gas Emission Standards	Compliance with Dust and Waste Gas Emission Standards	Annually
Use of Environmental Protection Funds Compliant with Relevant Plans	Rate of Use of Environmental Protection Funds Compliant with Relevant Plans: 100%	Quarterly

Emergency Response Plans and Drills

To ensure timely control of sudden environmental incidents and prevent the escalation of major accidents and pollution, SDMJ has developed the ***Emergency Response Plans for Sudden Environmental Incidents*** and has established an Environmental Safety Management Committee to oversee environmental emergency management. In the event of an incident, the committee will serve as the emergency command center. Additionally, in line with the functional responsibilities of each department, an emergency response team led by the unit's primary person-in-charge has been established. The team's responsibilities include implementing environmental risk prevention measures, executing emergency response procedures, and ensuring necessary support and resources are in place.

◎ Emergency Response Organization Chart



During the Reporting Period, the Company conducted several emergency drills and training sessions focused on sudden environmental incidents, simulating scenarios such as fires caused by unexpected hazardous waste leaks. These activities helped raise awareness and enhance operational skills related to hazardous waste pollution prevention and control, improved the emergency response, self-protection, and self-rescue capabilities of both operators and emergency response teams, while strengthening the Company's overall ability to manage hazardous waste pollution.

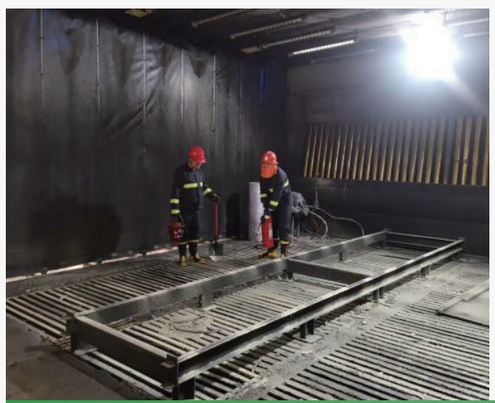
[Case] Emergency Drill for Sudden Hazardous Waste Pollution Incident

In October 2025, the Company organized personnel from relevant departments to conduct an emergency drill addressing sudden hazardous waste leaks and fire incidents. The training covered key areas such as hazardous waste containment, personal safety protection, and proper use of emergency equipment. This drill effectively enhanced the team's emergency response skills and their ability to coordinate the management and control of hazardous waste, providing a practical foundation for handling real-life risk scenarios.

Drill Site

[Case] Emergency Drill for Sudden Environmental Leakage Incident

In October 2025, the Company organized personnel from multiple departments to conduct an emergency drill focusing on flammable solvent leaks and fires, as well as hazardous waste management during the painting process. The training covered key areas such as initial fire response, hazardous waste transfer procedures, and personnel evacuation. The drill verified the practicality of the emergency response procedures, identified gaps in the coordination of fire response and hazardous waste management, and further enhanced the Company's environmental safety capabilities.



Drill Site

Green Office

SDMJ incorporates green office practices throughout our operations, demonstrating our commitment to low-carbon development through tangible actions. Through systematic initiatives, we raise employees' awareness of low-carbon practices and implement concrete measures in areas such as commuting, office equipment, and resource management, driving the sustainable transformation of workplace operations.

Concept Promotion & Empowerment

- The Company encourages energy conservation and emission reduction through various channels, helping employees adopt habits such as saving water and electricity and reducing waste. This initiative aims to build a shared commitment to low-carbon development across the entire organization.

Green Commuting

- The Company strategically manages the use of official vehicles and encourages employees to prioritize shuttle buses or public transportation, helping to reduce carbon emissions from commuting.

Paperless Office

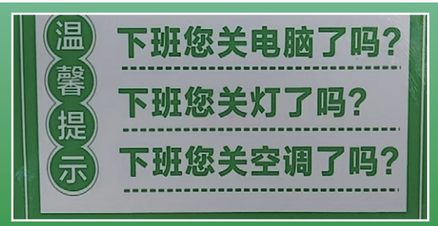
- By leveraging digital office tools, the Company reduces paper consumption, implements a system for tracking office supply requests, and enforces strict controls on the use of disposable products.

Resource Recycling

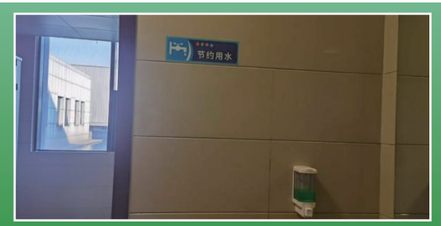
- The Company promotes practices like paper reuse to manage resource consumption in every aspect of office operations, supporting the principle of low-carbon operations.

Whole-chain Coordinated Carbon Reduction

- The Company integrates process optimization and smart equipment upgrades at the production end, embedding green principles into the coordination between office and production, while continuously enhancing the green office system.



Electricity Conservation Publicity



Water Conservation Publicity

Energy-Efficient Lighting at Workstations

Solar Lighting in the Factory Premises

Clean Production

SDMJ fully embraces the principles of green manufacturing, viewing clean production as a key strategy for achieving sustainable development. By optimizing production processes, upgrading environmental protection facilities, and strengthening resource recycling, the Company reduces pollutants at the source and effectively lowers resource and energy consumption, as well as emissions of the "three wastes" (wastewater, waste gas, and solid waste). Additionally, we have established a robust environmental management system, enhanced employee training, and integrated clean production principles into all aspects of daily operations, thereby achieving goals of energy conservation, reduced consumption, pollution control, and improved efficiency.

Waste Gas Management

SDMJ has developed the ***Control Procedures for Wastewater, Noise, and Waste Gas*** to prevent and manage emissions generated during operations, product supply, and service activities. The primary waste gas is Volatile Organic Compounds (VOCs) produced during the painting process, which are identified in accordance with the ***Control Procedures for Identification and Evaluation of Environmental Factors***. These organic emissions are collected centrally through negative-pressure painting booths, treated sequentially via oil curtain purification and activated carbon adsorption, and finally discharged through a 15-meter-high exhaust stack in full compliance with regulatory standards. The Production Department is responsible for the daily management and control of waste gas emissions, ensuring the treatment facilities operate smoothly and that emissions consistently meet regulatory requirements.

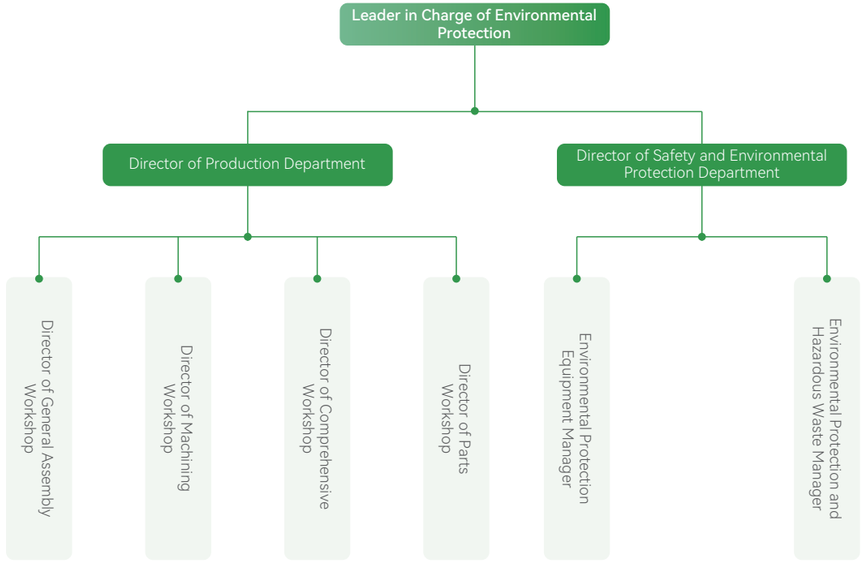
Wastewater Management

In line with the ***Control Procedures for Wastewater, Noise, and Waste Gas*** and the ***Regulations on Environmental Operation Management***, the Company actively manages the generation and treatment of wastewater to minimize pollution of water bodies. The primary wastewater produced is domestic sewage, which is discharged into the municipal sewage system for centralized treatment. Additionally, septic tanks are installed in both the production and office areas, with regular pumping and cleaning, and the sewage discharge control system is routinely inspected. All departments are required to follow standardized cleaning practices in offices and work areas to prevent the improper discharge of domestic sewage.

Waste Management

To ensure that the handling of solid waste aligns with the Company's environmental policy and legal requirements, and to prevent and control pollution from hazardous waste, the Company has established several systems, including the ***Waste Management System, Solid Waste Control Procedures, and Hazardous Waste Pollution Prevention and Control Responsibility System***. The Environmental Protection Department is responsible for overall waste management, and a hazardous waste pollution prevention and control leading group has been set up, led by the general manager and composed of heads of various departments. These systems define the procedures for the classification, collection, storage, and disposal of waste, as well as the rules governing the generation, collection, storage, transfer, and other activities related to hazardous waste.

◎ Organization Chart for Hazardous Waste Management



For hazardous waste, including waste oil, waste activated carbon, waste paint buckets, and other categories, the Company partners with qualified third-party institutions that hold hazardous waste handling licenses to ensure compliant disposal. The entire process follows the national hazardous waste transfer manifest system, ensuring full traceability, compliance, and control throughout the process.

For non-hazardous waste, the disposal of general industrial solid waste and domestic waste is managed according to principles of classification and resource recovery. Domestic waste is regularly collected and disposed of by local sanitation authorities, while general packaging waste and industrial solid waste are recycled to promote resource circulation. This approach effectively supports the Company's environmental goals of waste reduction and resource utilization, in line with the principles of green development.

Noise Management

To effectively manage environmental noise and ensure a healthy working environment for employees, SDMJ has implemented the ***Noise Management System*** that defines the responsibilities of each department and external monitoring agencies. The Company controls noise from sources like cutting machines and welding equipment, ensuring that all machinery operates without producing excessive noise. Employees working in high-noise areas are provided with protective earplugs. Annual noise monitoring is conducted at both the factory boundaries and individual workstations. Any areas exceeding the noise limit are addressed with improvements, and appropriate labor protection measures are implemented for employees. Horn use by motor vehicles within the factory premises is strictly prohibited. Additionally, a system for monitoring and analyzing abnormal noise has been established to quickly address issues and continuously improve noise management practices.

Energy Utilization

SDMJ strictly complies with relevant laws and regulations, including the ***Energy Conservation Law of the People's Republic of China*** and the ***Renewable Energy Law of the People's Republic of China,*** and maintains full compliance in its energy use. The Company focuses on energy-saving improvements and the integration of renewable energy at the production end. By introducing high-efficiency energy-saving equipment and optimizing the design of agricultural machinery power systems to reduce product energy consumption, the Company continuously improves energy efficiency and the proportion of clean energy, supporting the energy structure transformation of the agricultural equipment industry.

Governance

Our energy consumption spans key operational areas such as production, offices, logistics, warehousing, and transportation. Electricity is the primary energy source for production workshops and office buildings, while forklifts in the warehousing and transportation areas use diesel and batteries. To streamline energy management, reduce consumption, and ensure a steady energy supply for production and daily operations, we have developed systems like the ***Control Procedures for Energy and Resource Conservation***, the ***Electricity Use Management System***, and the ***Water and Electricity Use Management System***. The R&D Center and the Production Department are responsible for incorporating energy-saving concepts into product development and overseeing energy conservation across the entire production process and daily operations. Additionally, the Production Department and General Office are responsible for electricity management, ensuring that energy-saving protocols are followed in both production and daily activities.

During the Reporting Period, Xinjiang Swan and Yetian Tieniu successfully achieved ISO 50001 Energy Management System certification.

Xinjiang Swan ISO 50001 Energy Management System Certificate

Yetian Tieniu ISO 50001 Energy Management System Certificate

Risk/Opportunity	Type	Description of Risk/Opportunity	Financial Impact	Impact Duration	Impact Level	Likelihood of Occurrence	Countermeasures
Risk	Technology Risks	The large-scale deployment of existing energy-saving technologies faces stability issues, and challenges arise in equipment IoT connection and system integration during the digital transformation of energy management.	Increased rework costs for energy-saving transformation and waste of production energy	Medium and long term	Medium	Medium	Promote phased construction of the digital base for energy and carbon dual control, prioritizing core process energy consumption monitoring. Collaborate with the technical team to enhance the stability of waste heat recovery and forced air internal circulation technologies.
	Market Risk	Fluctuations in energy prices, such as electricity costs, increase production energy consumption expenses. The procurement of energy-saving equipment is subject to cost-performance volatility, and maintaining green factory certification requires continuous investment. Moreover, competition within the industry is becoming increasingly intense.	Rising energy consumption costs, and increased investment in certification and equipment	Short and medium term	Medium	High	Sign long-term energy procurement agreements to lock in core energy consumption costs and optimize procurement channels. Establish a cost-performance evaluation system for energy-saving equipment, prioritizing mature, compatible technologies. Integrate green manufacturing resources from multiple bases to share certification and maintenance costs.
Opportunities	Technological Innovation	Energy-saving technologies, such as waste heat recovery and forced air internal circulation in production lines, have been widely implemented, and there is significant potential for adopting digital energy and carbon management technologies.	Reduced energy consumption costs and improved green production efficiency	Medium and long term	High	High	Increase investment in R&D for energy-saving technologies and expand applications for waste heat recovery and high-efficiency dust removal. Integrate digital twins and dynamic energy consumption optimization technologies, and upgrade the energy management system. Optimize energy-saving processes for key processes such as drying and processing to enhance the effectiveness of energy conservation efforts.
	Global Expansion	Green factory certification boosts industry recognition, and downstream demand for low-energy agricultural machinery is rising. Moreover, the market share of energy-saving processing equipment continues to grow.	Revenue growth and increased premium income from green products	Short and medium term	High	High	Leverage green factory certification to promote energy-saving agricultural machinery and processing equipment. Align with the growing demand for agricultural green transformation and boost the market promotion of low-energy-consumption products. Expand the output of energy-saving technical services and broaden related energy management businesses.
	Policy Support	Energy management system certification benefits from policy incentives, while energy-saving transformation projects are eligible for special subsidies. In addition, the "Dual Carbon" policies drive the development of energy-saving equipment in the agricultural sector.	Increased subsidy income and improved policy-oriented benefits	Medium and long term	High	High	Actively apply for subsidies related to energy-saving transformation and green manufacturing. Strengthen engagement with industry departments and participate in the development of energy-saving agricultural machinery standards. Use policy orientation to expand green energy management technology applications.

Impact, Risk, and Opportunity Management

SDMJ continuously refines our energy risk management process, establishing clear guidelines for identifying, assessing, and responding to energy-related risks. This ensures full traceability and control throughout the entire energy usage process.

Risk Identification

By thoroughly analyzing the external policy landscape, market trends, and internal operations, the Company identifies potential risks that could impact the stability of energy supply, cost-effectiveness, and environmental compliance. These risks include, but are not limited to, fluctuations in energy prices, policy changes, technological advancements, and inefficiencies in energy utilization.

Risk Assessment

After identifying risks, the Company uses a combination of qualitative and quantitative methods to evaluate them. By considering the likelihood of each risk, potential impact, and duration, the Company prioritizes risks and determines appropriate response strategies, providing a solid, evidence-based foundation for subsequent management actions.

Risk Monitoring

To ensure the effective implementation of energy management processes, the Company has established a comprehensive energy monitoring system. Leveraging advanced technologies such as the IoT and big data, we can perform real-time monitoring and analysis of energy use. This enables timely detection of energy waste and abnormal consumption, while also providing a reliable basis for evaluating the effectiveness of energy-saving measures.

Risk Management

Based on the results of risk identification and assessment, as well as feedback from monitoring data, the Company develops and implements a range of targeted energy management measures. These include, but are not limited to, optimizing the energy use structure, promoting the adoption of clean energy, implementing energy-saving technological upgrades, strengthening green transportation management, and raising employees' awareness of energy conservation and emission reduction. Additionally, the Company has established a continuous improvement system to regularly review and assess the effectiveness of energy management. This allows for timely adjustments to management strategies, ensuring the ongoing optimization and enhancement of energy practices.

Metrics and Targets

Metrics	Unit	2025
Natural Gas	m^3	370172.06
Gasoline	Ton	61.98
Diesel	Ton	196.31
Total Purchased Electricity	kWh	5847428
Total Energy Consumption	tce	1588.22
Energy Consumption Intensity	tce/ RMB 1 million	1.66

Note: Energy data covers SDMJ and its subsidiaries, including Xinjiang Swan, Yetian Tieniu, and Huyanghe Swan.

Energy-saving Measures

SDMJ has established an electricity quota management and control system in the production link, conducts monthly assessments of electricity consumption through the ***Monthly Electricity Metering Report***, and carries out detailed energy consumption statistics, analysis, and recording. In addition, targeted electricity management measures are applied across multiple scenarios: Designated personnel at production sites are responsible for measuring and recording power loads; a duty system has been put in place at power distribution rooms to clarify responsibilities; electricity consumption is strictly controlled in accordance with allocated quotas; lighting and power supply in each area are controlled by separate switches; the principle of "switch off equipment and lights when not in use" is strictly enforced; the use of high-power equipment is restricted in temporary living quarters; high-power devices may only be connected via dedicated power lines upon approval; priority is given to low-energy-consumption products for equipment upgrades; and electricity-saving inspections and energy conservation awareness campaigns are strengthened in office areas. Each department develops electricity-saving management measures tailored to its power consumption patterns and aligns with the Control Procedures for Identification and Evaluation of Environmental Factors, ensuring systematic, compliant electricity management and continuously improving energy efficiency.

In addition, the Company prioritizes upgrading high-energy-consuming equipment and optimizing production processes, implementing a series of energy-saving and carbon-reduction initiatives:

Equipment efficiency upgrades in the Parts Workshop

Outdated and high-energy-consuming production equipment has been phased out and fully replaced with CNC machines that meet national energy efficiency levels 2 to 3. This upgrade significantly reduces energy consumption intensity in the production process.

Energy-saving transformation of core components in the Machining Workshop

High-energy-consuming machine tools have been replaced with low-energy-consuming models that meet national standards. Core components of single-arm planers and gantry planers have also been upgraded, with original motors and electrical cabinets replaced by national standard low-energy-consuming motors and electronic components, improving energy efficiency at the core of the equipment.

Energy-saving optimization in the General Assembly Workshop

High-energy-consuming welding machines have been replaced with low-energy-consuming CO_2-shielded welding machines. Additionally, two automated robotic welding production lines have been introduced, enhancing production automation while further reducing energy consumption throughout the assembly process.

CNC Equipment in the Parts Workshop

Low-Energy-Consuming Machine Tools in the Machining Workshop

Automated Robotic Welding Production Lines

Water Resource Utilization

SDMJ complies with relevant laws and regulations, including the ***Water Law of the People's Republic of China*** and the ***Regulation on Water Conservation***, and integrates the efficient and economical use of water into the core of our production and operations. The Company has established a comprehensive water resource management and control system, enhancing water use efficiency through initiatives such as water conservation awareness campaigns and process optimization. Moreover, we promote water-saving technological upgrades and proactive maintenance of water-using equipment, effectively fulfilling the responsibility for water resource protection and supporting the green and sustainable development of the agricultural equipment industry.

Management System

To standardize water use management, meet the needs of daily life and production, and ensure water safety, the Company has established the ***Water and Electricity Use Management System*** and the ***Control Procedures for Energy and Resource Conservation***. The General Office is designated as the lead department for water resource management, with clearly defined operational procedures. Yetian Tieniu has implemented a series of systems, including the ***Water Use Management System, Water Conservation Statistics System, Water Quota Management System***, and ***Water Conservation Assessment System***, which clarify the processes for water consumption statistics, quota management, and assessment mechanisms. Additionally, Yetian Tieniu has set up a water conservation leading group, quantified management and assessment indicators, and regularly conducts water conservation awareness campaigns and training. These initiatives help integrate water-saving practices into employees' daily routines and foster long-term water conservation awareness across the company.

Water Conservation Training

Metrics	Unit	2025
Municipal Water Purchased	Ton	42200
Fresh Water Usage	Ton	42200
Total Water Consumption	Ton	42200
Water Consumption Intensity	Tons/Million Yuan	44.02

Note: Water resource data covers SDMJ and its subsidiaries, including Xinjiang Swan, Yetian Tieniu, and Huyanghe Swan.

Water Conservation Measures

SDMJ views the efficient use of water resources as a key aspect of our environmental responsibility. We promote water conservation, consumption reduction, and the efficient utilization of resources through a comprehensive approach that combines "awareness-building, operational optimization, and full-process management and control".

Raising Water Conservation Awareness

We place prominent water-saving signs and educational materials at all public water points to foster a water-conscious environment that involves all employees. This helps strengthen their awareness of water conservation on a cognitive level.

Improving Water Use Efficiency

In our factory's landscaping, we have replaced traditional flood irrigation with a precise sprinkler irrigation system, adjusting water delivery based on soil moisture content, which enhances the efficiency of water resource usage.

Preventing Water Leakage at the Source

We prioritize regular maintenance and inspection of water supply pipelines and equipment. Any issues such as leaks, drips, or inefficiencies are promptly identified and repaired, minimizing water wastage from the source.

Enhancing Efficiency through Dynamic Management

We've strengthened collaboration with the water supply company to implement real-time monitoring of water use within the factory. This allows us to fine-tune and improve our water-saving management practices with greater precision.

Material Utilization

SDMJ integrates the principles of efficient material use and recycling into every stage of agricultural machinery manufacturing and product design, and continuously optimizes its material management system. By refining usage methods and improving production processes, SDMJ achieves the cascading use of materials. The Company practices the principles of the circular economy through precise material management and production technology upgrades, reducing resource consumption while maintaining product performance. This approach positions the Company as a leader in material circulation and resource conservation within the industry.

Management System

To make efficient and rational use of material resources and minimize waste, the Company has established the *Control Procedures for Energy and Resource Conservation*. This procedure designates the Production Department as responsible for managing and utilizing materials, outlining specific measures for material conservation, and promoting refined material management practices to continually improve material efficiency. Additionally, SDMJ has implemented systems such as the *Purchasing Management System for Incoming Materials* and the *Incoming Inspection Management System*. These systems standardize purchasing inspection procedures to ensure that all raw materials, auxiliary materials, and purchased parts meet the required quality standards.

Metrics	Unit	2025
Total Use of Packaging Materials	Ton	292.6
Metal Packaging Materials	Ton	280.8
Paper Packaging Materials	Ton	7.5
Plastic Packaging Materials	Ton	2.6
Glass Packaging Materials	Ton	1.7

Management Measures

Focusing on the entire material flow in the production process, SDMJ has established a material conservation system that aligns with actual operations. By combining precise demand-side regulation, on-site lean management, and adaptive technical optimization, the Company drives reductions in waste and boosts efficiency at every stage of material use—from requisition and storage to final usage.

Collaborative Material Conservation Across the Entire Production Cycle: The Company ensures precise alignment between material demand planning and requisition, optimizing material allocation in sync with production scheduling, thus minimizing idle or excess consumption caused by supply-demand mismatches and ensuring efficient resource allocation right from the start.

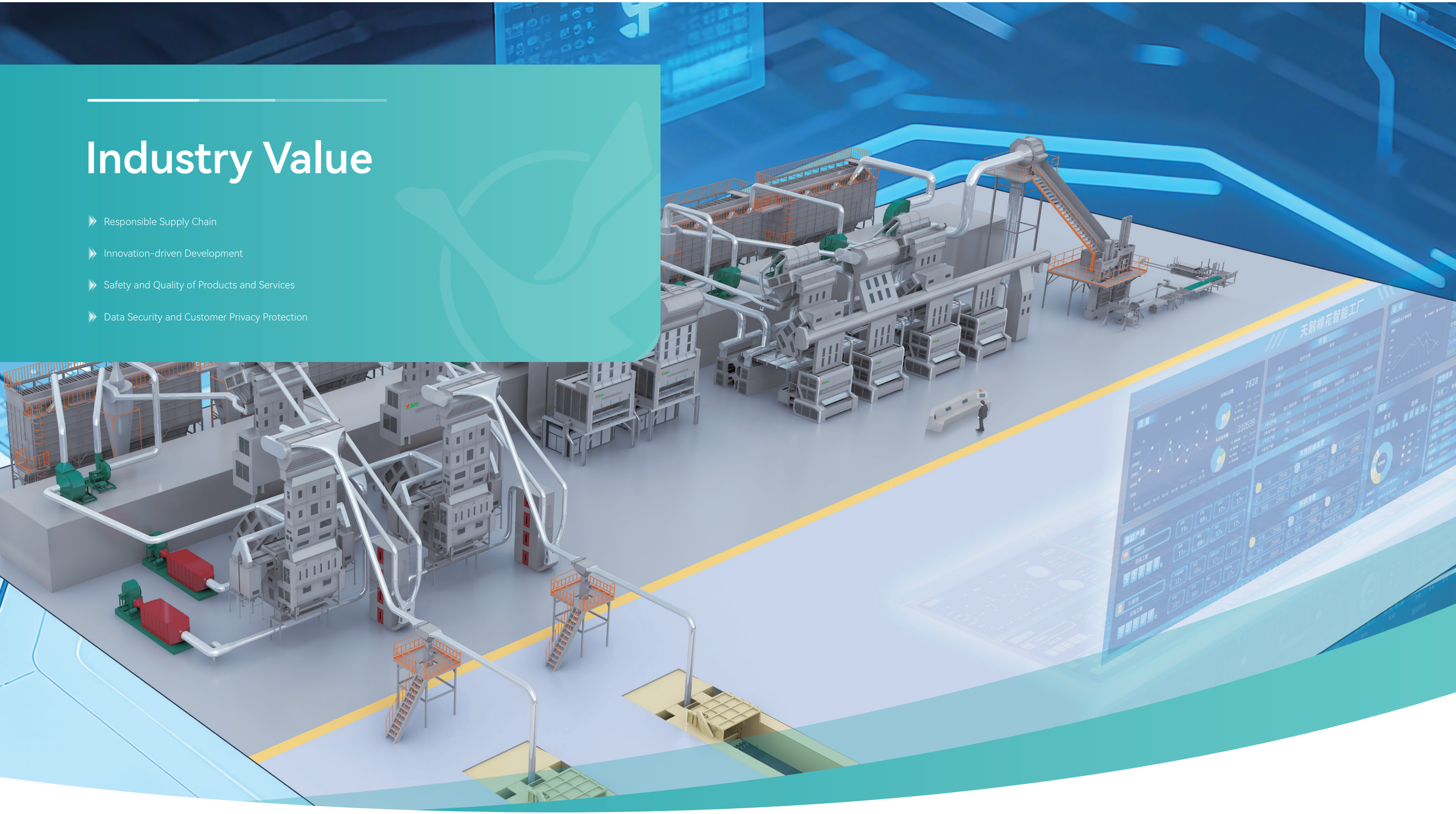
Loss Reduction through On-Site Lean Management: The Company strengthens full-process tracking of material usage to minimize damage and loss. We also implement standardized storage and stacking to prevent material damage. Additionally, a reward system for conservation and penalties for excess consumption help eliminate unnecessary waste at the operational level.

Targeted Optimization of Key Materials: For key materials such as steel, profiles, and wood, the Company optimizes usage methods and reallocates surplus resources. This reduces process losses from single-material types and enhances the effective utilization of materials per unit.

Efficiency Improvement Through Technology and Process Optimization: The Company further enhances material efficiency by adapting and optimizing production processes. Technical improvements are used to strengthen conservation efforts, supporting the intensive use of material resources.

Industry Value

- Responsible Supply Chain
- Innovation-driven Development
- Safety and Quality of Products and Services
- Data Security and Customer Privacy Protection



Responsible Supply Chain

SDMJ incorporates the concept of a responsible supply chain throughout our entire production process. Focusing on core agricultural machinery products, the Company has established an integrated management system that covers supplier admission, procurement control, and collaborative engagement. By implementing comprehensive supplier evaluation criteria including compliance, quality, and other key dimensions, we promote the development of a responsible supply chain through shared industrial-chain accountability, supporting the sustainable growth of both upstream and downstream partners.

Management System

SDMJ has established a comprehensive supplier management framework, including the ***Supplier Management Measures, Supplier Management System***, and ***Supplier Control Procedures***. Supplier management is led by the Procurement Department, which regularly screens and evaluates suppliers based on criteria such as quality, delivery capability, and pricing, and applies differentiated management according to credit ratings. High-credit suppliers may receive incentives, such as material inspection exemptions, while unqualified suppliers are phased out. This approach standardizes management across the entire supplier lifecycle, ensuring product quality at the source and supporting the sustainable supply of raw materials. During the Reporting Period, the Company had a total of 827 suppliers, and no supply chain incidents with significant risks or impacts were reported.

During the Reporting Period, the Company conducted specialized training for procurement personnel to strengthen professional procurement skills, providing crucial support for our ongoing business development.

[Case] Training on Communication & Negotiation, Marketing Skills and Bidding Techniques

In February 2025, the Company organized training sessions on communication and negotiation, marketing skills, and bidding techniques for supply chain procurement personnel and sales professionals. The program focused on practical sales strategies and negotiation skills and included case studies and simulation exercises. These initiatives helped employees strengthen their capabilities in business negotiations and bidding processes, deepened their understanding of relevant workflows, and laid a solid foundation for future business development.

Training Site

Offer training for suppliers

SDMJ places great emphasis on communication and collaboration with suppliers. We regularly provide specialized training on topics such as quality control and process improvement. By offering targeted support, the Company helps suppliers enhance their core capabilities, fosters mutual trust, and jointly promotes the high-quality development of the cooperation ecosystem.

[Case] Supplier Conference

In January 2025, the Company hosted a Supplier Conference. During the event, suppliers received feedback on common issues, new development requirements were communicated, and outstanding suppliers were recognized. This strengthened collaboration across the supply chain, supporting improved product quality and reliable supplier relationships.

Training Site

Management Measures

In the field of supply chain management, the Company focuses on quality control, risk resilience, compliant collaboration, and the co-construction of long-term value. To this end, a series of management initiatives have been implemented:

Comprehensive Quality Control Across the Supply Chain

For key suppliers, the Company assigns dedicated personnel to regularly oversee quality, conduct both scheduled and unscheduled product quality testing, and perform on-site inspections. This helps establish a multi-level upstream supply quality assurance system.

Building Supply Chain Resilience

The Company optimizes the supplier structure to reduce over-reliance on individual suppliers, mitigates single-point risks by decentralizing procurement, and enhances the supply chain resilience, ensuring long-term operational sustainability.

Compliant and Standardized Supply Chain Management

The Company has established unified acceptance standards for purchased parts and supplier handover procedures, clarifying quality responsibilities and operational guidelines. This ensures consistent, compliant, and standardized collaboration across the supply chain.

Compliance and Capacity Empowerment

The Procurement Department collaborates with R&D, production, technology, and other departments to provide business guidance and capacity-building training for suppliers. Moreover, we maintain strict compliance boundaries to protect our intellectual property while balancing the improvement of supply chain capacity.

Developing Long-Term Value-Oriented Supply Chain Partnerships

The Company fosters strategic partnerships with key suppliers that align with our development goals, deepening long-term collaboration between supply and demand. This collaborative approach helps build a stable, sustainable supply chain ecosystem.

Risk Management

CDMT accurately identifies and evaluates potential risks and opportunities within the supply chain, and develops targeted response strategies to ensure safety and sustainable development of the supply chain.

Internal and External Environment	Description	Type	Risk and Opportunity	Countermeasures
Price Fluctuation of Raw Materials	Continuous fluctuations in raw material prices	Risk / Opportunity	Risk: Undermines supply chain delivery stability and increases cost control pressure. Opportunity: Enables dynamic optimization of procurement strategies and improves cost sustainability.	● Monitor price trends from multiple dimensions, dynamically adjust ordering rhythm, and strengthen green cost control. ● Deepen supplier price comparison and negotiation mechanisms to improve supply chain collaboration efficiency. ● Synchronize market information to promote transparency in cross-departmental supply chain decisions.
Iteration of Technical Requirements	Updates and iterations of technical drawings and requirements	Risk / Opportunity	Risk: Technical changes may cause material stagnation and increase resource waste. Opportunity: Technical iterations drive product innovation and enhance sustainable competitiveness of the supply chain at the product end.	● Jointly evaluate inventory disposal plans before technical changes to reduce resource idleness. ● Utilize stagnant inventory to improve resource circulation efficiency.
Ambiguous Procurement Demand Information	Unclear demand information, such as codes and models in procurement plans/notices	Risk / Opportunity	Risk: Insufficient procurement accuracy affects delivery and increases supply chain redundancy. Opportunity: Promotes standardization of procurement data and improves transparency in supply chain information.	● Promote cross-departmental synchronization of standardized procurement data (drawings, technical requirements, etc.). ● Standardize procurement demand information and require cross-departmental collaborative review for special procurement requests. ● Strengthen professional training for procurement personnel to improve information processing efficiency.
Change to Production Plans	Changes in the actual execution time of production plans	Risk / Opportunity	Risk: Stocking rhythm mismatch increases inventory backlog and resource occupation. Opportunity: Inventory management is optimized through supply-demand collaboration and supply chain resilience is improved.	● Establish a dynamic synchronization mechanism for production plans to adjust stocking rhythm. ● Strengthen cross-departmental collaboration to improve flexibility of supply-demand matching and reduce inventory backlog risk.

Green Supply Chain

SDMJ integrates green development principles throughout our supply chain management. We have established a green supplier evaluation system, prioritizing partners that meet environmental protection standards and adopt low-carbon operations. By focusing on green procurement, the Company favors eco-friendly materials and energy-efficient products to minimize the environmental impact from the source. Moreover, we work closely with both upstream and downstream partners to optimize logistics, promote low-carbon production, and enhance environmental control across the entire process. This collaborative effort aims to build a low-carbon, efficient supply chain ecosystem, driving the enterprise's sustainable growth and supporting the green transformation of the industry.

Transparent Procurement

SDMJ places integrity and compliance at the core of our procurement management, establishing an open, transparent, fair, and honest procurement management system. We sign integrity agreements with suppliers to define clear behavioral boundaries throughout the procurement process, strictly prohibiting improper competitive practices such as commercial bribery, interest transfers, and collusive bidding. These agreements also outline confidentiality obligations and conflict-of-interest reporting requirements, thereby establishing a solid integrity defense from the very start of our cooperation. In addition, we have implemented a comprehensive supervision and accountability mechanism, standardizing the management of key procurement activities such as bidding and performance acceptance. This ensures that procurement information is transparent, processes are traceable, and results are verifiable. Through these measures, the Company effectively mitigates integrity risks in procurement and upholds a fair and competitive market environment.

Metrics and Targets

SDMJ has set clear quantitative supply chain management targets, covering key metrics such as the price of bulk purchased parts, the decline rate of production variable costs, and the decline rate of slow-moving inventory. During the Reporting Period, these targets have been fully achieved.

Indicator Name	Target value
Price of Bulk Purchased Parts	≤ Market Price of the Same Period
Decline Rate of Production Variable Costs	≥1%
Decline Rate of Slow-moving Inventory	≥5%
Acceptance Rate of Supplier Products	100%

Equal Treatment of Small and Medium-Sized Enterprises

SDMJ upholds the principles of fairness, impartiality, openness, and inclusiveness in all our operations, ensuring that all small and medium-sized enterprises (SMEs) are treated equally throughout the entire process of business cooperation, procurement bidding, and resource integration. By continuously optimizing the cooperation access mechanism, the Company guarantees that SMEs have equal opportunities to cooperate and a fair competitive environment. We are committed to building a mutually beneficial, win-win, and sustainable business ecosystem that fosters collaboration among all partners.

Innovation-driven Development

SDMJ places innovation at the heart of our development strategy, focusing on the intelligent and green transformation of agricultural machinery. The Company continuously increases R&D investment, strengthens core business in cotton machinery, and expands into emerging sectors of agricultural machinery. By leveraging patent strategies and converting technological achievements into practical applications, SDMJ promotes the domestic replacement of high-end equipment, enhances both industrial production efficiency and environmental performance, and provides strong technical support for the modernization of agriculture.

Governance

Innovation is our core driving force and a fundamental engine for the sustainable development of both the enterprise and society. To ensure the efficient operation of our R&D system and a systematic innovation process, the Company has established and implemented a series of governance measures, including ***Measures for the Administration of Scientific Research Funds, Measures for the Administration of Technological Innovation Projects, Qualifications and Achievement Declaration, Regulations for the Issuance of Technical Standards, Regulations for the Administration of Product Drawings and Technical Documents,*** and ***System for the Administration of Enterprise R&D Funds***. These policies together form a comprehensive and effective R&D and innovation governance framework. The R&D Center oversees the Company's entire R&D process, including the development and management of R&D policies, product design and standards control, full lifecycle management of drawings and technical documents, management of technical standards and materials, and handling violations related to technical documentation. The center issues guidance according to regulations and implements necessary penalties when required.

In addition, the Company employs a "three one-thirds" R&D approach: each year, R&D personnel spend one-third of their time on technological breakthroughs and product design, one-third working directly in the workshop to engage in production practice, and one-third in the market and field to understand user needs. This approach enables R&D personnel to deeply integrate technological R&D, production implementation, with market demand, and ensures that technological innovation is closely aligned with industrial realities and user pain points, creating a strong connection between innovative achievements and market demand.

Strategy

Through a systematic analysis, SDMJ has identified key risks and opportunities in innovation-driven development, and has developed the ***Environmental Analysis and Risk and Opportunity Response Framework***, as well as the ***Stakeholder Needs and Risk and Opportunity Response Framework***, enabling us to mitigate risks and capitalize on development opportunities. Building on industry trends and customer needs, and supported by a robust technological R&D system and platform, the Company actively monitors technological advancements across the entire industrial chain. By using data forecasting, expert discussions, and other tools, the Company thoroughly evaluates the potential impacts of risks and opportunities related to innovation-driven development.

Risk/Opportunity	Type of Risk/Opportunity	Description of Risk/Opportunity	Impact Duration	Likelihood of Occurrence	Impact Materiality	Potential Financial Impact	Countermeasures
Risk	Technology and Intellectual Property Risks	Some of our patents will become expired. Once the patent rights expire, there is an increased risk of core technologies being copied by competitors. The Company's technical standards are becoming outdated, which poses a risk to the relevance and advancement of product R&D. The R&D transformation is falling short of expectations, especially in high-end agricultural machinery and equipment, which require large investments and long cycles. If core technological breakthroughs are delayed or the conversion rate of research achievements is low, product iterations may lag behind market demands.	Medium term	Medium	High	Sunk R&D investments, market share loss, and decreased operating income	Organize R&D personnel to thoroughly explore core technologies in expiring patents, identify new innovation points and file for new patents. Assign dedicated personnel to update the Company's technical standards every quarter, ensuring they remain relevant and effective. Optimize the R&D project management process by fostering collaboration between industry, universities, and research institutions. This approach will enhance the sharing of technical resources and scientific expertise, shorten R&D cycles for core technologies, and improve the efficiency of transforming research achievements into practical applications.
	Talent Turnover Risk	There is a growing need for multi-disciplinary technical talent in the field of agricultural intelligent equipment. The loss of core R&D personnel or the insufficient reserve of such talents will hinder our continuous innovation capacity and the progress of technological breakthroughs.	Long term	Medium	High	Loss of talent, reduced core innovation capabilities, and decreased operating income	For key R&D talents, implement medium- and long-term incentive measures, such as profit-sharing based on project success, so as to align individual interests with the Company's long-term development goals.
	Market Risk	Sporadic market demand is highly unpredictable, often requiring urgent product deliveries and making it difficult to secure bulk orders. This leads to challenges such as: 1. Difficulties in maintaining R&D quality under tight deadlines; 2. Limited adaptability of some customized products, restricting large-scale promotion and reuse; 3. High unit costs in small-batch production, limiting profit margins; and 4. Low reuse rates of customized designs leading to underutilized resources and increased complexity in managing technical data.	Medium and long term	High	Medium	Increased production costs, higher unit costs, decreased profits, and cash flow impact due to capital occupation	Enhance the technical capabilities of designers, and prioritize orders with strong reusability and high potential for promotion. Establish a demand prediction and customer segmentation system. Utilize industry data and customer demand analysis to anticipate future batch demand, helping sales personnel stay aligned with market trends and improve forecasting.
Opportunities	Opportunities from Favorable Policy	The government is actively promoting agricultural modernization, the development of new quality productive forces, and the low-carbon transformation of agricultural machinery. Favorable policies for high-end intelligent agricultural machinery (such as subsidies and specialized technical research projects) provide both policy backing and market opportunities for our innovative R&D.	Medium term	Medium	High	Policy subsidies, tax reductions and exemptions, and increased profits	Actively engage with relevant government departments through various channels, and monitor and follow up on application timelines and the requirements for scientific and technological funding projects.
	Industry Upgrade Demand Opportunity	Industries like cotton and grain processing are facing urgent needs for intelligent, large-scale, and low-damage agricultural equipment. We can leverage our existing technical expertise to deepen innovations in full-industrial-chain equipment, aligning with industry trends like high-quality cotton processing and low-carbon agricultural machinery.	Medium term	High	High	Industry upgrades, increased demand, and increased operating income	Focus on addressing key challenges in the cotton processing sector, accelerate the domestication of harvesting machinery, and improve the localization of critical components. Develop a comprehensive, full-industrial-chain equipment system to meet the demand for large-scale upgrades in the cotton industry, and enhance the "harvesting-processing-storage" equipment matrix, aiming to create a closed-loop system for mechanized equipment throughout the cotton production chain.

Impact, Risk, and Opportunity Management

To effectively manage the uncertainties in the innovation process, the Company has integrated innovation-driven risks and opportunities into our risk management framework, and has established a comprehensive management system that covers the full process—from identification to assessment, monitoring, and management.

Led by the R&D Center, the Company regularly brings together departments such as Finance to hold discussion meetings. These sessions use methods like competitive analysis, policy research, and stakeholder opinion evaluation. Through brainstorming, expert exchanges, and benchmarking against industry peers, the Company systematically identifies potential risks and opportunities that may arise throughout the entire cycle of technological innovation, product development, and the transformation of research achievements.

For the risks and opportunities identified, the Company conducts thorough analysis and qualitative evaluation, taking into account both internal and external factors. Risk assessment indicators—such as changes in market demand and R&D progress—are established to provide a solid foundation for decision-making and resource allocation.

The key risks and high-value opportunities that have been assessed are incorporated into the Company's unified innovation management process. A robust tracking mechanism is put in place to regularly monitor changes in these risks and opportunities. The R&D Center is responsible for tracking the status of these risks and the execution of response measures, providing regular progress reports to management.

For the significant risks and opportunities, specific action plans are developed and executed. These plans include but are not limited to adjusting technical strategies, forming cooperative alliances, reallocating resources, or applying for policy support. Meanwhile, the suitability of the external environment and the effectiveness of the response measures are evaluated correspondingly.

Metrics and Targets

Metrics	Unit	2025
Investment in R&D	RMB 10,000	6,496.75
Percentage of R&D Investment In Operating Revenue	%	6.78
R&D Team		
Total Number of R&D Team Members	Person	106
Ratio of R&D Personnel to Total Employees	%	11.88
By Educational Background		
Below Bachelor's Degree	Person	13
Bachelor's Degree	Person	88
Master's Degree	Person	5
By Gender		
Male	Person	96
Female	Person	10
Innovation Achievements		
Cumulative Number of Software Copyrights	Case	21
Total Number of Trademarks	Case	24
Number of Software Copyrights per Million Yuan of Operating Revenue	Case	0.022
Cumulative Number of Published Papers	Article	31
Cumulative Number of Authorized Patents	Case	266
Number of Valid Patents per Million Yuan of Operating Revenue	Case	0.28
Number of Patent Applications	Case	63
By Patent Type		
Cumulative Number of Authorized Invention Patents	Case	63
Cumulative Number of Authorized Utility Model Patents	Case	169
Cumulative Number of Authorized Design Patents	Case	34
Innovation Capability Certification		
Specialized, Sophisticated, Unique and Novel Enterprise	Piece	3
National High-tech Enterprise	Piece	3

Achievement

In 2025, guided by the innovation principles of "quality improvement and cost reduction, green and low-carbon development, and automation and intelligence", the Company benchmarked itself against world-class standards, advanced product iterations, and pursued a forward-looking technology roadmap. We have successfully completed a number of R&D projects, including 70-bale cotton hydraulic bale press, extended-range bale-type cotton pickers, 500T/1000T negative-pressure intelligent grain drying towers, and 12-row grain harvesters. During the Reporting Period, the R&D goal achievement rate exceeded 95%. Looking ahead, SDMJ will continue to be market-driven, accelerate the transformation of new technological achievements into practical applications, and foster new, high-quality productive capabilities in agriculture through core innovation.

Innovation Incentive Mechanism

SDMJ has implemented an incentive system based on institutionalized management and performance evaluation for scientific research and technological innovation projects. This system ensures robust organizational, resource, and incentive support for innovation efforts. In line with the ***Measures for the Administration of Technological Innovation Projects, Qualifications and Achievement Declaration***, the Company has clearly defined responsibility divisions at all levels and offers incentives to key personnel throughout the project lifecycle. The Company implements incentive and assessment mechanisms for project application teams, using project quality, progress, policy communication, and acceptance results as key evaluation criteria. This links innovation inputs and outputs directly to personnel performance, fostering initiative and accountability among relevant employees. Additionally, we reinforce resource allocation by establishing innovation project budgets and ensuring the timely provision of necessary funds, personnel, and materials. By aligning the incentive mechanism with resource support, the Company enhances the efficiency and effectiveness of technological innovation project implementation.

Innovation Platform Construction

SDMJ has established a comprehensive R&D system, anchored by enterprise technology centers, engineering research centers, and provincial-level innovation platforms. At present, we own a provincial-level enterprise technology center, multiple provincial-level engineering technology research centers, and a variety of provincial-level innovation platform resources. In addition, the Company and its subsidiaries have been recognized as "Specialized, Sophisticated, Unique and Novel" enterprises. Specifically, SDMJ is designated as a Shandong Provincial Specialized, Refined, Unique and Novel Small and Medium-sized Enterprise. Our subsidiaries Xinjiang Swan has been recognized as a National Key "Little Giant" Specialized, Refined, Unique and Novel Enterprise, and Yetian Tieniu is recognized as an Inner Mongolia Autonomous Region Specialized, Refined, Unique and Novel Small and Medium-sized Enterprise. Leveraging a robust R&D system and strong qualifications, the Company has developed numerous advanced technological innovations with independent intellectual property rights. These achievements have been successfully transformed into new, high-quality productive forces, continuously driving the high-quality development of the industry.

National High-Tech Enterprise

National Manufacturing Single Champion Enterprise

National Key "Little Giant" Enterprise of Specialized, Sophisticated

Unique and Novel Technologies, National Intellectual Property Advantage Enterprise

Manufacturing Single Champion Enterprise of Shandong Province

Specialized, Sophisticated, Unique and Novel Small and Medium-sized Enterprise of Shandong Province

Shandong Provincial Enterprise Technology Center

Shandong Provincial Engineering Laboratory of Intelligent Equipment for Cotton Processing

Shandong Provincial Engineering Research Center of Cotton Machinery

Leading Enterprise in Key Industrial Chains of XPCC

Xinjiang Uygur Autonomous Region Enterprise Technology Center

XPCC Engineering Research Center of Cotton Machinery Processing

XPCC Innovation Center for Agricultural Machinery Equipment Manufacturing

XPCC Technology Innovation Center for Agricultural Machinery Equipment

XPCC Manufacturing Pilot Test Platform

Specialized, Sophisticated, Unique and Novel Small and Medium-sized Enterprise of Inner Mongolia Autonomous Region

Inner Mongolia Autonomous Region Enterprise Research and Development Center

Inner Mongolia Autonomous Region Industrial Design Center

Jinan Municipal Key Laboratory

"One Enterprise One Technology" Center

Industry-University-Research Cooperation

SDMJ attaches great importance to industry-university-research cooperation with prestigious universities and research institutes, aiming to transform cutting-edge scientific and technological achievements into practical productive forces and promote technological progress across the industry. The Company has engaged in joint research with institutions such as Shandong University, Shihezi University, and other scientific research organizations, effectively integrating multi-party technical resources and establishing a seamless cooperation and exchange mechanism. By focusing on pressing technical challenges and research projects essential for development, the Company conducts systematic joint research to address the technical needs of product upgrades and low-carbon transformation, thereby enhancing our core competitiveness.

[Case] Joint Establishment of an Industry-University-Research Cooperation Innovation Base

In May 2025, the industry-university-research cooperation innovation base, jointly established by the Company, the University of Jinan, and the Shandong Particle Society, was included in the Shandong Association for Science and Technology Innovation-Driven Development Project. The Company successfully signed agreements with partners and co-built multiple industry-university-research cooperation bases. This collaboration represents a key practice in our innovation-driven development strategy, achieving multi-party resource complementarity and fostering mutual empowerment in both R&D and talent development. Moving forward, the Company will leverage this base as a platform to deepen collaborative innovation, contributing to sustainable development and the upgrading of regional industries.

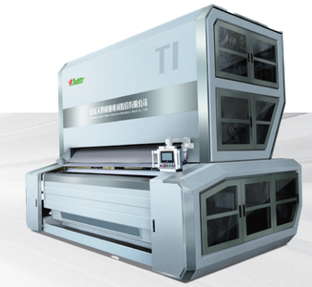
Industry-University-Research Cooperation

R&D Achievements and Awards

In response to the global trend toward intelligent and green transformation of agricultural equipment, SDMJ places scientific and technological innovation at the core of our development strategy. The Company maintains substantial R&D investment, actively tackles key core technologies, and accelerates the construction of a "high-end, intelligent, green" agricultural equipment system. Through these efforts, SDMJ empowers modern agriculture with advanced productive capabilities and drives sustainable development across the industry.

Cotton Processing Machinery Sector

The Company has continuously optimized the 60-bale/hour intelligent machine-picked cotton processing line and innovatively developed an automatic labeling machine, achieving full-process automation from baling to labeling. This advancement significantly reduces labor costs and operational risks. In addition, we have launched new products and technologies, including the 70-bale hydraulic bale press and MY208 cotton gin, which improve processing efficiency, reduce energy consumption and fiber damage, driving the industry toward green and intensive transformation.



Cotton Picker Sector

In response to the national "Dual Carbon" goals, the Company has developed an extended-range cotton picker that effectively reduces fuel consumption and emissions, addressing the high energy consumption challenge of traditional high-horsepower cotton pickers. This product is currently in the testing phase. Moreover, the four-row baling cotton picker has successfully entered the promotion and application stage, providing a strong foundation for iterative upgrades and market expansion of domestic cotton pickers.

Grain Harvesting Machinery Sector

The Company has developed the 5500 and 7500 series grain harvesters, achieving technological breakthroughs in critical performance indicators such as threshing and cleaning efficiency, grain breakage rate, and impurity content. With excellent results in field tests and a significant reduction in mechanical harvesting loss rate, these harvesters support the national food security strategy of "loss reduction is yield increase" by providing advanced, efficient harvesting solutions.

Grain Drying Sector

To tackle post-harvest grain loss, the Company has developed and launched the 500T/D and 1000T/D negative-pressure intelligent grain drying towers. These innovative systems have been successfully demonstrated and are now being actively promoted for wider application. By utilizing precise temperature control and negative-pressure drying technology, the equipment significantly reduces energy consumption, enhances grain quality, and accommodates diverse operational demands. This advancement also improves the overall layout and efficiency of post-harvest processing.

During the Reporting Period, the Company and its subsidiaries received several prestigious awards for scientific research and innovation, including: First Prize for Scientific and Technological Progress Award from the Xinjiang Production and Construction Corps, First Prize of the Shandong Provincial Machinery Industry Science and Technology Award, and First Prize of the Shandong Provincial Equipment Manufacturing Industry Science and Technology Innovation Award. Notably, the project "Development and Industrialization of Key Technical Equipment for Efficient Mechanical Picking and Processing of Cotton", led by us, was awarded the Certificate of Scientific and Technological Achievement Evaluation by the China Agricultural Machinery Industry Association. It has been highly recognized in the industry as "internationally advanced in overall performance and internationally leading in some aspects".

First Prize of the Shandong Provincial Machinery Industry Science and Technology Award

First Prize of the Shandong Provincial Equipment Manufacturing Industry Science and Technology Innovation Award

First Prize for Scientific and Technological Progress Award from the Xinjiang Production and Construction Corps

Participation in the Formulation of Standards

SDMJ takes a proactive role in advancing industry standards by organizing internal experts to conduct comprehensive research on industry development trends and technical requirements, and collaborating closely with peer enterprises, research institutions, and standardization bodies. The Company has led and contributed to the development of 18 national standards and 16 industry standards in key areas such as cotton processing machinery, harvesting machinery, and primary agricultural product processing. By translating our innovative practices into industry-wide standards, we not only strengthen our own competitive edge but also drive the industry toward greater standardization and normalization.

[Case] Seminar on the Industry Standard *Seed Cotton Foreign Fiber Cleaner*

In June 2025, the Seminar on the Industry Standard ***Seed Cotton Foreign Fiber Cleaner*** was held in Qingdao City, Shandong Province. The event was hosted by the National Technical Committee for Cotton Processing Standardization and organized by SDMJ. Experts from the National Technical Committee 407 on Cotton Processing of Standardization Administration of China, the China National Institute of Standardization, and other institutions and enterprise representatives attended the seminar. The seminar focused on the industry standard Seed Cotton Foreign Fiber Cleaner drafted by the Company. Discussions helped to further standardize the technical parameters and performance requirements of image-type cleaners. This initiative not only supports the standardization of seed cotton foreign fiber cleaning technology but also contributes to industrial upgrading across the sector.

Industry Standard Discussion Meeting and Technical Seminar

Promotion of the Development of New Quality Productive Forces

Focused on the needs of agricultural modernization, the Company is driving the transformation of agricultural production toward intelligence and large-scale operations through the independent R&D of high-end intelligent agricultural machinery. We have successfully developed a comprehensive range of agricultural equipment for key crops, including cotton, grains, and tomatoes. Core products include the 60-bale/hour intelligent machine-picked cotton processing line, self-propelled bale-type cotton picker, multi-functional grain combine harvester, negative-pressure intelligent grain drying tower, and self-propelled tomato harvester, with several innovations filling domestic technical gaps. By continuously advancing technological innovation, the Company is accelerating the adoption of new, high-quality productive forces in the agricultural sector.

Intellectual Property Protection System

SDMJ places great importance on intellectual property protection, strictly complying with relevant laws and regulations, including the ***Patent Law, Copyright Law, and Trademark Law***. We have also established institutional documents such as the ***Measures for Intellectual Property Protection*** to continuously strengthen and improve our internal IP management system, promoting the institutionalization and systematization of intellectual property protection. A Science and Technology Project Office has been established to coordinate intellectual property management. This office oversees system formulation, file management, application processing, dispute resolution, and training and awareness activities. These functions are carried out in collaboration with relevant departments such as the R&D Center and are supervised by the Company's head of technology. By the end of the Reporting Period, the Company had obtained GB/T29490-2023 Intellectual Property Compliance Management System certification and received honors such as National Intellectual Property Advantage Enterprise.

GB/T29490-2023 Intellectual Property Compliance Management System Certification Certificate

National Intellectual Property Advantage Enterprise

Measures for Intellectual Property Protection

Throughout the R&D process, our project teams can file patent applications at any stage, which are then processed by the Science and Technology Project Office. Once completed, technical data will be systematically filed. The protection of technical and commercial secrets is further reinforced by confidentiality agreements, and all external R&D collaborations and activities are governed by contracts that include intellectual property protection clauses. Additionally, the Company has established a reward and penalty system, offering rewards to individuals who apply for and are granted service invention patents, while holding accountable those responsible for infringing or damaging the Company's intellectual property rights. In terms of rights protection and risk management, the Company proactively takes legal action against intellectual property infringements related to core products.

Training on Intellectual Property

To continuously strengthen employees' awareness of intellectual property protection, the Company actively fosters an intellectual property culture and conducts specialized training sessions on an irregular basis. These efforts aim to create a corporate environment that respects and protects intellectual property rights while fully stimulating the innovation potential of all employees.

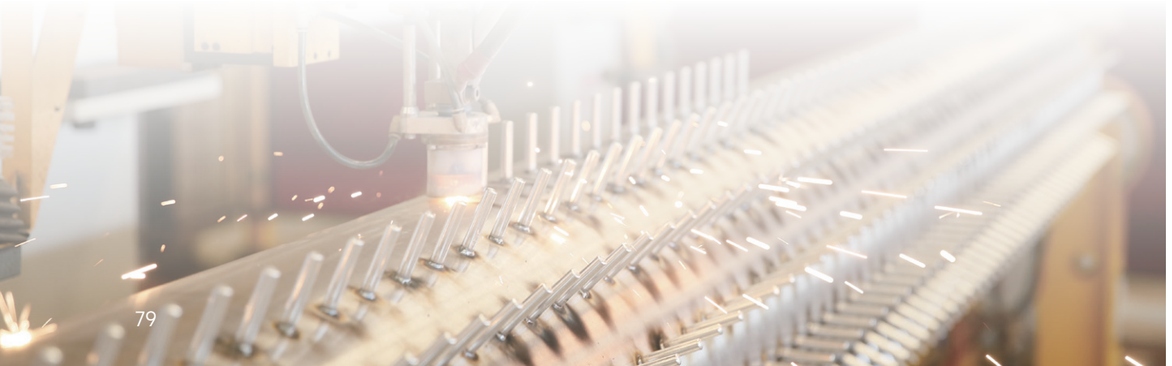
[Case] Training on Intellectual Property

In May 2025, the Company hosted the legal and science & technology talent innovation and development activity in celebration of "National Science and Technology Workers' Day". The event was organized by the Shandong Association for Science and Technology and undertaken by the Jinan Association for Science and Technology. More than 100 participants attended, including representatives from provincial, municipal, and district science and technology associations as well as the Company's scientific and technological personnel. Experts conducted specialized training on intellectual property, covering basic IP knowledge, legal risk prevention, and service inventions. The training was closely aligned with the Company's practical needs and helped further improve the awareness of intellectual property protection and the risk prevention capabilities of the Company's scientific and technological personnel.

Training on Intellectual Property

Safety and Quality of Products and Services

SDMJ strictly complies with relevant laws and regulations, including the ***Product Quality Law***. We follow the quality policy of "Strengthening quality awareness, ensuring full participation, pursuing continuous improvement and excellence, and building the world's leading brand in cotton industry machinery". We continuously enhance our quality management system to ensure the safety and high quality of our products and services.



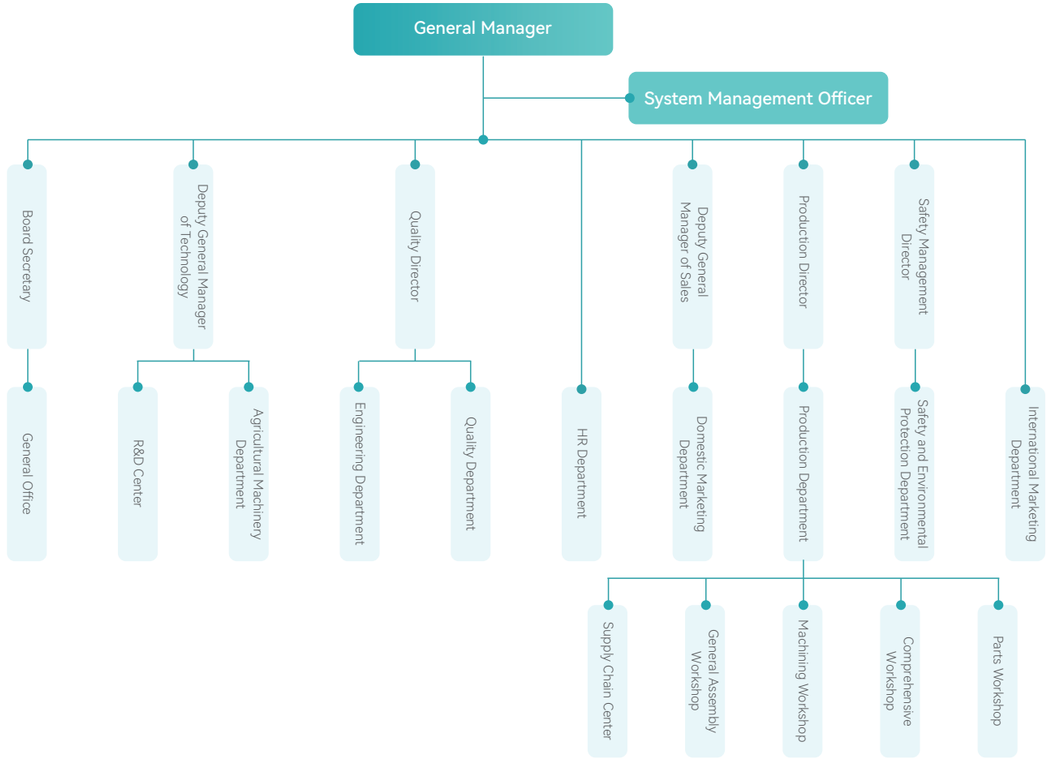
Governance

SDMJ has established the ***Quality Management System, Control Measures for Quality Management System Documents, Quality Veto System, Quality Inspection Management Provisions,*** and ***Non-conforming Product Management Provisions.*** These measures continuously enhance system construction and organizational support, covering the full scope of product R&D, procurement, manufacturing, inspection, warehousing, delivery, and after-sales service. The system sets clear requirements for quality standards, inspection specifications, process control, non-conforming product management, quality assessment, and accountability, offering institutionalized and standardized support for quality management.

Additionally, customer service is integrated into the unified management framework of the quality management system, with clearly defined responsibilities for quality management across the entire product lifecycle. In line with the ***Quality Management System***, our business departments and Quality Department collaborate to drive customer service and quality management initiatives. These include unified acceptance, classified processing, and feedback on customer-reported issues, with service quality performance serving as a key input for quality management and continuous improvement. This fosters coordinated operations between customer service and product quality management.

At the organizational governance level, the Company has established a hierarchical management structure with the General Manager as the primary responsible person for the Quality Management System, overseeing system operations and coordinating quality management activities. Under the guidance of management roles such as the Quality Director, Production Director, Safety Management Director, and Technical Deputy General Manager, departments like the Engineering Department, Quality Department, R&D Center, Production Department, and Safety and Environmental Protection Department implement quality management requirements according to their respective responsibilities. This structure ensures a well-organized quality management system with clear roles, responsibilities, and task delegation.

◎ Quality Management System Structure



At the operational and supervisory level, the Company strengthens the implementation of quality responsibilities through an institutionalized quality control and restraint mechanism. A quality veto mechanism is in place, linking product quality, work quality, and service quality performance to performance assessments. The system ensures responsibility traceability and accountability for actions that lead to quality incidents or major impacts, thereby embedding quality responsibilities into specific positions and individuals. The Company maintains the continuous and effective operation of quality management requirements through rigorous control of quality management system documents, management of quality records, and regular quality inspections and assessments. These measures support the steady enhancement of the safety and quality of products and services. During the Reporting Period, no major safety or quality liability incidents involving products or services occurred.

During the Reporting Period, the Company also conducted targeted quality and technical service training based on key points of quality management and the specific needs of different roles. This initiative continuously improves employees' quality awareness and professional capabilities, laying a strong foundation for the long-term, stable operation of the quality control mechanism.

[Case] Special Training on Total Quality Management

In December 2025, the Company organized a special training session on Total Quality Management (TQM). Senior executives and key personnel from departments such as Quality, Production, and R&D participated in the training offline and online. The training focused on the core aspects of product full-life-cycle quality management, incorporating case studies and interactive discussions to help participants enhance their closed-loop management skills and address challenges in quality control. In the future, the Company is committed to optimizing quality management mechanisms, strengthening the foundation for high-quality development, and boosting market competitiveness through exceptional quality standards.

Training Site

During the Reporting Period, the Company has passed certifications such as the ISO 9001 Quality Management System Certification.

质量管理体系认证证书

山东天鹅棉业机械股份有限公司

IAF CNAS

上海质量体系审核中心

ISO 9001 Quality Management System Certification Certificate

产品认证证书

II型自愿认证

中国质量认证中心

Product Certification

MACHINERY DIRECTIVE ATTESTATION OF CONFORMITY

CE Certification for Cotton Pickers

Strategy

SDMJ has established the Procedure for the Control of Organizational Environment and the Risk and Opportunity Assessment and Analysis Form, systematically reviewing our quality management system, identifying potential risks and opportunities, and ensuring the sustainable development of the enterprise.

Risk/Opportunity	Type	Description of Risk/Opportunity	Financial Impact	Impact Duration	Impact Materiality	Likelihood of Occurrence	Countermeasures
Risk	Production Equipment Quality Risk	Aging or low-precision production equipment can hinder product quality objectives, posing a product quality risk.	Increased rework, maintenance, and quality loss costs	Medium term	Medium	Medium	Develop equipment renewal and overhaul plans, assign responsibilities, and monitor equipment precision and quality outcomes.
	Infrastructure Operation Risk	Inadequate maintenance of infrastructure may compromise production stability and product compliance.	Increased downtime and maintenance costs	Medium term	Medium	Medium	Institutionalize and standardize maintenance procedures, conduct regular inspections, and implement continuous improvements.

Risk/Opportunity	Type	Description of Risk/Opportunity	Financial Impact	Impact Duration	Impact Materiality	Likelihood of Occurrence	Countermeasures
Risk	Quality Control Failure Risk	Weak control over inspection and release processes may allow non-conforming products to reach customers	Claims, rework, and reputation damage	Short and medium term	High	Low	Strengthen quality awareness training, strictly enforce inspection and release procedures, and evaluate effectiveness of the measures.
	Quality Data & Traceability Risk	Unstable data systems or insecure hardware may lead to loss of quality records, impacting traceability and continuous improvement.	Increased system recovery and management costs	Medium term	Medium	Low	Establish robust data backup and disaster recovery mechanisms and verify their effectiveness regularly.
	Product Technology Adaptation Risk	Delayed upgrades or outdated technical capabilities may fail to meet market and customer expectations for performance and safety.	Reduced market competitiveness and higher after-sales costs	Medium term	Medium	Medium	Plan product upgrades based on market demand, and track performance improvements after implementation.
	Insufficient Product Standardization Risk	Low standardization in design or components increases quality variability and management complexity.	Higher inventory, maintenance, and procurement costs	Medium term	Medium	Medium	Streamline product types, enhance design and component standardization, and continuously evaluate suitability.
	Delivery & Installation Service Risk	Excessive transit times by third-party logistics may prevent timely delivery, affecting service quality.	Customer claims and higher after-sales costs	Short term	Medium	Medium	Clarify logistics responsibilities, monitor processes, and adjust cooperation modes if necessary.
	Supply Chain Quality Collaboration Risk	Price increases or unstable supply from external suppliers may impact product quality and delivery.	Increase in procurement cost	Medium term	Medium	Medium	Establish long-term supplier partnerships and continuously evaluate supplier performance.
Opportunities	Production Technology Upgrade Opportunity	Equipment renewal and process improvements can enhance quality stability and processing precision.	Reduced rework and increased product added value	Medium and long term	High	Medium	Institutionalize equipment upgrades as a quality improvement measure and continuously monitor effectiveness.
	Digitalization of Quality Management Opportunity	Implementing digital management systems can improve operational efficiency, traceability, and service responsiveness.	Reduced quality losses and improved management efficiency	Medium term	Medium	Medium	Promote digital quality management systems and regularly evaluate their performance.

Impact, Risk, and Opportunity Management

In line with the quality management system requirements and with a focus on ensuring the safety and quality of products and services, the Company has established a risk and opportunity management framework that includes identification, assessment, monitoring, and management.

Risk and Opportunity Identification

1. Each department analyzes internal and external environmental factors, as well as the needs of relevant stakeholders based on business realities, to identify risks and opportunities that could affect the safety and quality of products and services.

2. The results of this analysis are compiled into the ***Environmental Analysis and Risk*** and ***Opportunity Response Form and the Stakeholder Needs and Risk and Opportunity Response Form***, which serve as the basis for management.

Risk and Opportunity Assessment

1. For the identified risks and opportunities, an analysis is conducted based on impact level and likelihood of occurrence, to clarify the key areas that need to be addressed.

2. The assessment results from each department are summarized by the Quality Department, consolidated into a company-wide management framework, and used as input for management reviews.

Risk and Opportunity Monitoring

1. Each department regularly tracks the implementation and effectiveness of response measures.

2. Relevant risks and opportunities are re-identified and reviewed promptly whenever there are changes in the environment or when anomalies in quality and service occur.

3. The management of risks and opportunities is integrated into internal audits and management review processes.

Risk and Opportunity Management

1. Measures are formulated and implemented for the risks and opportunities that need to be addressed, with responsibilities and resources clearly defined.

2. The effectiveness of these measures is regularly evaluated, effective actions are reinforced, and improvements are made to address any deficiencies.

Metrics and Targets

Indicator Name	Unit	2025
Product Percent of Pass	%	100
Number of Quality Internal Audits Conducted	Case	1
Number of Product Recalls	Case	0
Product Recall Ratio	%	0
Quality Training Attendance	Person-times	157
Total Hours of Quality Training	Hour	2,411
Training on Quality	Case	5
Number of Customer Complaints	Case	7
Number of Customer Complaints Resolved	Case	6
Number of Customers Participating in the Survey	Person	512
Percentage of Customers Participating in the Survey	%	33
Number of Valid Copies of Customer Satisfaction Questionnaires Issued	Copy	512
Customer Satisfaction / Total Satisfaction Score	%	97

Management Measures

SDMJ has established a systematic and standardized product quality management mechanism covering the full product life cycle.

01 Product Design and Development
- Conduct quality planning and review during the product design and trial production stage
- Review design schemes, process designs, and trial production verification results
- Ensure the quality of product finalization and technical documentation

02 Supplier Access and Procurement
- Implement quality evaluation and hierarchical management for procurement suppliers, outsourcing partners, and supporting factories
- Re-evaluate or revoke the qualification of suppliers with quality issues

03 Raw Material Inbound
- Conduct inbound inspection or verification for raw materials and purchased components
- Non-conforming materials are not allowed to be warehoused

04 Outsourcing Processing
- Outsourced parts can only be warehoused after being inspected and approved by the Quality Department
- Identify responsibilities and handle any quality incidents arising from outsourcing

05 Production and Manufacturing
- Strictly enforce process discipline
- Fulfill the requirements of "self-inspection, mutual inspection, special inspection" and "initial inspection, patrol inspection, final inspection"
- Non-conforming products are not allowed to enter production, be transferred, or assembled

06 Key Processes and Metrology
- Implement key quality control measures for critical processes
- Use calibrated measuring instruments for inspection and measurement activities
- Ensure the accuracy and reliability of test results

07 Non-conforming Product Disposal
- Implement isolation, rework, scrapping, or concession acceptance for non-conforming products
- Conduct root cause analysis and formulate corrective measures
- Prevent recurrence of quality problems

08 Finished Product Inspection and Release
- Conduct final inspection and testing of finished products
- Products can only be released and delivered after passing inspection

09 Warehousing and Delivery
- Implement identification and classification management for stored products
- Take protective measures to maintain product quality during storage and transport
- Maintain records to ensure product traceability

10 Product Use and After-sales Service
- Organize and implement in-sales and after-sales services
- Provide installation guidance, user training, and technical support
- Collect feedback on product usage

11 Product Quality Issue Management Disposition (Including Recalls)
- Promptly analyze and address quality issue detected during product use
- Take measures such as rework or replacement to control risks
- Conduct product recalls in accordance with applicable laws and regulations, if necessary

12 Service Quality Restraint
- Integrate service quality into quality veto processes and performance assessments
- Conduct responsibility tracing for service quality issues

13 Document and Record Management
- Implement controlled management of quality management system documents
- Standardize the preservation and use of quality records
- Ensure full traceability of quality-related activities

14 Continuous Improvement
- Analyze quality records and problem data
- Conduct internal audits and management reviews
- Promote continuous improvement of product and service quality

Lifecycle Stage Management Focus and Measures

At the production and inspection level, the Company strictly enforces quality control measures, including "self-inspection, mutual inspection, special inspection" and "initial inspection, patrol inspection, final inspection". We conduct tiered and categorized inspections of raw materials, work-in-progress, semi-finished products, and finished products, with enhanced control over key components and critical processes. In accordance with the *Metrological Standard Management System* and *Metrology Management Provisions*, the Company manages inspection equipment with dedicated personnel, performing periodic verifications and status checks to ensure the authenticity and accuracy of inspection data, providing a reliable foundation for product quality assessments.

For supply chain and outsourcing quality management, in line with the *Provisions for the Evaluation of Supplier Product Quality* and the *Provisions for Managing Outsourcing Quality Inspections*, the Company conducts supplier evaluations, inbound inspections, process supervision, and performance evaluations of procurement materials and outsourced components. For suppliers or outsourcing units with quality risks, corrective actions are taken, such as setting deadlines for improvement, imposing economic penalties, or terminating cooperation, effectively reducing quality risks at the source. Additionally, the Company ties quality performance to employee evaluations through the *Quality Veto System*, ensuring accountability for quality responsibilities.

Product Quality Issue Management and Recall Management

At the product delivery and use stage, SDMJ considers service quality an integral part of product quality management and incorporates it into the unified quality management and assessment system. In accordance with the *Quality Management System* and the *Quality Veto System*, the Company clearly defines customer service quality responsibilities throughout the entire product lifecycle, and implements traceability and performance accountability for customer complaints or adverse effects resulting from inadequate service, non-standard commissioning, or delayed responses, promoting the coordinated operation of product quality management and service quality management.

Furthermore, the Company standardizes product recall and rework management processes in line with the *Product Rework Provisions* and the *Provisions for the Management of Non-conforming Products*, preventing non-conforming products from entering the market and safeguarding customer rights and interests. This mechanism applies across relevant departments, including production, sales, storage, and transportation, covering returned products, items with extended storage times or rust, and products damaged during transportation. The Company implements a unified technical evaluation and rework procedure for these cases, clearly defining responsibilities and technical standards to ensure that products with quality risks are promptly recalled, repaired, or otherwise handled. This system continuously ensures that both ex-factory and in-use products meet quality and safety requirements.

Customer Satisfaction Management

In our quality management efforts, the Company emphasizes the continuous improvement of customer satisfaction and systematically collects and analyzes customer opinions and suggestions. Customer feedback, as a key source of quality information, is incorporated into quality records and analyses, serving to identify areas for product and service improvement. This feedback also provides a basis for ongoing quality enhancement and management reviews, thereby promoting the continuous optimization of both product quality and service levels.

Customer Service and Usage Support

Focusing on customers' practical usage needs, the Company offers essential technical support and usage guidance throughout the customer service process, helping customers standardize equipment operation and maintenance, thereby reducing quality risks associated with improper use. In addition, the Company integrates service quality into the scope of the *Quality Veto System*, implementing responsibility traceability and performance constraints for customer complaints or adverse effects resulting from inadequate service. This approach drives the continuous enhancement of service quality.

Enhancement of Product Accessibility

Through product design optimization and service support, SDMJ continuously enhances the accessibility and usability of products across various application scenarios. During the product design and manufacturing stages, the Company evaluates the product structure, process design, and operational adaptability, aligning them with actual usage requirements. This improves the product's ability to adapt to diverse environments and working conditions, while also lowering the entry barriers for customers.

At the product delivery and usage stages, the Company helps customers standardize equipment operation and maintenance by providing installation guidance, user manuals, and essential technical support, so as to reduce the quality risks associated with improper use and to enhance overall product usability.

Data Security and Customer Privacy Protection

SDMJ integrates data security and customer privacy protection into our core corporate governance and information management practices. We fully comply with the requirements of laws and regulations, including the *Cyber Security Law, Data Security Law*, and *Personal Data Protection Law*. The Company consistently enforces relevant regulatory provisions on network and data security, and fosters the standardized and secure operation of our information systems by continuously improving our system management and operational mechanisms.

Data Security Management

The Company emphasizes data security and customer privacy protection as essential elements of our digital transformation and internal management, and defines management responsibilities and work divisions in a structured, institutionalized manner. We have established and enforced the *Regulations on the Management of Computer Data Security*, which standardizes activities such as data input, output, storage, transmission, and backup across computer systems, network systems, storage media, and information materials. The Digital Transformation Office is responsible for developing data security policies, implementing technical measures, conducting safety inspections, and handling emergency incidents. Department heads are tasked with overseeing the implementation of data security measures within their respective departments, while all employees are required to uphold their data security protection duties in accordance with established regulations, creating a data security management system with clearly defined roles and responsibilities. During the Reporting Period, no data security incidents or customer information leaks occurred.

Data Security Risk Management

In the operation of information systems and business activities, the Company actively identifies and monitors data security and privacy protection risks arising from system attacks, virus infections, improper access management, data leakage, or equipment failures. Such risks could compromise the normal functioning of the Company's computer systems, affect the integrity and confidentiality of data, and potentially impact business continuity and customer data security. To mitigate risks arising from human error or technical defects, the Company defines the scope of classified information and incorporates key processes—including information system development, usage, networking, and external data release—into our management framework.

Data Security Management Measures

To address data security and customer privacy protection risks, the Company implements a comprehensive set of measures at both institutional and technical levels. In daily operations, we implement robust protection of computer systems and data through hierarchical authority management, account password protection, system access control, data encryption, and physical separation between internal and external networks. We also conduct regular backups and off-site storage of critical data, alongside standardized procedures for the secure destruction of classified carriers and electronic media. Additionally, a server patrol inspection and emergency response mechanism has been established, allowing prompt initiation of emergency procedures in the event of system failures, virus attacks, or other incidents. These measures ensure the safe, stable, and continuous operation of information systems and the protection of data.

Customer Privacy Protection

SDMJ prioritizes the protection of customer and relevant party privacy information, integrating personal data security into the core of data security management and internal control systems. In accordance with the *Regulations on the Management of Computer Information Security*, the Company enforces a unified approach to the management of key activities, including the collection, storage, transmission, use, and backup of computer systems, network systems, and data materials. This includes clear requirements for account authority control, data encryption, physical isolation, and access approval. These measures help prevent the risks of data leakage, tampering, and unauthorized use. Additionally, in managing personnel information, the Company strengthens full-process control through methods such as standardized approval for file access, dedicated personnel custody and management, registration and verification processes, and strict confidentiality protocols. Unauthorized access is rigorously restricted to safeguard the privacy rights and interests of customers and relevant parties effectively.

Good Life

- Contribution to Society
- Occupational Health and Safety
- Employee's Rights and Interests

Contribution to Society

SDMJ is committed to deepening our corporate responsibility by fostering social value across key areas such as public welfare, charity, rural revitalization, community development, and the Belt and Road Initiative. The Company follows the principle of responsible symbiosis, promoting the realization of social value in a structured and meaningful way. SDMJ will continue to generate diverse social benefits, ensuring that our development achievements are widely shared and benefit all stakeholders.

Public Welfare

Charitable efforts are embedded in our core values, with a focus on integrating employee well-being and addressing social needs. SDMJ organizes a variety of public welfare initiatives, including voluntary blood donation drives, the "One Day of Charity" donation activity, the Golden Autumn Student Aid Program, and the Winter Warmth Program. These initiatives convey the Company's warmth, uphold social responsibility, and contribute to the creation of a harmonious, symbiotic social environment.

[Case] "One Day of Charity" Donation Activity

In November 2025, the Company organized the "One Day of Charity" donation activity to uphold the traditional virtues of the Chinese nation, foster a culture of universal charity and benevolence, and support the growth of charitable initiatives. The event saw active participation from all employees, who demonstrated love and social responsibility through tangible actions. A total of CNY 17,680 was raised during the activity, with all donations earmarked for public welfare and charitable causes. This initiative not only contributes to society but also reflects the positive spirit of the Company's employees—aspiring, compassionate, and supportive of one another.

"One Day of Charity" Donation Activity

Rural Revitalization

Staying true to our original commitment to support agriculture, SDMJ actively aligns our development with the national rural revitalization strategy. The Company focuses on modernizing the entire cotton industry value chain, driving the green and intelligent upgrade of agricultural equipment through technological innovation, helping cotton farmers reduce costs and improve efficiency, and enhancing the quality and upgrading of the cotton industry. In addition, SDMJ continually strengthens our localized production and service network by establishing factories close to cotton fields and offering doorstep services. This approach ensures that the benefits of science and technology are deeply embedded in rural areas, directly benefiting the majority of cotton farmers.

[Case] Construction of the Tumushuke Smart Agriculture Comprehensive Service Center Project

To support the high-quality development of the cotton industry in Xinjiang, the Company has established a smart agriculture comprehensive service network across northern and southern Xinjiang. In 2025, the Company completed the construction of the first phase of the Tumushuke Smart Agriculture Comprehensive Service Center, which is scheduled to commence operations in 2026. The Center serves as a comprehensive agricultural service hub, integrating spare parts and whole-machine warehousing, maintenance and overhaul, technical training, information consulting, and field services. It is positioned as the Company's core service guarantee base in southern Xinjiang. This project strengthens the "bond of heart" between modern agricultural machinery and cotton farmers, ensuring that technological achievements in cotton development reach the fields and translate into tangible income for farmers. By doing so, it injects sustainable momentum into rural revitalization through industrial services.

Tumushuke Smart Agriculture Comprehensive Service Center Project

The Belt and Road Initiative

During the Reporting Period, in active response to the national Belt and Road Initiative, the Company launched the "Three-Year Action for Foreign Trade Breakthrough" as a strategic starting point. Leveraging our advantages in high-end agricultural machinery technology, we continued to strengthen our presence in key international markets, including Central Asia, South America, and Africa, through diversified channels such as exhibitions and online platforms. The Company actively promotes high-quality agricultural machinery, including intelligent cotton processing complete sets, large cotton pickers, and grain harvesters, to global markets. By providing reliable equipment and service support, we contribute to enhancing agricultural production efficiency in countries along the Belt and Road, further consolidating the foundation for international business and demonstrating the overseas responsibility of Chinese agricultural machinery enterprises.

Community Construction

SDMJ continuously strengthens our engagement with local communities through sustained linkage and co-construction initiatives. By maintaining a regular communication mechanism, we provide practical services such as shuttle transportation to support community needs for events like weddings and funerals. In parallel, the Company deepens party-building co-construction, preserving the red heritage, uniting collaborative forces, and fostering a harmonious, mutually supportive community ecology.

Occupational Health and Safety

SDMJ prioritizes the occupational health and safety of employees. Adhering to the principle of "Safety First, Prevention Foremost, Full Participation, Health Focus", the Company has established a comprehensive governance system that includes system development, responsibility implementation, and risk prevention and control. By maintaining strict compliance with operational standards, SDMJ has built a solid safety framework. By improving special management systems, strengthening hierarchical control, supervision and inspection, we continuously optimize the operational safety environment and protective guarantees, and make every effort to safeguard the life, health and safety of employees.

System Construction

To strengthen supervision and management of production safety, prevent and control occupational disease hazards, and reduce accidents, the Company has developed a series of safety and occupational health management systems. These include the ***Control Procedures for Occupational Health and Safety Operation, Quality, Environment and Occupational Health Management Manual, Safety Management Regulations,*** and ***Occupational Disease Protection Equipment Management System***, covering key areas such as safety education, special operations, equipment maintenance, protection equipment management, and employee health check-ups. We have also established an occupational health and safety governance structure based on "Overall Coordination by the Work Safety Committee, Leadership by the Safety and Environmental Protection Department, Responsibility by Each Department, and Hierarchical Control". This structure clarifies the supervisory responsibilities of in-charge leaders and the main responsibility of each department head for regional safety, ensuring comprehensive protection of employees' health and operational safety.

During the Reporting Period, the Company and its subsidiaries, Xinjiang Swan and Yetian Tieniu, all obtained ISO 45001 Occupational Health and Safety Management System certification.

ISO 45001 Occupational Health and Safety Management System Certification (SDMJ)

ISO 45001 Occupational Health and Safety Management System Certification (Yetian Tieniu)

ISO 45001 Occupational Health and Safety Management System Certification (Xinjiang Swan)

Preventive Measures for Occupational Health and Safety

SDMJ prevents safety accidents, protects employees' health, and promotes continuous improvement in occupational health and safety management through a variety of measures, including hazard identification, process safety supervision, specialized safety protection, and health monitoring.

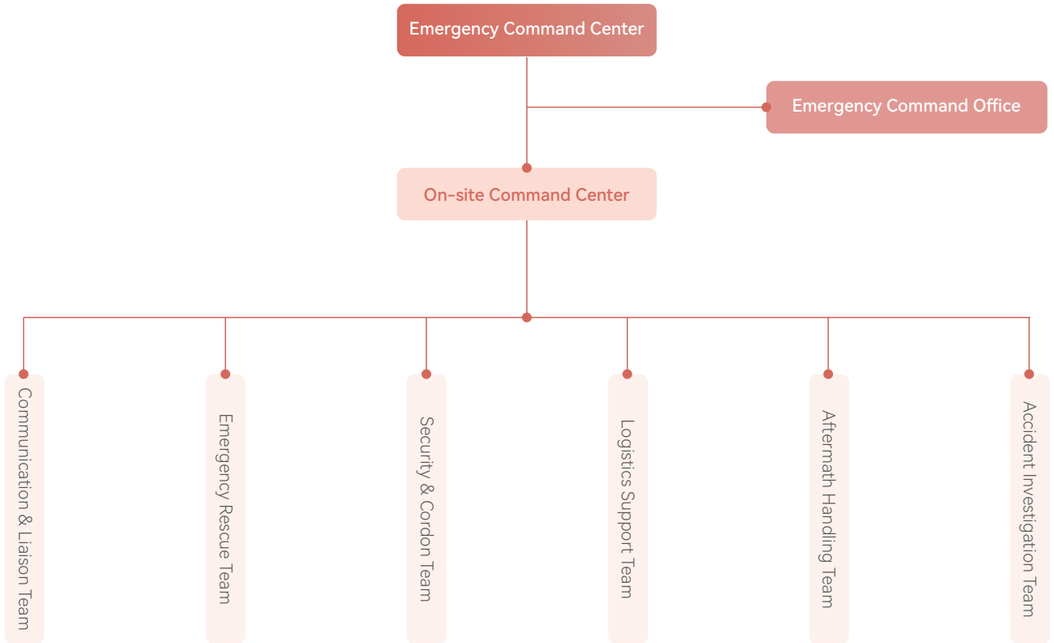
Measure Categories	Detailed Requirements
Risk Control	Identify and summarize hazards across the Company, evaluate major risks, include them in the Unacceptable Risk List, and implement targeted control measures.
Process Safety Management	Strengthen post responsibility systems and clarify on-site safety management requirements. Special operation personnel must hold valid certificates and strictly follow operating procedures.
Vehicle Safety Management	Regularly inspect vehicles and special equipment; provide traffic safety training for drivers; assess traffic risks from climate and geographical conditions and reinforce education accordingly.
Fire Safety Assurance	Conduct regular inspections of fire and electrical equipment, evacuation routes, and fire-fighting facilities; organize fire safety training and emergency drills; establish a mechanism to track and rectify hidden hazards.
Occupational Health Monitoring	Identify occupational disease risks for each position; develop and implement employee health checkup plans; provide necessary personal protective equipment and monitor its proper use.
Outsider Management	Require suppliers and visitors to complete registration and filing, and clearly inform them of safety precautions.
Safety Awareness and Protection	Promote safety knowledge and the Company's occupational health and safety policies; install clear safety signs in high-risk areas; provide measures for heatstroke prevention, heating, food hygiene, and other related protections.

Safety Risk Notification Board

Emergency Response Plans and Drills

SDMJ has developed the ***Production Safety Accident Emergency Plan*** and established a three-tier "Comprehensive + Special + On-site Disposal" emergency response system. This system covers 11 types of common accidents, including mechanical injury, electric shock, fire, and container explosions, as well as two special scenarios: special equipment and confined spaces. It also defines the classification standards for emergency responses and follows the full process flow of "Alarm – Disposal – Rescue – Follow-up". Additionally, the Company has set up an emergency command center, with the General Manager serving as the Chief Commander. This command center acts as the highest authority for emergency management, and an emergency office under its authority is responsible for the daily operations and coordination of emergency management.

◎ Emergency Response Organization Structure Chart



During the Reporting Period, the Company conducted regular comprehensive emergency drills and special scenario-specific drills, involving all employees and focused on strengthening practical response skills. Through a continuous cycle of "Training – Drills – Review", the Company continuously refines emergency plans and enhances the ability to respond quickly to unexpected safety incidents.

[Case] Fire Evacuation Drill

In March 2025, a subsidiary of the Company conducted a fire evacuation drill, simulating a workshop fire scenario. The drill included evacuation and escape procedures, practical fire fighting using dry powder fire extinguishers, and simulated emergency calls to 119 (fire emergency) and 120 (first aid). The exercise helped employees master self-rescue, escape, and initial fire fighting techniques, enhancing their ability to respond to emergencies and strengthening the workshop's fire safety defenses.


Drill Site

[Case] Comprehensive Emergency Rescue Drill

In June 2025, the Company organized a comprehensive emergency rescue drill, focusing on scenarios such as mechanical injuries, electric shocks, and falls from heights. The drill also included training in first aid skills, such as cardiopulmonary resuscitation (CPR) and airway management. This exercise tested the feasibility and effectiveness of the emergency response plan, improved coordination and cooperation between departments, and provided valuable practical experience in handling various production safety incidents.


Drill Site

Inspection of Potential Hazards

During the Reporting Period, the Company and its subsidiaries conducted a comprehensive investigation of potential hazards, focusing on areas such as electrical safety, fire-fighting equipment, machinery protection, hazardous materials storage, safe operating practices, emergency preparedness, and the use of access channels. All identified hazards were promptly addressed and fully rectified, ensuring that there were no blind spots or gaps in production safety.

Security Risk Management

The Company conducts thorough analyses of occupational health and safety risks and opportunities, and develops strategies to prevent workplace injuries and accidents, supporting the safe and sustainable development of the organization.

Type of Risk/Opportunity	Detailed Requirements	Risk Level	Core Management Measures
Safety Risk	Potential fire hazards threatening personnel and property	Severe Risk	Equip effective fire-fighting facilities, establish a fire emergency plan, and conduct regular drills.
	Risk of electric leakage from office electrical appliances	General Risk	Install electric leakage protection devices, conduct regular safety inspections of equipment, and strengthen electric shock prevention training.
	Inconsistent employee competency and low safety awareness	General Risk	Develop procedural documents, and organize safety factor identification and post safety training
Compliance Risk	Insufficient collection and communication of regulations, and weak employee compliance awareness	Severe Risk	Strengthen the collection and updating of regulations, and conduct training on key clauses or integrate them into the system.
	Non-conformities identified during ISO 45001 system audit	General Risk	Direct the responsible department to address non-conformities identified in the audit.
Development Opportunities	Full allocation of safety production funds	/	Establish a dedicated safety management fund to secure safety investments.
	Full compliance with regulations, no penalties, good reputation	/	Regularly review regulations and stakeholder requirements, and conduct an annual compliance evaluation.
	Customer demand for establishing and operating a safety management system	/	Continuously maintain and operate the safety management system, and undergo third-party certification audits.

Training on Occupational Health and Safety

SDMJ has established the ***Safety Education and Training Management System*** and the ***Occupational Disease Prevention and Control Education and Training System***, regularly organizing all production line employees to participate in training programs. These programs cover production safety-related rules and regulations, typical accident case studies, as well as occupational disease prevention and control, including fundamental knowledge of occupational hazard prevention and post-specific occupational health procedures. These initiatives aim to strengthen employees' safety awareness and enhance their occupational health protection capabilities.

[Case] Work Safety Month

In June 2025, the Company's Work Safety Committee conducted a series of Work Safety Month activities under the theme: "Everyone Pays Attention to Safety, Everyone Can Respond to Emergencies – Identify Hidden Dangers Around You". The activities included a mobilization meeting, full-staff safety and fire protection training, comprehensive emergency drills simulating fire scenarios, and a hidden danger reporting reward program. These initiatives effectively improved employees' sense of safety responsibility and emergency response skills, laying a solid foundation for the Company's production safety management.

Training Site

[Case] Occupational Disease Prevention Knowledge Training during the Publicity Week of *Occupational Disease Prevention Law*

From April to May 2025, Yetian Tieniu organized occupational disease prevention knowledge training during the Publicity Week of ***Occupational Disease Prevention Law***. The training aimed to raise awareness among employees about occupational disease prevention and emphasize the importance of mental health. Through these activities, employees were equipped with essential occupational health protection skills and encouraged to prioritize both their physical and mental well-being. This initiative further strengthened the foundation of the Company's occupational health and safety management system.

Training Site

Occupational Health Checkups

During the Reporting Period, the Company organized comprehensive occupational health check-ups for all employees. These included routine health check-ups as well as specialized screenings focused on occupational hazards such as dust and noise exposure. An exclusive health file was established for each employee, where detailed results of their health check-ups were recorded. Abnormal indicators were closely monitored, and timely intervention suggestions were made when necessary. By maintaining a consistent and targeted health check-up system, the Company is able to promptly identify occupational health risks, safeguard employees' physical and mental well-being, and reinforce the foundation of occupational health management practices.

Contractor Safety Management

We have established a comprehensive, full-process safety management system for contractors and have signed the ***Safety Management Agreement*** with contractors to clearly define the safety responsibilities and operational standards of both parties. Contractor operations are strictly regulated through an approval process, which includes verification of production safety qualifications and personnel certification status. Before entering company sites, contractors undergo specialized safety training and technical disclosures to ensure they are fully prepared. Through daily on-site supervision, special operation permit control, and closed-loop rectification of identified hazards, the Company ensures that contractor safety management aligns fully with the our internal standards.

Metrics and Targets

Metrics	Unit	2025
Number of Work Safety Liability Accidents	Case	0
Number of work-related deaths	Person	0
Number of Work-Related Deaths per 100 Million Yuan of Operating Revenue	Person	0
Rate of Work-Related Deaths	%	0
Work-related Injury Rate	%	0.90
Working Day Lost due to Work-related Injury	Working Days	877
Working Day Lost due to Work-related Injury per Million Yuan of Operating Revenue	Working Days	0.91
Injury Rate per Million Hours	%	5.65
Identification and Rectification Rate of Potential Hazards:	%	100
Number of Security Emergency Drills	Sessions	12
Investment in Safety Production	CNY 100,000 RMB 10,000	219.28
Ratio of Safety Production Investment to Operating Revenue	%	0.23
Total Investment in Safety Training	RMB 10,000	3.3
Number of Safety Training Sessions	Session	29
Number of Participants in Safety Training	Person-times	2,566
Total Training Duration	Hour	14,745.5
Average Duration of Safety Training	Hour	16.53
Permit Holding Rate for Personnel Engaged in Special Operations	%	100
Investment in Work-Related Injury Insurance	RMB 10,000	69.38
Coverage Rate of Work-Related Injury Insurance	%	100
Investment in Production Safety Liability Insurance	RMB 10,000	0.86
Coverage Rate of Health Checkups Among Employees	%	100
Detection Rate of Occupational Hazard Factors	%	100
Qualification Rate in Detection of Occupational Hazard Factors	%	100
Number of New Occupational Diseases	Case	0

To further enhance safety production management, prevent major and extraordinarily serious accidents, and achieve the safety objective of "zero deaths", the Company has established clear occupational health and safety targets in the ***Quality, Environment, and Occupational Health Management Manual***. During the Reporting Period, all set targets were successfully met, reflecting our commitment to a safe and healthy working environment. During the Reporting Period, all targets were fully met.

Eliminate fatal accidents due to production safety liability
0

Intact rate of safety facilities and equipment
100%

Incidence Rate of Occupational Diseases
0

No serious injury liability accidents such as fire and poisoning
0

Rectification Rate of Potential Safety Hazards
100%

Employee's Rights and Interests

SDMJ places employee rights and interests as a top priority, fully complying with applicable laws and regulations, including the ***Labor Law, Labor Contract Law,*** and ***Social Insurance Law.*** This commitment provides a solid foundation for protecting employee rights and creating a fair, safe, and sustainable working environment.

Recruitment Management

Adhering to the principles of legality, fairness, and transparency, the Company has established a standardized employee management system covering recruitment, induction, probation, on-the-job management, and resignation.

Recruitment: In line with the ***Employee Recruitment Management Regulations***, recruitment plans are formulated centrally, with clear post requirements, selection criteria, and approval authority. Talent is sourced through a combination of internal promotions and external recruitment to ensure an open, transparent, and traceable process. Child labor and forced labor are strictly prohibited, ensuring compliance with legal employment requirements.

Induction and Probation: Following the ***New Employee Induction and Probation Management Measures***, the Company standardizes labor contract signing, system orientation, safety training, post induction, and probation assessment. A regular assessment and appeal mechanism safeguards new employees' rights during the probation period and supports their rapid adaptation to their roles and the organizational environment.

On-the-Job and Resignation Management: Through the ***Labor Discipline Management Regulations*** and ***Resignation Management System***, the Company clarifies employee conduct, reward and punishment standards, resignation approval, exit interview and work handover procedures. This approach maintains normal production and operational order while collecting employee feedback through structured communication channels to continuously improve employment management practices.

Metrics	Unit	2025
Employment Contract Signing Rate	%	100
Labor Dispatch Workers	Person	16
Employee Composition		
Number of Employees	Person	892
Number of Employees of Minority Nationalities	Person	63
Percentage of Employees of Minority Nationalities	%	7.06
Number of Employees with Disabilities	Person	3
Number of Employees (by Gender)		
Female	Person	127
Male	Person	765
Number of Employees (by Academic Qualification)		
Master's Degree	Person	20
Bachelor's Degree	Person	231
Below bachelor's degree	Person	641
Number of Employees (by Age)		
Under 30 years old	Person	193
30-40 Years Old	Person	358
40-50 years old	Person	181
50 years old or above	Person	160
Number of Employees by Region		
Chinese Mainland	Person	884
Overseas	Person	8
Composition of New Employees		
Number of New Employees	Person	99
Percentage of New Employees by Gender		
Female	Person	18
Male	Person	81
Number of New Employees by Age		
Under 30 years old	Person	64
30-40 Years Old	Person	24
40-50 years old	Person	5
50 years old or above	Person	6
New employees by region		
Chinese Mainland	Person	96
Outside China	Person	3
Employee resignation		
Number of Employees Resigned	Person	65
Number of voluntary resignations	Person	54
Employee Turnover Rate	%	7.29
Number of Resigned Employees by Gender		
Female	Person	5
Male	Person	60
Number of Resigned Employees by Age		
Under 30 years old	Person	28
30-40 Years Old	Person	19
40-50 years old	Person	4
50 years old or above	Person	14

Diversity, Equality, and Inclusion

SDMJ is committed to equal treatment throughout recruitment, employment, training, assessment, and career development, ensuring that no employee faces discrimination based on gender, ethnicity, religious beliefs, or marital status, and that employees' rights to equal employment and career development are legally protected. Equality and anti-discrimination policies are embedded within recruitment and human resource management systems, ensuring fair development opportunities for all employees under identical conditions.

Regarding the protection of female employees' rights, the Company implements all legally mandated benefits, including maternity check-up leave, maternity leave, breastfeeding leave, and maternity insurance. Additionally, the Company addresses the unique needs of female employees at different life stages—such as health, childbirth, and career progression—by offering special physical exams and festive care, fostering an inclusive and supportive work environment for female employees.

[Case] "Grace & Vitality in Motion" – Women's Sports Event

To celebrate the 115th International Working Women's Day, the Company's trade union organized a themed fun sports event titled "Grace & Vitality in Motion" on March 7, 2025. The event featured a variety of engaging and collaborative activities, enriching the cultural and recreational life of female employees. It enhanced communication and interaction among colleagues, fostered a positive team spirit, and demonstrated the Company's care for the physical and mental well-being and career development of female employees.

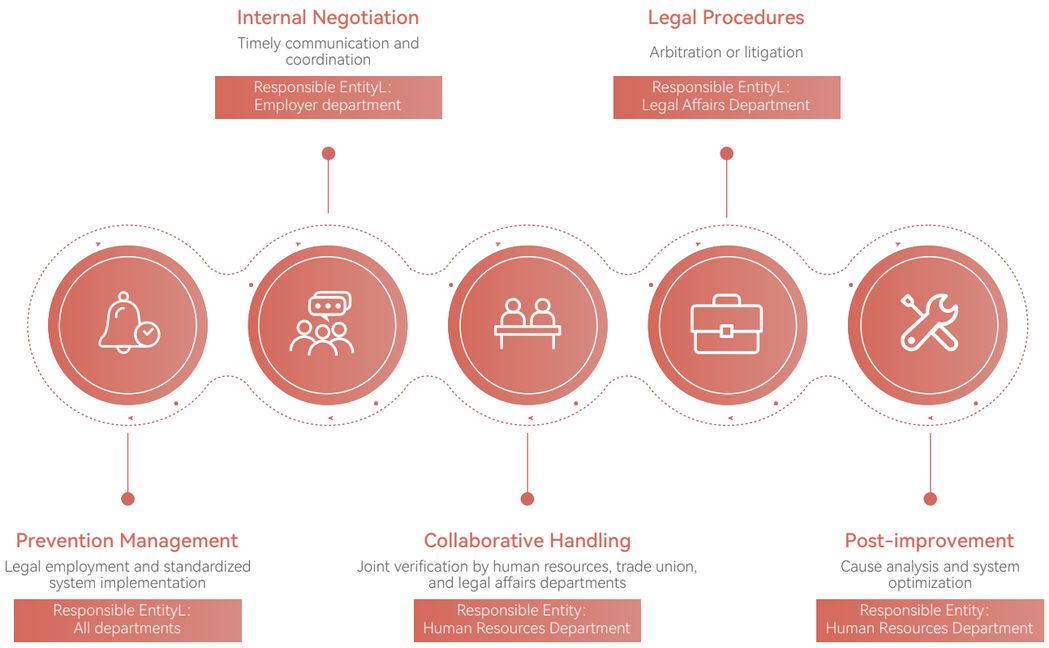
Event Site

Metrics	Unit	2025
Proportion of Female Employees in Management	%	33
Number of Employees on Maternity Leave	Person	1
Return Rate of Employees on Maternity Leave	%	100
Number of Employees on Parental Leave	Person	2
Return Rate of Employees on Parental Leave	%	100

Labor Relations Management

SDMJ has established and maintained labor relations in full compliance with the law, emphasizing the prevention and proper handling of labor disputes through structured and procedural approaches. Following the principle of "Prevention First, Negotiation Priority, Legal Handling, Continuous Improvement", the Company mitigates the risk of disputes by standardizing attendance, compensation, leave, and performance management before issues arise. When a dispute occurs, the employer department, human resources, trade union, and legal affairs collaborate to prioritize internal negotiation or mediation. If necessary, labor arbitration or judicial procedures are initiated in accordance with the law, ensuring that employees' legitimate rights and interests are fully protected.

◎ Labor Dispute Handling Process



Compensation and Benefits

The Company has developed a structured, standardized, and market-competitive remuneration management system. In line with the ***Remuneration Management System*** and ***Performance Appraisal System***, and adhering to the principles of legality, fairness, incentivization, stability, and competitiveness, SDMJ has established a remuneration distribution mechanism that aligns with our development strategy and operational performance, clearly defining the remuneration structure, payment rules, and adjustment procedures. The remuneration for the Company's directors and senior managers follows the ***Remuneration Management Measures for Directors and Senior Managers***.

The employee remuneration structure includes fixed wages, performance-based wages, allowances, subsidies, employee benefits, and supplementary performance bonuses. Among these, performance wages are directly tied to the Company's profits, individual performance, and job responsibilities, promoting the principle of "more pay for more work, better pay for better performance".

Compensation Structure

Fixed Salary	Performance Wages	Allowances and Subsidies	Employee Benefits	Supplementary Performance Bonuses
Base Pay	Performance bonuses, floating benefits, responsibility allowances, special bonuses	Seniority allowance, enterprise subsidy, transportation subsidy, meal allowance, one-child allowance, etc.	Social insurance (pension, medical care, work injury, unemployment, maternity insurance), housing provident fund, enterprise annuity, heating fee, summer heat fee, and other benefits	Supplementary incentive bonuses, adjusted according to the Company's performance and employees' annual income

The Company has established an Appraisal Committee that collectively reviews matters such as performance appraisal results and bonus coefficient adjustments, in accordance with the ***Rules of Procedure for the Appraisal Committee***. This ensures that the remuneration distribution process is standardized, fair, and incentivizing for employees.

In terms of welfare protection, we have developed a multi-level system covering social security, health care, life support, and festival condolences. The Company ensures compliance with legal requirements by paying social insurance, housing provident funds, and enterprise annuities for employees. Additionally, a range of diversified benefits are provided, such as health check-ups, meal subsidies, and festival benefits. For several consecutive years, the Company has issued festival benefits during the Spring Festival and Mid-Autumn Festival, which helps enhance employees' sense of satisfaction and belonging.

Employee Training and Development

We place a strong emphasis on employee capacity building and career development. To support this, a hierarchical and classified training system has been established, which includes induction training, on-the-job training, management capacity improvement, and specialized training, in accordance with the ***Training Management System*** and the ***New Employee Induction and Probation Management Measures***. During the Reporting Period, the Company has organized various training programs, including new employee training, safety training, skill development training, technical training, and management training for middle and senior staff, consistently improving the coverage and relevance of its training programs.

[Case] Special Training for the Improvement of Middle and Senior Management Capabilities

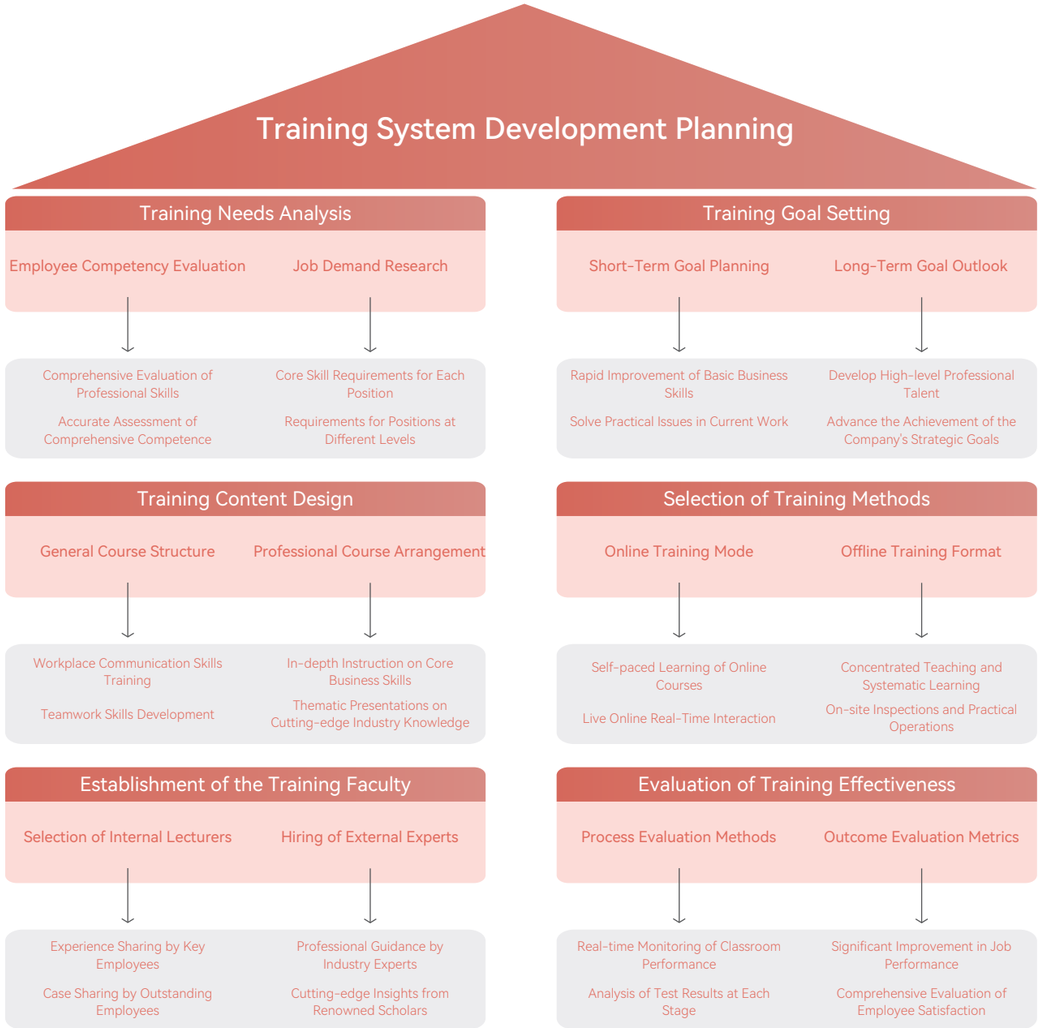
In August 2025, SDMJ held the 2025 Special Training for the Improvement of Middle and Senior Management Capabilities, actively attended by middle and senior managers as well as key business personnel. The program invited three experts to deliver lectures on topics including managers' sense of responsibility, management innovation in the AI era, theoretical literacy, and leadership empowerment. The training incorporated practical drills to reinforce learning, effectively addressing gaps in management knowledge. We also established an efficient cross-departmental communication and exchange platform, further enhancing the comprehensive performance capabilities and collaborative effectiveness of the management team.

Training Site

[Case] Orientation Training for New Employees

In August 2025, the Company's Human Resources Department, in collaboration with the Production Department, organized special production and operation training for new employees. Guided by the principle of "Rapid Integration, Solid Foundation", the training systematically introduced the Company's production and operation system, core product features, and production processes through theoretical instruction, workshop observation, and interactive Q&A sessions, helping new employees quickly gain a comprehensive understanding of the Company's business, shorten their adaptation period, and strengthen their sense of belonging.

Training Site



To enhance the flexibility and accessibility of training, the Company has adopted an online and offline learning model, providing employees in relevant positions with accounts on the internal online learning platform and continuous access to learning resources. In parallel, the Company has implemented a Management Trainee Program to develop and reserve future management talent. This program combines job rotation, mentor guidance, and phased assessments to systematically cultivate the skills and leadership potential of participants.

Metrics	Unit	2025
Investment in Employee Training	RMB 10,000	18.92
Number of Employee Training Sessions	Sessions	88
Total Number of Persons Trained	Person	747

Metrics	Unit	2025
Total Number of Persons Trained	Person-times	3,460
Coverage of Employee Training	%	85.57
Training Ratio by Gender		
Female	%	81.51
Male	%	86.21
Ratio of Trained Employees by Employee Type		
Senior Management	%	100
Middle Management	%	90.91
Grassroots Employees	%	85
Ratio of Trained Employees by Function		
Manufacturing	%	85.61
Technology	%	97.17
Sales	%	93.22
Finance	%	73.33
Administration	%	95
Others	%	27.03
Training Duration		
Total Hours of Training:	Hour	22,731.8
Average Training Duration per Employee per Year	Hour/Person	30.43
Average Training Duration by Gender		
Female	Hour/Person	29.9
Male	Hour/Person	30.51
Average Training Duration by Employee Type		
Senior Management	Hour/Person	61.1
Middle Management	Hour/Person	52.18
Grassroots Employees	Hour/Person	28.2
Average Training Duration by Function		
Manufacturing	Hour/Person	21.76
Technology	Hour/Person	41.64
Sales	Hour/Person	48.8
Finance	Hour/Person	26.95
Administration	Hour/Person	57.37
Others	Hour/Person	20.7

Employee Activities

SDMJ attaches great importance to the spiritual and cultural needs as well as the physical and mental health of employees, fostering a positive, healthy, and harmonious working environment. To support this, the Company provides a variety of cultural and sports facilities, including basketball courts, table tennis tables, staff activity rooms, and gyms, offering employees a comfortable space to balance work and life. During the Reporting Period, the Company organized a range of cultural and sports events, such as badminton competitions, singing contests, and literary performances. These activities promoted communication and interaction between employees from different departments and positions, enhancing their sense of happiness and fulfillment. We continue to embrace our family-oriented culture of "One Family, One Heart, One Goal", reinforcing a strong spiritual motivation that drives the Company's high-quality development.

Employee Care

We continuously strengthen employee care and communication through multiple channels, actively listening to employees' voices and responding to their needs. In terms of employee welfare, the Company relies on the trade union and follows the ***Trade Union Welfare Management Guidelines*** to carry out a variety of care initiatives. These include holiday greetings and gifts, assistance for employees in need, and seasonal programs such as "Coolness in Summer, Warmth in Winter", ensuring timely support and care for employees.

[Case] Care for Retired Employees

During the Reporting Period, under the overall leadership of the Company's Party Committee, a care mechanism for retired cadres featuring "Party Committee leadership and departmental coordination" was established. Regular home visits and condolences were conducted at key times such as the Spring Festival and Mid-Autumn Festival. Through the distribution of festival benefits, visits by the leading group, and dynamic assessments of health needs, the Company promptly identified and addressed the practical difficulties faced by retired employees, while keeping them informed about the Company's development. By combining institutionalized and humanized care, the Company continues the tradition of respecting the elderly, enhancing organizational cohesion and employee recognition.

[Case] "Warmth for All Families · Unite as One" Warmth in Winter Activity

The Company's trade union organized the "Warmth for All Families · Unite as One" Warmth in Winter Activity, providing assistance to seven employees in need in accordance with established selection criteria. This initiative effectively reduced the financial burden on these employees, strengthened their sense of belonging, and enhanced overall enterprise cohesion. The activity laid a solid foundation for fostering harmonious labor relations and promoting the Company's sustainable development.

Metrics	Unit	2025
Social Insurance Coverage Rate	%	100
Number of employees receiving assistance for difficulties	Person	12
Amount of assistance for employees in difficulty	RMB 10,000	3

Democratic Management

SDMJ considers democratic management a core element for fostering harmonious labor relations and driving employee vitality. A comprehensive democratic management system has been established, built on "four systems as the foundation, two activities as the carrier, and employee representatives as the core". This system creates a closed-loop management mechanism that encompasses participation in decision-making, protection of rights and interests, supervision channels and response to demands.

Four Systems

Employee Congress System

As the cornerstone of the Company's democratic management, the four systems grant employee representatives five essential functions: the rights to review and propose, to adopt, to decide, to democratically elect, and to supervise. These rights cover crucial issues such as the Company's major decisions and matters of vital interest to employees.

Democratic Consultation System

A collective consultation mechanism is established to normalize discussions on key issues such as remuneration, benefits, working conditions, and company rules. This system promotes an equal communication platform between the Company and employees, fostering stable and harmonious labor relations.

Factory Affairs Publicity System

This system ensures that major decisions, production and operation management, employees' interests, and leadership group changes are transparently communicated. Employees' right to know and supervise is protected through internal websites, bulletin boards, and special meetings.

Employee Director System

Employee representatives are appointed to the board of directors to participate in decision-making and supervision of the Company's key issues. This ensures that employee views are represented, and their rights are safeguarded from the outset.

Two Activities

Employee Representative Proposal Activity

For each session of the Employee Representative Congress, a special theme is selected, and proposals from employee representatives are actively collected. These proposals are reviewed and evaluated by a dedicated team, after which responsible departments and deadlines are assigned. This ensures that employees' ideas and contributions are transformed into actions that drive company growth.

Employee Representative Evaluation Activity

Employee representatives are regularly invited to offer feedback on the Company's operations, management practices, and leadership. The feedback is gathered through opinion solicitation forms and used as an essential reference for enhancing company operations and systems.

Employee Satisfaction

SDMJ places great emphasis on employee communication and satisfaction management, regularly collecting feedback through employee satisfaction surveys and other channels. For example, in terms of canteen services, we conduct satisfaction surveys and develops special rectification plans. By continuously improving food quality, service standards, and operational management, we enhance employee satisfaction through a closed-loop mechanism of "Survey → Rectification → Tracking". During the Reporting Period, the Company recorded no labor disputes and received no employee complaints.

The Company's trade union plays a crucial role as an organizational body through which employees can exercise their democratic management rights in accordance with the law. The union establishes and refines its organizational system based on the principle of democratic centralism. In line with the principle of "Voluntary Participation, Full Participation", the Company continually works to expand the union's coverage, ensuring effective protection of employees' legitimate rights and interests.

During the Reporting Period, the Company held the Employee Representative Congress in strict compliance with the ***Regulations on Enterprise Democratic Management***. Employee representatives were democratically elected by the workforce, ensuring representation across various departments, positions, and levels. This process guarantees that the Employee Representative Congress reflects the diversity and universality of the employee body. The Employee Representative Congress plays a vital role in reviewing and voting on important matters that impact employees' interests and corporate governance. Key issues discussed and voted upon include social insurance and welfare, enterprise annuity, and the election of employee directors, among other matters. During the Reporting Period, all resolutions passed by the Employee Representative Congress have been fully implemented and transparently disclosed to employees through factory affairs publicity channels. This ensures that employees' democratic rights are consistently upheld and their interests effectively protected.

Metrics	Unit	2025
Number of Projects Approved by the Employee Congress	Item	6
Number of Projects Approved by the Trade Union	Item	10
Proportion of Trade Labor Members in Existing Employees	%	100

Note: Democratic management data covers SDMJ and its subsidiaries, including Xinjiang Swan and Yetian Tieniu.

Afterword to the Report

Key Performance Form

◎ Governance Dimension

Indicator	Unit	2025
Operating Revenue	RMB 10,000	95,869.80
Overseas Operating Revenue	RMB 10,000	27,125.61
Net Profits	RMB 10,000	7,463.07
Number of Compliance Training Sessions Conducted	Case	17
Training on Laws and Regulations (Session)	Case	5
Number of Party Branches	Piece	7
Meetings of Party Committee Held	Case	37
Number of Party Members	Person	80
Governance through the General Meeting of Shareholders and Board of Directors		
Total Sessions of General Meetings of Shareholders Held	Case	4
Proposals Approved	Case	24
Number of Members of the Board of Directors	Person	9
Male Directors	Person	6
Female Directors	Person	3
Independent Directors	Person	3
Non-Independent Directors	Person	6
Meetings of the Board of Directors Convened	Case	6
Proposals Approved	Case	30
Investor Relations Management		
Number of On-Site Investor Surveys Received	Case	1
Number of On-Site Investor Surveys Received	Person-times	11
Interactions with Investors on SSE E-Interactive	Case	14
Number of Investor Calls Answered	Case	17
Performance Briefings Convened	Case	3
Cash Dividend per Share	Yuan/Share	0.172
Total Cash Dividend (Including Tax)	RMB 10,000	2,087.08
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements (%)	%	30.11
Business Conduct		
Signing Rate of Commitment to Integrity and Other Related Business Ethics Agreements with New Employees	%	100
Total Number of Anti-corruption and Anti-bribery Incidents Reported	Case	0
Number of Directors Participating in the Training on Anti-commercial Bribery and Anti-Corruption	Person	6
Percentage of Directors Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	66.67
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	Hour	112
Average Duration of Training on Anti-commercial Bribery and Anti-Corruption for Directors	Hour/Person	18.67
Number of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	6
Percentage of the Management Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	100
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for the Management	小时	112

Indicator	Unit	2025
Average Duration of Training on Anti-commercial Bribery and Anti-Corruption for Management	Hour/Person	18.67
Number of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	Person	91
Percentage of Employees Participating in Training on Anti-commercial Bribery and Anti-Corruption	%	10.20
Total Duration of Training on Anti-commercial Bribery and Anti-Corruption for Employees	Hour	1,414
Average Duration of Employee Training on Anti-Commercial Bribery and Anti-Corruption	Hour/Person	15.54
Number of Training on Anti-Monopoly and Fair Competition	Case	1
Number of Participants in Training on Anti-Monopoly and Fair Competition	Person	16
Total Training Hours of Training on Anti-Monopoly and Fair Competition	Hour	48

◎ Environmental Dimension

Indicator	Unit	2025
Total GHG Emissions	tCO_2e	4,692.08
Direct greenhouse gas emissions (Scope 1)	tCO_2e	1,589.43
Indirect greenhouse gas emissions (Scope 2)	tCO_2e	3,102.65
GHG Emissions Intensity	tCO_2e/1 Million Yuan	4.89
Energy Utilization		
Natural Gas	m^3	370,172.06
Gasoline	Ton	61.98
Diesel	Ton	196.31
Total Purchased Electricity	kWh	5,847,428
Total Energy Consumption	tce	1,588.22
Energy Consumption Intensity	tce/ RMB 1 million	1.66
Water Resource Utilization		
Municipal Water Purchased	Ton	42,200
Fresh Water Usage	Ton	42,200
Total Water Consumption	Ton	42,200
Water Consumption Intensity	Tons/Million Yuan	44.02
Material Utilization		
Total Use of Packaging Materials	Ton	292.6
Metal Packaging Materials	Ton	280.8
Paper Packaging Materials	Ton	7.5
Plastic Packaging Materials	Ton	2.6
Glass Packaging Materials	Ton	1.7
Environmental management		
Total Environmental Investment	RMB 10,000	77.4
Proportion of Environmental Protection Investment to Operating Revenue	%	0.081
Training on Environmental Protection	Case	2
Number of Participants in Training on Environmental Protection	Person-times	17
Duration of Training on Environmental Protection	Hour	34
Waste Gas Emission	10,000 m^3	23,067.98
Air Emission Intensity	10,000 m^3/1 Million Yuan	24.06
Volatile Organic Compounds (VOC)	Ton	0.54

Indicator	Unit	2025
Volume of non-hazardous waste generated	Ton	47.17
generation intensity of non-hazardous waste	Tons/Million Yuan	0.049
Volume of non-hazardous waste disposed of	Ton	47.17
Volume of Hazardous Waste Generated	Ton	10.95
Generation intensity of hazardous waste	Tons/Million Yuan	0.011
Volume of Hazardous Waste Disposal	Ton	11.10
Waste Disposal Compliance Rate	%	100
Waste Paint Residue (HW12 substances)	Ton	3.48
Waste Activated Carbon (HW49)	Ton	5.83
Waste oil drums (HW08)	Ton	1.64

◎ Industry Value Dimension

Indicator	Unit	2025
Investment in R&D	RMB 10,000	6,496.75
Percentage of R&D Investment In Operating Revenue	%	6.78
R&D Team		
Total Number of R&D Team Members	Person	106
Ratio of R&D Personnel to Total Employees	%	11.88
Number of R&D Team Members by Educational Background		
Below Bachelor's Degree	Person	13
Bachelor's Degree	Person	88
Master's Degree	Person	5

Indicator	Unit	2025
Number of R&D Team Members By Gender		
Male	Person	96
Female	Person	10
Innovation Achievements		
Cumulative Number of Software Copyrights	Case	21
Total Number of Trademarks	Case	24
Number of Software Copyrights per Million Yuan of Operating Revenue	Case	0.022
Cumulative Number of Published Papers	Article	31
Cumulative Number of Authorized Patents	Case	266
Number of Valid Patents per Million Yuan of Operating Revenue	Case	0.28
Number of Patent Applications	Case	63
By Patent Type		
Cumulative Number of Authorized Invention Patents	Case	63
Cumulative Number of Authorized Utility Model Patents	Case	169
Cumulative Number of Authorized Design Patents	Case	34
Innovation Capability Certification		
Specialized and Sophisticated Enterprise that Produces Novel and Unique Products	Piece	3
National High-tech Enterprise	Piece	3
Participate in the preparation of standards		
Number of National Standards Participated	Case	18
Number of Industry Standards Participated	Case	16
Supply Chain		
Total Number of Suppliers	Piece	827
Safety and Quality of Products and Services		
Product Percent of Pass	%	100
Number of Internal Quality Audits Conducted	Case	1

Indicator	Unit	2025
Number of Product Recalls	Case	0
Product Recall Ratio	%	0
Number of Participants in Quality Training	Person-times	157
Total Hours of Quality Training	Hour	2,411
Sessions of Quality Training	Case	5
Number of Customer Complaints	Case	7
Number of Customer Complaints Resolved	Case	6
Number of Customers Participating in the Survey	Person	512
Percentage of Customers Participating in the Survey	%	33
Number of Valid Copies of Customer Satisfaction Questionnaires Issued	Copy	512
Customer Satisfaction / Total Satisfaction Score	%	97

◎ Social Dimension

Indicator	Unit	2025
Occupational Health and Safety		
Number of Work Safety Accidents	Case	0
Number of Work-Related Deaths	Person	0
Number of Work-Related Deaths per 100 Million Yuan of Operating Revenue	Person	0
Rate of Work-Related Deaths	%	0
Work-related Injury Rate	%	0.90
Working Day Lost due to Work-related Injury	Working Days	877
Working Day Lost due to Work-related Injury per Million Yuan of Operating Revenue	Working Days	0.91
Injury Rate per Million Working Hours	%	5.65
Identification and Rectification Rate of Potential Hazards:	%	100
Number of Security Emergency Drills	Sessions	12
Investment in Safety Production	RMB 10,000	219.28
Proportion of Work Safety Investment to Operating Revenue	%	0.23
Total Investment in Safety Training	RMB 10,000	3.3
Number of Safety Training Sessions	Session	29
Number of Participants in Safety Training (Person-time)	Person-times	2,566
Total Training Duration	Hour	14,745.5
Average Duration of Safety Training	Hour	16.53
Permit Holding Rate for Personnel Engaged in Special Operations	%	100
Investment in Work-Related Injury Insurance	RMB 10,000	69.38
Coverage Rate of Work-Related Injury Insurance	%	100
Investment in Production Safety Liability Insurance	RMB 10,000	0.86
Coverage Rate of Health Checkups among Employees	%	100
Detection Rate of Occupational Hazard Factors	%	100
Qualification Rate in Detection of Occupational Hazard Factors	%	100
Number of New Occupational Diseases	Case	0

Indicator	Unit	2025
Employees		
Signing Rate of Employment Contract	%	100
Labor Dispatch Workers	Person	16
Employee Composition		
Number of Employees	Person	892
Number of Employees of Minority Nationalities	Person	63
Percentage of Employees of Minority Nationalities	%	7.06
Number of Employees with Disabilities	Person	3
Number of Employees by Gender		
Female	Person	127
Male	Person	765
Number of Employees by Education Background		
Master's Degree	Person	20
Bachelor's Degree	Person	231
Below Bachelor's Degree	Person	641
Number of Employees by Age		
Under 30 years old	Person	193
30-40 Years Old	Person	358
40-50 Years Old	Person	181
50 years old or above	Person	160

Indicator	Unit	2025
Number of Employees by Region		
Chinese Mainland	Person	884
Overseas	Person	8
Composition of New Employees		
Number of New Employees	Person	99
Number of New Employees by Gender		
Female	Person	18
Male	Person	81
Number of New Employees by Age		
Under 30 years old	Person	64
30-40 Years Old	Person	24
40-50 Years Old	Person	5
50 years old or above	Person	6
Number of New Employees by Region		
Chinese Mainland	Person	96
Overseas	Person	3
Employee Offboarding		
Number of Employees Resigned	Person	65
Number of Voluntary Resignations	Person	54
Employee Turnover Rate	%	7.29

Indicator	Unit	2025
Number of Resigned Employees by Gender		
Female	Person	5
Male	Person	60
Number of Resigned Employees by Age		
Under 30 years old	Person	28
30-40 Years Old	Person	19
40-50 Years Old	Person	4
50 years old or above	Person	14
Diversity, Equality and Inclusion		
Proportion of Female Employees in Management	%	33
Number of Employees on Maternity Leave	Person	1
Return Rate of Employees on Maternity Leave	%	100
Number of Employees on Parental Leave	Person	2
Return Rate of Employees on Parental Leave	%	100
Employee Care		
Coverage Rate of Social Insurance	%	100
Number of Employees Receiving Assistance	Person	12
Amount of Assistance for Employees in Difficulty	RMB 10,000	3
Democratic Governance		
Number of Projects Approved by the Employee Congress	Case	6
Number of Projects Approved by the Trade Union	Case	10
Proportion of Trade Labor Members in Existing Employees	%	100
Employee Satisfaction		
Number of Labor Dispute Cases	Case	0
Number of Employee Complaints Received	Case	0

Indicator	Unit	2025
Employee Training and Development		
Investment in Employee Training	RMB 10,000	18.92
Number of Employee Training Sessions	Sessions	88
Total Number of Persons Trained (Person)	Person	747
Total Number of Persons Trained (Person-time)	Person-times	3,460
Coverage Rate of Employee Training (Training Ratio of Employee)	%	85.57
Training Ratio by Gender		
Female	%	81.51
Male	%	86.21
Ratio of Trained Employees by Employee Type		
Senior management	%	100
Middle management	%	90.91
Grassroots Employees	%	85
Ratio of Trained Employees by Function		
Manufacturing	%	85.61
Technology	%	97.17
Sales	%	93.22
Finance	%	73.33
Administration	%	95
Others	%	27.03

Indicator	Unit	2025
Training Duration		
Total Training Duration	Hour	22,731.8
Average Training Duration per Employee per Year	Hour/Person	30.43
Average Training Duration by Gender		
Female	Hour/Person	29.9
Male	Hour/Person	30.51
Average Training Duration by Employee Type		
Senior management	Hour/Person	61.1
Middle management	Hour/Person	52.18
Grassroots Employees	Hour/Person	28.2
Average Training Duration by Function		
Manufacturing	Hour/Person	21.76
Technology	Hour/Person	41.64
Sales	Hour/Person	48.8
Finance	Hour/Person	26.95
Administration	Hour/Person	57.37
Others	Hour/Person	20.7

Indexes

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Feedback Form

Dear Readers,

Thank you for reading this report. We highly value and look forward to hearing your feedback on this report. Your opinions and suggestions are crucial for us to continuously improve our ESG information disclosure, management and practices. We sincerely welcome and thank you for your valuable feedback!

1. Your overall assessment of Swan Cotton Machinery's ESG performance:

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

2. Your overall assessment of this Report:

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

3. How do you think Swan Cotton Machinery has performed in terms of communications with stakeholders?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

4. How do you think Swan Cotton Machinery has performed in terms of product responsibilities?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

5. How do you think Swan Cotton Machinery has performed in terms of environment protection, safety and occupational health?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

6. How do you think Swan Cotton Machinery has performed in terms of employee responsibilities?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

7. How do you think Swan Cotton Machinery has performed in terms of ESG?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

8. What are your opinions and suggestions on Swan Cotton Machinery's ESG performance and this report?