



2025  
Environmental,  
Social, and  
Governance  
(ESG) Report

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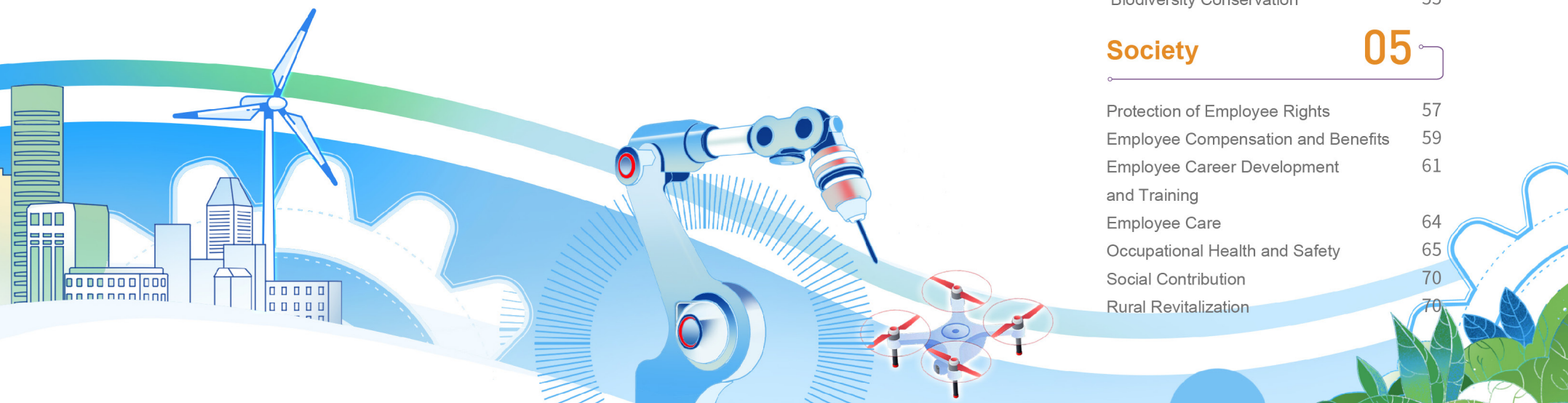
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## Introduction

This Report is the 2025 Environmental, Social, and Governance (ESG) Report published by Shenzhen Kaizhong Precision Technology Co., Ltd. (hereinafter referred to as "Kaizhong Precision," the "Company," or "we"). It discloses the Company's practices and performance in environmental, social, and corporate governance responsibility areas to all stakeholders.

## Preparation Basis

This Report is prepared with reference to the Global Reporting Initiative (GRI) Standards, the Guidance on Social Responsibility Reporting by the China National Institute of Standardization, the Self-Regulatory Guidance No. 1 for Listed Companies on the Shenzhen Stock Exchange - Normative Operations of Main Board Listed Companies, Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange - Preparation of Sustainability Report, and Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange - Sustainability Report (For Trial Implementation) issued by Shenzhen Stock Exchange, and is benchmarked against the United Nations Sustainable Development Goals (SDGs).

## Reporting Scope

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

Reporting period: January 1, 2025, to December 31, 2025. To enhance comparability and forward-looking relevance, certain content may be traced back to previous years or may reference the latest publicly disclosed information as of the report's publication date.

Release cycle: This is an annual report.

## Sources

The information disclosed in this Report is sourced from the Company's internal documents, 2025 financial report, and authentic records from actual operations. The financial data in this Report is presented in RMB. In case of any discrepancy with the Company's annual financial report, the annual financial report shall prevail.

## How to Obtain This Report

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

## Contact Information

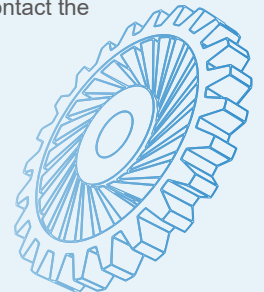
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# About Kaizhong Precision

About This Report

## Company Profile

Shenzhen Kaizhong Precision Technology Co., Ltd. (hereinafter referred to as "Kaizhong Precision," stock code: 002823) is a national high-tech enterprise focusing on the research and development, design, manufacturing, and sales of core precision components. The Company is committed to providing customers with integrated solutions for core precision components. Deeply cultivating key sectors such as new energy and intelligent driving, automotive electronics, thermal management, communications, and consumer electronics, the Company specializes in the custom development of connectors, commutators, and other precision components with high technical requirements. Its products are widely applied in new energy vehicles and intelligent driving, aerospace, communications, consumer electronics, health and medical care, smart home and office, and intelligent equipment. Positioning itself in the mid-to-high-end market, the Company deeply serves numerous leading downstream customers, including globally renowned clients such as Daimler, Toyota, Bosch, Denso, ZF, Mahle, Valeo, Mabuchi, Continental, BorgWarner, and Eberspächer, as well as top-tier domestic new energy vehicle and power battery enterprises.

The Company continues to advance R&D and innovation, possessing in-house capabilities for the R&D, design, and manufacturing of precision stamping and bending dies, plastic injection molds, automated precision machining production lines, and automated inspection equipment with independent intellectual property rights, establishing a complete industrial chain capable of delivering integrated solutions for high-end components to global customers. Relying on advanced manufacturing technologies and superior product quality, the Company persists in continuous innovation and has garnered extensive recognition from customers.

The Company has established multiple sales offices, R&D centers, and production bases in Shenzhen, Guangdong, Shanghai, Changsha, Hong Kong, and Taiwan in China, as well as in Germany and Japan. By achieving localized R&D and production operations, the Company continuously enhances its service capabilities for core customers.



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## Corporate Culture



Kaizhong vision

- To become an outstanding enterprise with global competitiveness
- To create a better work and life



Kaizhong mission

- Continuously create value for customers
- Provide good returns for investors
- Realize employee growth and value
- Achieve harmonious coexistence and development with society



Kaizhong values

- Integrity-based
- Customer first
- Goal-oriented
- Mutual growth



Corporate spirit

- Prudence
- Agility
- Innovation
- Excellence

# Sustainability Performance and Honors

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## Economic performance

Operating revenue: RMB **2928.35** mn

Net profit attributable to shareholders of the listed company: RMB **233.60** mn



## Social Performance

Percentage of female employees: **34.11%**

Average salary per employee: RMB **201.2**k

Revenue per employee: RMB **812.75**k

Number of employees in hardship assisted per million **0.0041**

Ratio of work safety investment to operating revenue: **0.15%**

Average safety training hours per employee: **2.65** hours

Occupational disease incidence rate: **0%**

Workdays lost due to work-related injuries per million in revenue: **0.05** Days/RMB 1 million

Number of work-related fatalities per 100 million: **0**

Work-related injury rate (employees): **0.19%**

Lost time injury frequency rate (employees): **0.95** times/million hours



## Governance Performance

Percentage of female directors: **44.44%**

Proportion of independent directors: **33.33%**

Proportion of female senior executives: **20%**

Board member attendance rate: **100%**



## Environmental Performance

Total environmental investment per million in revenue: **30%**

Total greenhouse gas emissions (Scope 1 & 2) per million in revenue: **31.64** Tonnes of CO<sub>2</sub> equivalent/RMB 1 million

Total energy consumption per million in revenue: **4.12** tonnes of standard coal equivalent

Total hazardous waste generated per million in revenue: **0.12** tonnes per million

Total non-hazardous waste generated per million in revenue: **0.84** tonnes per million

Total waste recycled per million in revenue: **0.46** tonnes per million



## Innovation & Operations

Supplier localization rate: **77.44%**

Local procurement rate: **93.29%**

Proportion of R&D investment to operating revenue (per ten thousand): **2.81%**

Proportion of R&D personnel to total employees: **9.35%**

Number of authorized and valid patents held: **271**

Number of valid patents per million in revenue: **0.09**




**High-Tech Enterprise Certificate**



**Guangdong Province Innovative Enterprise**



**Certificate of Intelligent Manufacturing Capability Maturity Assessment (Level 3)**



**Top 20 Listed Companies in the Greater Bay Area for Green Governance 2025**



**National-Level Green Factory**



**China Patent Excellence Award 300,000 Yuan**



**Enterprise with Law-Abiding and Honest Labor Practices**



**Outstanding Supporting Award for the Motor Industry**



**Outstanding Supplier in China's New Energy Vehicle Industry**



**Shenzhen Famous Brand Certificate of Honor**



**Manufacturing Single Champion Product**

**Research and Technology Centers**

- Machinery Industry Micro & Special Motor Commutator Engineering Research Center
- Guangdong Provincial Micro & Special Motor Commutator Engineering Technology Research Center
- Guangdong Provincial Engineering Technology Research Center
- Shenzhen Enterprise Technology Center
- Heyuan Municipal Engineering Technology Center

**Academician and Expert Workstations**

- Guangdong Provincial Academician and Expert Enterprise Workstation

**Innovation Practice Bases**

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



# 01

## ESG Management

ESG management is the strategic cornerstone for Kaizhong Precision to achieve sustainable, high-quality development. The Company has always embedded the concept of sustainable development into its business management and strategic decision-making. Led by the Board of Directors, the Company has established a sustainable development management structure with clear responsibilities and systematic operations. Through well-defined management policies and procedural workflows, the Company continuously promotes ESG capacity building at all levels and integrates material topics into the entire value chain of strategic planning and business operations. Relying on regular internal and external communication and performance evaluations, this system is dedicated to systematically managing relevant issues and continuously improving governance effectiveness, laying a solid foundation for the Company's long-term and steady development.

- Sustainable Development Management
- Stakeholder Engagement
- Materiality Analysis
- Responding to SDG goals



# Sustainable Development Management

## Sustainable development management policy

The Board of Directors of Kaizhong Precision continuously monitors global ESG development trends and changes in the macroeconomic environment, integrating ESG management into the corporate strategy to ensure that the ESG development management policy is highly consistent with the Company's long-term development direction. Under the supervision and guidance of the Board, the Company has established a regular assessment mechanism for ESG risks and opportunities, incorporating sustainable development into strategic decision-making and business operations to promote the steady enhancement of long-term corporate value. At the same time, by linking executive assessment to key ESG performance indicators, the Company clarifies the responsibilities and obligations of senior management in ESG management, thereby driving the effective implementation of ESG goals.

Furthermore, through continuous communication with internal and external stakeholders, combined with corporate strategic planning, operational realities, and feedback from all parties, the Company systematically identifies risks and opportunities in the ESG field and dynamically adjusts its management strategies to ensure that ESG concepts and practices remain in sync with the times.

## Sustainable development management system

Kaizhong Precision has formulated the ESG Management System and established a four-tier ESG governance structure with a complete framework and clear responsibilities, ensuring systematic leadership, effective decision-making, and comprehensive execution of related work.

## ESG governance structure

Table note: The Company's ESG Structure

### 01 Board of Directors



As the leading and decision-making body for ESG work, it is responsible for determining the Company's ESG development direction and goals, reviewing and approving major matters such as the Company's ESG governance structure and key policies, and reviewing the Company's ESG report;

### 02 Strategy Committee of the Board of Directors



As the research and guidance body for ESG work, it is responsible for studying major matters such as ESG strategic planning and goals and the construction of the ESG management system, and providing recommendations. It also supervises and inspects the implementation of ESG work, and reviews and submits the Company's ESG-related reports to the Board of Directors;

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



Composed of senior management, heads of relevant functional departments, and relevant persons in charge of subsidiaries, this group is responsible for implementing the Company's ESG development strategy and goals, organizing and arranging the implementation of ESG work by various executive units, understanding the demands, opinions, and suggestions of stakeholders, analyzing material topics, carrying out the information collection, preparation, and disclosure of the ESG report, and summarizing problems and achievements in ESG work. It also provides feedback on ESG work and makes recommendations to the Strategy Committee of the Board of Directors;

### 04 ESG Executive Units, composed of various departments and subsidiaries of the Company



Assume primary responsibility within their respective areas of duty, responsible for implementing ESG work tasks in accordance with the Company's overall plan and regularly reporting on their execution.

In addition, the Company has established mechanisms for internal control evaluation, information communication, and external expert support to ensure the continuous improvement of ESG management and its deep integration with the Company's overall strategy and operational decision-making.

## ESG training

The Company provides diverse ESG learning resources and systematic training for personnel at all levels and in different functions, continuously enhancing the overall organizational capability to deepen the ESG culture and build a sustainable long-term competitive advantage.

### The Company's ESG knowledge training system

#### For decision-making level

The Company regularly organizes specialized training and seminars focusing on domestic and international ESG policy trends, double materiality issues, and strategic planning, aiming to enhance the top-level design and decision-making capabilities of the Board of Directors and senior management in the ESG field

#### For management and core personnel

The Company conducts customized and operational ESG-specific training covering key areas such as ESG concepts, management systems, industry practices, and performance management. This training is dedicated to strengthening the core team's capabilities in strategic execution, risk identification, and collaborative management

#### For all employees

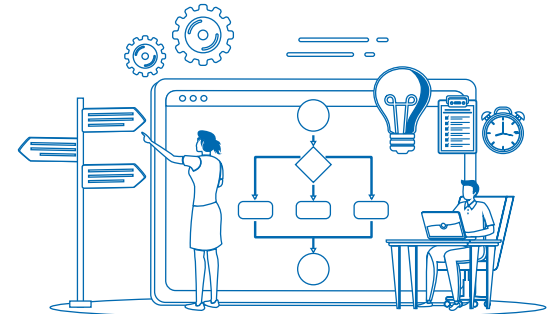
The Company disseminates basic ESG knowledge and core environmental, social, and governance topics through standardized courses, knowledge sharing, and internal communications. This promotes the integration of sustainable development concepts into daily work and culture, fostering an ESG learning atmosphere with full employee participation

### Case: Conducting specialized ESG training to solidify the foundation for compliance management and sustainable development

In 2025, focusing on the needs of corporate sustainable development and compliance management, Kaizhong Precision invited external ESG experts to conduct specialized ESG training for the Company's management. The training focused on interpreting new domestic and international ESG regulatory rules, key updates to policies, and industry implementation standards. It systematically covered fundamental topics such as core ESG knowledge, environmental control, social responsibility, and corporate governance. The training combined thematic lectures, key point summaries, and practical explanations to help management and employees fully grasp ESG management requirements and the latest regulatory norms. This effectively enhanced their ESG awareness and compliance capabilities, promoting the deep integration of ESG concepts into the Company's daily business management and solidifying the intellectual and capacity foundation for the steady advancement of the ESG system and the achievement of sustainable development.

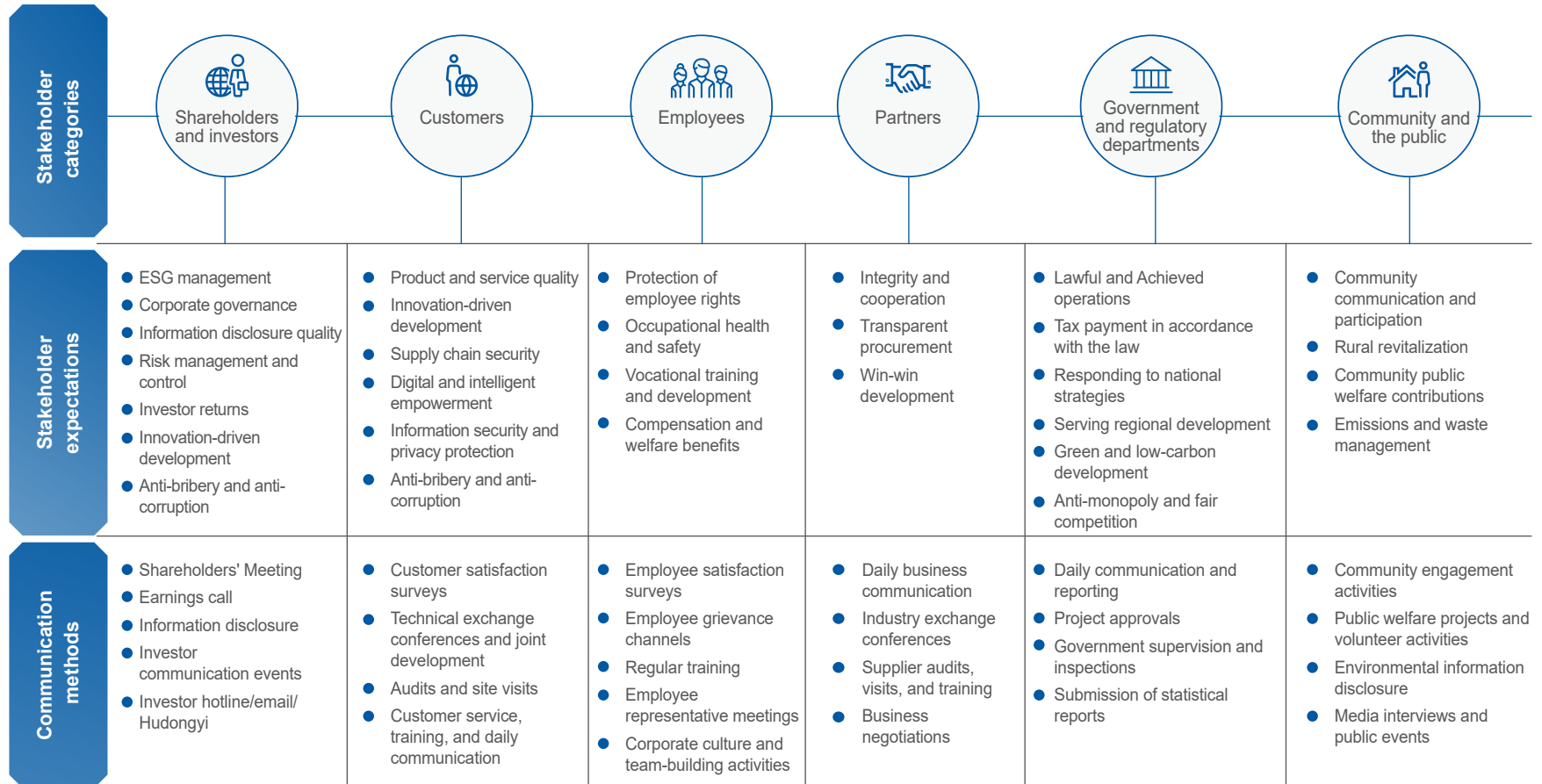
### Integrating ESG Management into Business Management and Decision-Making

The Company integrates ESG management into its strategic and daily operational decision-making. For major investment projects, the Board of Directors and management consider social benefits and ESG risk assessment as key bases for their decisions. At the same time, the Company requires the investment team to integrate ESG factors when conducting financial forecasts, comprehensively adjusting model variables to achieve responsible and sustainable investment decisions.



# Stakeholder Engagement

Based on its business attributes and value chain characteristics, the Company has systematically identified six core stakeholder groups. The Company is committed to continuously listening to the ESG-related expectations and concerns of all parties through diverse and regular communication mechanisms, and incorporating their feedback into management improvements and strategy formulation. To ensure effective communication and closed-loop management, the Company has established feedback and grievance mechanisms, including a dedicated ESG consultation email and phone line, to promptly respond to opinions or complaints from all parties. It has also set up investigation and remediation procedures to continuously enhance its ESG governance level and the credibility of its sustainable development.



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# Materiality Analysis

Materiality analysis is a crucial step in Kaizhong Precision's ESG management, aiming to systematically identify the environmental, social, and governance issues most relevant to the Company's operations and development. The Company references major domestic and international sustainability standards, combined with industry characteristics and business realities, to conduct a "double materiality" assessment of these issues. On one hand, it analyzes the potential impact of each issue on the Company's financial performance over different periods. On the other hand, it evaluates the actual and potential impact of the Company's performance on these issues on the environment and society. This process helps the Company to precisely focus its resources, set management priorities, and closely align its ESG strategy with stakeholder expectations and long-term value creation. The specific analysis process is as follows:

## The Company's Materiality Analysis Process



**Issue identification and peer benchmarking**

The Company uses the 21 fundamental issues set out in the Shenzhen Stock Exchange's Guidelines as a framework to systematically scan for issues, incorporating its own business characteristics, value chain impacts, and changes in the internal and external environment during the year. Through in-depth benchmarking against the disclosure practices of leading industry peers and the focus areas of major ESG rating agencies, the Company identified and added several key industry and company-specific issues, expanding the initial issue pool to 28 items and laying the foundation for a comprehensive assessment.



**Stakeholder communication and expectation gathering**

The Company systematically collected the concerns and feedback of six core stakeholder groups on various ESG issues through diverse channels such as shareholders' meetings, supplier audits, employee surveys, and community forums. This process focused on understanding the qualitative and preliminary judgments of all parties regarding the impact of these issues, providing a direct basis for subsequent quantitative assessments.



**Double materiality quantitative assessment**

**Impact Materiality Assessment:** Internal and external stakeholders were invited to assess the actual and potential impacts of the Company's operations on the economy, environment, and society from the two dimensions of "severity of impact" and "likelihood of occurrence."  
**Financial Materiality Assessment:** External shareholders and the Company's management were organized to assess the potential impact of each issue on the Company's financial performance in the short, medium, and long term from the two dimensions of "degree of financial impact" and "likelihood of occurrence."



**Issue review and matrix construction**

The Company consolidated the results of the double materiality assessment and reviewed them against established thresholds to finalize a list of material topics requiring priority attention. These were then visualized in a "Double Materiality Matrix," which clearly defines the management priority of each issue and provides clear guidance for strategic focus and resource allocation.

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## List of material topics



### Environmental dimension

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| 1 Environmental compliance management | 5 Pollutant emission management |
| 2 Addressing climate change           | 6 Waste management              |
| 3 Energy use and management           | 7 Circular economy              |
| 4 Water resource utilization          | 8 Biodiversity conservation     |



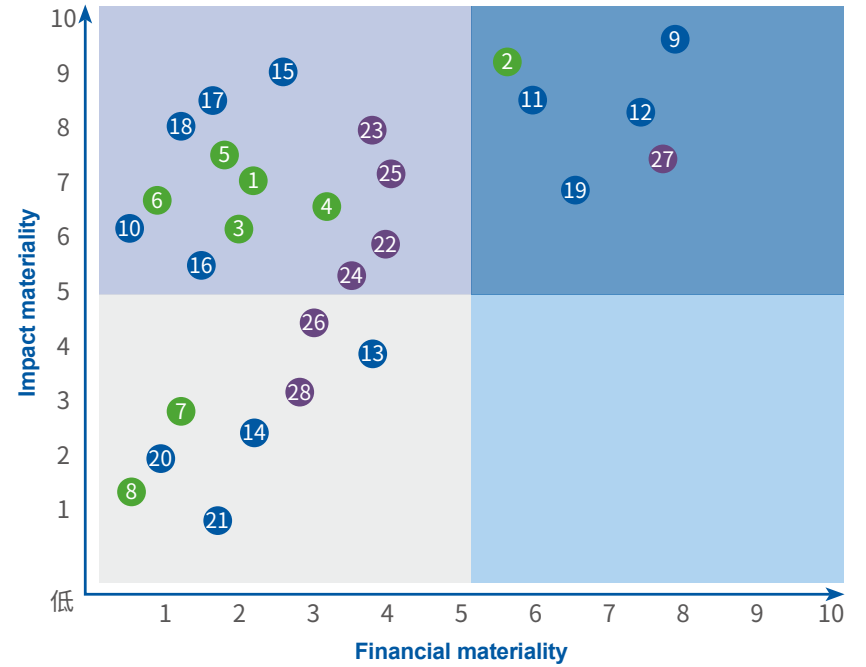
### Social dimension

- |  |  |
|--|--|
| 9 Product and service safety and quality | 15 Data security and customer privacy protection |
| 10 Controversial sourcing                | 16 Employee employment                           |
| 11 Supply chain security                 | 17 Protection of employee rights                 |
| 12 Innovation-driven development         | 18 Employee career development and training      |
| 13 Digital and intelligent development   | 19 Occupational health and safety                |
| 14 Fair treatment of SMEs                | 20 Social contribution                           |
|  | 21 Rural revitalization                          |



### Governance dimension

- |                                     |                                   |
|-------------------------------------|-----------------------------------|
| 22 Corporate governance             | 26 Stakeholder engagement         |
| 23 Anti-bribery and anti-corruption | 27 Compliance and risk management |
| 24 Due diligence                    | 28 Anti-unfair competition        |
| 25 ESG management                   |                                   |



- With both financial and impact materiality
- With financial materiality but not impact materiality
- With impact materiality but not financial materiality
- Without financial or impact materiality



# Responding to SDGs

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Governance



**Corporate governance**

The Company continuously builds and optimizes its ESG governance system, promoting board diversity and enhancing professional capabilities. At the same time, it strengthens compliance operations and internal control development, maintains a zero-tolerance policy toward corruption and bribery, and has established a whistleblower protection mechanism. Furthermore, the Company actively engages in transparent information disclosure and regular investor communications, comprehensively protecting information security and data privacy to consolidate a foundation for steady, honest, and responsible development.



Innovation and Operations



**Innovation and operations**

The Company adheres to innovation-driven development, increasing R&D investment to promote technological advancement and product excellence. It has established and improved a full-chain quality management system, implemented product testing and after-sales services, and fostered a quality-oriented culture. At the customer and supply chain levels, the Company extends responsible practices to all links of the value chain through systematic customer relationship management, satisfaction surveys, and environmental and social assessments of suppliers.



Environment



**Environment**

The Company will improve its environmental management system, continuously invest in environmental protection funds, and promote green packaging and technological upgrades for energy conservation and consumption reduction. It systematically manages resources and emissions by building a water recycling system, strictly treating the three types of waste, and setting carbon intensity targets. Benchmarking against the goal of becoming a national-level green factory, the Company is committed to reducing its environmental footprint throughout the entire life cycle and promoting the green transformation of the industrial chain.



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**Society**

The Company is dedicated to promoting high-quality employment, adhering to equal employment practices, and protecting the legitimate rights of its employees. It comprehensively empowers employee growth and ensures smooth communication by providing a competitive compensation system, comprehensive training and career development channels, and establishing a workers' congress and grievance mechanisms. At the same time, the Company actively participates in charitable activities and community co-construction to give back to society.



Reader Feedback



# 02

## Governance

Kaizhong Precision has always regarded standardized governance as the core cornerstone of sustainable development, establishing a comprehensive governance system that covers corporate governance, compliance and risk management, anti-bribery and anti-corruption, and anti-unfair competition. Adhering to laws, regulations, and the *Articles of Association*, the Company optimizes its governance structure, improves its systems and processes, and strengthens risk control. Upholding the principles of "fairness, justice, and openness" and "zero tolerance," it fortifies the bottom line of Achieved operations, maintains market order and investor rights, and empowers steady corporate operations and long-term value creation through scientific governance.

- Corporate governance
- Anti-bribery and anti-corruption
- Compliance and risk management
- Anti-unfair competition

### SDG alignments



# Corporate Governance

Corporate governance is the fundamental guarantee for the long-term, steady development of an enterprise. Kaizhong Precision strictly complies with laws and regulations such as the *Company Law of the People's Republic of China* and the *Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange*, as well as the requirements of its *Articles of Association*. The Company continuously improves its governance structure, clarifies the boundaries of powers and responsibilities and check-and-balance mechanisms, focuses on the effectiveness and diversity of the Board of Directors, and strengthens investor relations management and shareholder return mechanisms. Through standardized operations and scientific decision-making, it effectively safeguards the legitimate rights of all shareholders and the Company.

## Governance structure

The Company has established a tiered governance structure of "Shareholders' Meeting—Board of Directors—Senior Management," forming a check-and-balance mechanism with clear powers and responsibilities, close coordination, and efficient operation.



### Shareholders' Meeting

As the Company's organ of power, it exercises its authority in accordance with the law to approve business policies and investment plans, review profit distribution plans, and amend the *Articles of Association*, thereby safeguarding shareholder rights.

### Board of Directors

As the decision-making body, it is responsible to the Shareholders' Meeting and exercises its authority to decide on business plans and investment proposals, review financial budgets and final accounts, and appoint and remove senior management personnel, ensuring scientific and efficient governance.

### Supervision and Management

The Company promptly amended its *Articles of Association* in accordance with the new *Company Law* and the *Guidelines on the Bylaws of Listed Companies*. The powers and duties of the Board of Supervisors are now exercised by the Audit Committee of the Board of Directors, and the *Rules of Procedure for the Board of Supervisors* have been correspondingly abolished, achieving full alignment of the governance structure with new regulatory requirements.

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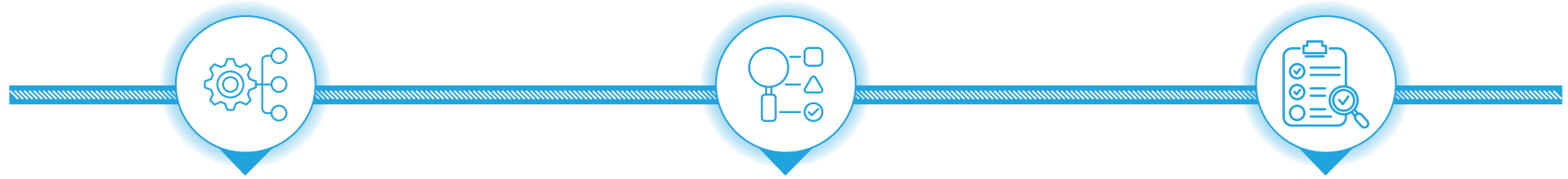
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# Board of Directors

The Company adheres to standardized operations and scientific decision-making as its core principles. Through a sound governance mechanism, diverse professional configurations, and continuous capacity building, it fully ensures the effectiveness, professionalism, and diversity of the Board of Directors.



## Improving Governance Mechanisms to Ensure Decision-Making Effectiveness

### Clear Responsibilities :

The Board of Directors has four specialized committees: Strategy, Audit, Nomination, and Remuneration and Appraisal. Each has established clear rules of procedure to provide professional support for the Board's decisions, forming a closed-loop operational mechanism of "authorization by the Shareholders' Meeting—decision-making by the Board of Directors—support from specialized committees—execution by Senior Management."

### System Updates :

In 2025, the Company amended core systems such as the *Articles of Association*, the *Rules of Procedure for the Board of Directors*, and the *Detailed Rules for the Implementation of the Audit Committee of the Board of Directors* in accordance with new regulatory requirements, ensuring that its governance rules are updated in sync with laws and regulations.

### Performance Evaluation :

The Shareholders' Meeting reviews the *Annual Work Report of the Board of Directors* each year. Independent directors provide an annual statement of duties and self-assess their independence. The Board of Directors regularly conducts independence assessments, effectively leveraging their roles in independent supervision and professional oversight.

## Multi-Dimensional Composition to Enrich Decision-Making Perspectives

### Gender Diversity :

The Board of Directors consists of 9 members, including 4 female directors, accounting for 44.44%, fully reflecting the concepts of gender equality and diverse inclusion.

### Diverse Expertise :

Members' professional backgrounds cover multiple fields such as industrial operations, cutting-edge technology, legal compliance, and financial auditing. This diversity of perspectives provides a wealth of wisdom for the Company's major decisions on innovative development and international expansion.

### Selection and Appointment Mechanism :

The Nomination Committee extensively searches for suitable candidates both internally and in the talent market through standardized selection procedures, ensuring the continuous optimization of the Board's structure.

## Solid Professional Configuration to Enhance Decision-Making Expertise

### Professional Capabilities :

Members of the Board of Directors possess comprehensive professional knowledge and skills. The specialized committees provide professional opinions in areas such as compensation and assessment, nomination and appointment, and audit supervision, assisting the Board in making prudent decisions.

### Regular Training :

The Company organizes regular specialized training sessions for the Board of Directors, covering topics such as laws and regulations, regulatory cases, investor demands, and strategic benchmarking against peers. This continuously enhances the directors' sensitivity to compliance and the forward-looking nature of their decision-making.

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Key Performance

The Board of Directors consists of

**9** directors

including **3** independent directors

accounting for **33.33%** of the Board

**1** employee representative director

**4** female directors

accounting for **44.44%** of the Board

Percentage of Independent Directors in Specialized Committees of Kaizhong Precision's Board of Directors



4 directors in total, with independent directors accounting for **25%**



3 directors in total, with independent directors accounting for **67%**



3 directors in total, with independent directors accounting for **67%**



3 directors in total, with independent directors accounting for **67%**

# Information disclosure and investor rights protection

The Company strictly adheres to legal and regulatory requirements, improves its information disclosure and investor relations management systems, and ensures that information is transmitted truthfully, accurately, completely, and in a timely manner, effectively protecting the legitimate rights of investors, especially small and medium-sized investors.

**System Guarantees:** The Company has formulated the *Information Disclosure Management System*, *Investor Relations Management System*, and *Internal Reporting System for Major Information* to clarify information disclosure procedures, responsible parties, and confidentiality requirements.

**System Building:** The Company has established an investor communication system featuring "routine response + in-depth interaction + reverse empowerment." Through channels such as the official website, investor hotline, inquiry email, and the SZSE's Hudongyi platform, the Company provides high-quality services to investors.

**Communication and Interaction:** The Company regularly organizes various investor relations activities, listens attentively to investors' opinions and suggestions, and incorporates market concerns into the Company's strategic planning and operational optimization. This approach promotes the evolution of investor relations from "information disclosure" to "value co-creation."

## Investor returns

The Company has a strong commitment to shareholder returns, balancing the short-term and long-term interests of shareholders. The Company has established a scientific, sustainable, and stable shareholder return mechanism to effectively safeguard the legitimate rights of public investors.

**Mechanism Guarantees:** In strict accordance with the *Articles of Association* and relevant regulatory requirements of the China Securities Regulatory Commission, the Company has formulated the *Shareholder Return Plan for the Next Three Years (2026–2028)* to enhance the transparency and operability of its profit distribution policy.

**Value Sharing:** The Company strengthens the foundation for cash dividends through stable operations and high-quality development, continuously creating long-term value for shareholders.

Key Performance



The Company received a Grade A rating for its information disclosure work for the 2024-2025 period from the Shenzhen Stock Exchange

Key Performance

2025

The Company's total cash dividends for the year amounted to RMB

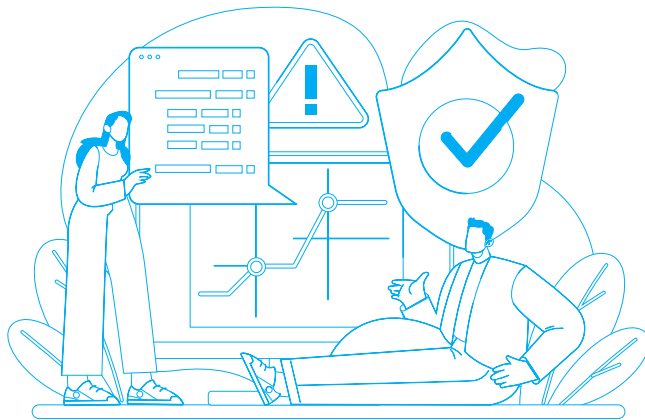
**110** million.

# Compliance and Risk Management

Compliance and risk management are key pillars for a company's stable and long-term development. Kaizhong Precision has built a full-process control system based on a foundation of policies, enabled by tools, and guided by culture. Through systematic risk identification and dynamic response mechanisms, the Company ensures the steady achievement of its strategic objectives.

## Key Performance

The Company had **0** major risk incidents.



## Governance

Kaizhong Precision has established a Risk Management Committee to coordinate and supervise risk control efforts. A system of policies has been built around the core documents of the *Internal Control Management System*, *Risk and Opportunity Management*, and *Emergency Response and Preparedness*. The Company has established a collaborative governance structure with "three lines of defense" and developed a risk indicator monitoring platform covering areas such as customers, supply chain, legal affairs, and EHS (Environment, Health, and Safety). Through internal audits, internal control evaluations, and defect rectification, the Company ensures the effective operation of its internal control system and promotes a culture of compliance and risk control that permeates the entire organization.



### Business Units

Product lines and business units, as accountable owners of risk, embed internal controls into day-to-day operations and proactively identify and manage business risks.



### Management

The Risk Management Committee establishes risk strategies, while platform departments provide expert support—coordinating the development of internal control culture and risk monitoring.



### Oversight

The Audit Department independently assesses the effectiveness of the first two lines of defense and reports directly to the Board of Directors, which retains ultimate oversight responsibility for the risk management.

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# Strategy

Kaizhong Precision deeply integrates risk management into its strategic planning, focusing on key risks and potential opportunities during the strategy implementation process. For different types of risks, the Company systematically analyzes their impact on business operations and financial performance and formulates targeted response strategies. By dynamically tracking changes in risks and continuously optimizing control measures, the Company achieves an organic integration of risk prevention and opportunity seizure, providing a solid guarantee for the smooth advancement of the Company's business plans and investment programs.

The Company has identified the following risks and opportunities related to "Compliance and Risk Management":

| Risk  | Risk description  | Financial impact  | Management measures  |
|---|---|---|--|
| Policy and industry compliance risks                | Continuous upgrading of policies and compliance standards in downstream industries                  | Increased operating costs                                     | Dynamically track policy directions and integrate ESG concepts into business   |
| Cross-border business compliance risks              | A high proportion of overseas revenue requires adaptation to the regulations of multiple countries. | Increased compliance costs                                    | Establish cross-border compliance processes.   |
| Inherent risks in internal control execution        | The internal control system needs dynamic adjustment with the business environment                  | Potential increase in operational costs                       | Conduct regular internal control evaluations and build a multi-level internal control management system                  |
| Opportunities                                       | Opportunity description   | Financial impact  | Management measures  |
| Cross-border compliance empowers overseas expansion | Growth in overseas market demand; compliance system enhances competitive advantage                  | Increase overseas revenue and stabilize cross-border earnings | Deepen cooperation with international clients and strategically deploy overseas R&D, production, supply, and sales bases |
| Policy compliance to seize industry dividends       | The Company's advanced manufacturing and new energy sectors receive national policy support         | Reduce tax costs and improve operational efficiency           | Apply for tax incentives in accordance with regulations and focus on deploying in policy-supported sectors               |

## Compliance and risk control measures

**Case: Building a regularized internal control evaluation system to strengthen the long-term defense line for Achieved operations and risk management**

In 2025, the Company established and improved a full-cycle, full-coverage internal control management system. Through a combination of quarterly special audits and annual comprehensive internal audits of subsidiaries, the Company systematically identifies internal control risks. Additionally, the Company prepares an annual *Internal Control Evaluation Report* to continuously optimize management processes and execution standards. This series of measures has effectively strengthened the Company's full-chain compliance capabilities, laying a solid internal control foundation for sustainable development.

**Case: Conducting compliance and risk control training to solidify the foundation for compliance and risk control among mid- to senior-level management and strengthen the corporate standardized management system**

From October to November 2025, the Company conducted specialized training for all mid- to senior-level management personnel on the development and application of risk control matrices. The training focused on risk identification in business processes and the implementation of control measures, effectively enhancing the management team's risk prevention and control awareness. It promoted the establishment of a standardized and systematic risk management and control system, laying a solid compliance management foundation for the Company's sustainable operations.

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## Impact, risk, and opportunity management

Kaizhong Precision has established a systematic management mechanism centered on the *Risk and Opportunity Management* procedure document and using the risk control matrix as a key tool. This mechanism covers the complete closed loop of "identification - assessment - response - monitoring - review," enabling quantitative management and dynamic optimization of risks.

### Indicators and targets

**Compliance management training coverage rate: 100%**

|                  |   |
|------------------|---|
| Progress in 2025 | Achievement status for the reporting period |
| <b>100%</b>      | <b>Achieved</b>                             |

**Compliance knowledge assessment pass rate for key positions: 100%**

|                  |   |
|------------------|---|
| Progress in 2025 | Achievement status for the reporting period |
| <b>100%</b>      | <b>Achieved</b>                             |

#### Key Performance

**3** Times

Number of training sessions on internal control, compliance, and risk management

**100%**

Coverage rate of training in internal control, compliance, and risk management

# Anti-Bribery and Anti-Corruption

Kaizhong Precision adheres to a "zero-tolerance" principle for commercial bribery and corruption. With the Audit Department as the core management body, the Company has built a comprehensive compliance management and control system featuring complete policies, a closed-loop supervision mechanism, and cultural integration. The Company is fully committed to fostering an upright internal and external business environment to ensure the Company's Achieved and stable operations.




#### Key Performance

The Company had **no** incidents of commercial bribery or corruption.

## Anti-Commercial Bribery and Anti-Corruption System

The Company has established a comprehensive integrity governance system, formulating documents such as the *Code of Business Ethics and Conduct*, *Anti-Fraud and Whistleblowing Management System*, and *Anti-Corruption and Anti-Bribery Management Regulations*. These form a policy barrier covering both internal operations and external partnerships, clearly defining prohibited behaviors, investigation procedures, accountability, and whistleblower protection mechanisms. This delineates an integrity red line across all business scenarios and extends management requirements to suppliers, standardizing the integrity and compliance conduct of partners.

The Company has built three lines of defense: "prevention - supervision - accountability." The Audit Department, as the core management body, coordinates the implementation of policies, risk monitoring, and incident investigation for anti-commercial bribery and anti-corruption efforts. Through regular internal control evaluations and special audits, the Company achieves closed-loop control of integrity risks.

|  |  |   |
|--|--|---|
| <p><b>Prevention Line</b> </p> <p>Annual internal control evaluations systematically identify integrity risk points, and anti-fraud requirements are embedded into business processes.</p> | <p><b>Supervision Line</b> </p> <p>Special audits track the progress of risk rectification, and in-depth monitoring is implemented in key areas.</p> | <p><b>Accountability Line</b> </p> <p>Strict accountability is enforced for confirmed acts of fraud and bribery, creating a powerful deterrent.</p> |
|--|--|---|

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**Collaborative Internal and External Integrity Management and Control**



Signed the *Employee Anti-Bribery Commitment Letter*, achieving a 100% signing rate and clarifying employees' obligations for integrity in their work.



Signed the *Supplier Integrity Cooperation Commitment Letter* with suppliers and distributors, incorporating integrity requirements into partner admission and ongoing management.

The Company has set up multiple reporting channels, including email and telephone, to encourage all stakeholders to report any behavior that violates business ethics or harms the Company's interests. The Company has also established a comprehensive whistleblower protection mechanism, strictly keeping whistleblowers' information confidential and protecting their legal rights in accordance with the law. Additionally, the Company has set up corresponding incentives to reward valid reports that are verified.

**Accessible Reporting Channels and Comprehensive Rights Protection**



**Diversified reporting channels**

- Reporting by phone: 0755-66852689 ext. 6353
- Reporting by email: [audit@kaizhong.com](mailto:audit@kaizhong.com)
- In-person reporting: Audit Department Office, Shenzhen Pingshan Headquarters



**Whistleblower protection mechanism**

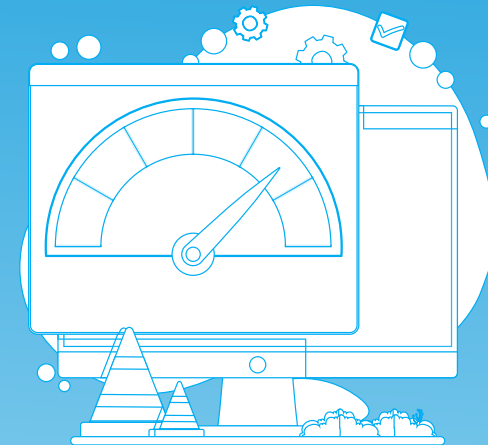
- **Confidentiality Management:** The Company strictly enforces the confidentiality system for whistleblower information, prohibiting disclosure unless necessary. When disclosure is required, the whistleblower's written consent must be obtained. Retaliation against whistleblowers acting in good faith is strictly prohibited, and any such cases, once verified, will be handled seriously in accordance with regulations.
- **Reporting Incentives:** In accordance with the *Anti-Fraud and Whistleblowing Management System*, whistleblowers who provide valid leads will be rewarded accordingly to encourage compliance supervision.

**Building an anti-commercial bribery and anti-corruption culture**

The Company focuses on anti-commercial bribery and anti-corruption efforts by building a three-tiered empowerment system covering senior management, key personnel, and all employees. Through diversified training and regular awareness campaigns, the Company promotes the integration of integrity principles into the mindset and actions of its workforce.

**Comprehensive Training Coverage:** The Company achieves a 100% training coverage rate for directors, senior management, and all employees. Through formats such as online courses, specialized training sessions, and risk seminars, the Company systematically conducts interpretations of laws and regulations, identification of red-line behaviors, analysis of typical cases, and instruction on using reporting channels.

**Regular Awareness Campaigns:** The Company regularly publishes articles promoting integrity through platforms such as *Kaige* magazine, internal emails, and bulletin boards. Guided by the core principle that "integrity and self-discipline are the lifeline of a professional career," the Company deepens cultural penetration through case warnings and slogan promotions.



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**Case: Conducting specialized anti-fraud and anti-commercial bribery training to fortify the integrity and compliance defense line for all employees**



In December 2025, the Company's Audit Department led a specialized training on anti-fraud and anti-commercial bribery, covering all employees. The training, conducted in a hybrid online and offline format, explained laws and regulations, integrity standards, and typical cases, and included a company-wide assessment to reinforce learning outcomes. This training effectively enhanced employees' risk awareness and prevention capabilities, promoting the integration of integrity and compliance into daily operations and strengthening the foundation for the Company's sustainable development.



On-Site at the Specialized Training on Anti-Fraud and Anti-Commercial Bribery

**Key Performance**

0 Times

Number of reported anti-corruption incidents

100%

Signing rate of employee anti-bribery commitments

100%

Coverage rate of employees receiving anti-bribery and anti-corruption training

100%

Coverage rate of directors receiving anti-corruption training

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# Anti-Unfair Competition

Upholding the core value of "Integrity First," Kaizhong Precision strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, and other relevant laws and regulations. The Company has established a comprehensive management mechanism that "defines boundaries through systems, explicitly prohibits certain behaviors, ensures supervision and reporting, and imposes accountability," resolutely safeguarding fair market order and the Company's legitimate rights.

**Key Performance**

The Company has **not been involved** in any incidents related to unfair competition and has **not faced** any litigation concerning unfair competition.

## Anti-unfair competition mechanism

The Company has formulated the *Code of Business Ethics*, which explicitly prohibits unfair competitive practices such as monopolies, bribery, and fraud, as well as the illegal acquisition of trade secrets. The Company adheres to the operational bottom line of not damaging the business reputation of others and not misleading the public. At the same time, the Company extends compliance requirements to its suppliers, eliminating anti-competitive behaviors to achieve full coverage across all internal and external business scenarios.

**Unfair Competitive Practices Explicitly Prohibited by the Company**



**Information leakage**

Disclosing sensitive data to competitors, such as the Company's core financial information or business information of its partners.



**Intelligence gathering**

Obtaining competitors' business intelligence through improper means such as theft intrusion, bribery, or coercion.



**Reputation slander**

Maliciously slandering or spreading rumors about competitors to damage their market image and business reputation.



**Monopolistic collaboration**

Participating in the signing and execution of monopolistic agreements to collaboratively restrict market competition.



**Abuse of dominant position**

Abusing a dominant market position to engage in a series of exclusive or discriminatory business practices that violate regulations.

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# Anti-unfair competition controls

The Company has established a closed-loop compliance risk control mechanism for anti-unfair competition, covering "pre-emptive prevention, in-process control, and post-event improvement." Through policy dissemination, risk screening, incident investigation, and corrective action tracking, the Company systematically implements compliance requirements and effectively mitigates competition risks.

**Case: Conducting specialized training on trade secret protection to strengthen the compliance defense line against unfair competition**



In October 2025, focusing on preventing and controlling unfair competition risks, Kaizhong Precision held a specialized lecture on protecting trade secrets for employees in key positions across various product lines and business divisions. The training systematically covered five core topics: the importance, definition, and protection methods of trade secrets, the legal consequences of infringement, and procedures for handling leaks. This effectively enhanced employees' risk awareness and prevention capabilities, providing a solid guarantee for the Company to build a fair and Achieved business environment.



**On-Site at the Specialized Training on Trade Secret Protection**



# 03

## Innovation and Operations

Innovation and operations are the core drivers and cornerstones of value for Kaizhong Precision's sustainable development. Led by innovative R&D and supported by operational excellence, the Company has systematically built a comprehensive management system covering product quality, supply chain security, digital and intelligent transformation, and data privacy protection. By deeply integrating advanced manufacturing technologies with digital methods, the Company continuously optimizes quality throughout the product lifecycle, creates a secure, resilient, and responsible supply chain ecosystem, and extends its innovative momentum to customer privacy and data security. The Company is committed to providing customers with more reliable and intelligent products and services, driving the enterprise toward an efficient, intelligent, and sustainable future.

- Product and service safety and quality
- Digital and intelligent development
- Supply chain security
- Data security and customer privacy protection
- Innovation-driven development

### SDG alignments



# Product and Service Safety and Quality

Kaizhong Precision strictly complies with national laws and regulations and regards the safety and quality of its products and services as the lifeline of the enterprise. The Company has established comprehensive ISO 9001 and IATF 16949 quality management systems, covering the entire process from R&D and procurement to production and customer service. Through strict process controls and a multi-layered audit mechanism, the Company ensures high-standard product delivery and continuously creates reliable value for its customers.

## Governance

The Company has established a governance system with clear responsibilities that covers the entire process. The Quality Management Committee, led by the General Manager, serves as the central decision-making body, coordinating major quality decisions, formulating quality policies and annual targets, and reviewing supplier admissions, customer quality agreements, and the handling of major quality incidents. The Quality Management Department, as the executive body, embeds quality control into the entire value chain, from R&D design and verification, procurement management, and production process monitoring to customer delivery confirmation and after-sales service.

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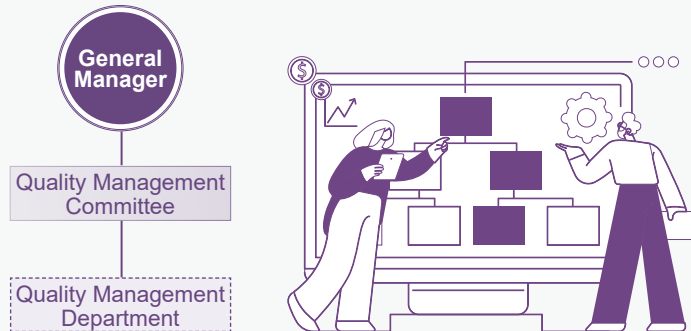
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The Company's Quality Management Department structure



### System Guarantees

The Company has formulated a comprehensive set of policy documents, including the *System Management Manual*, *Control of Nonconforming Products*, *Internal Audit Control*, and *After-Sales Problem Analysis and Claims*. The Company conducts annual internal audits of the quality management system to evaluate its conformity, suitability, and effectiveness.



### Quality System Certifications

As of the end of the reporting period, **all of the Company's production entities have obtained quality management system certifications such as ISO 9001 and IATF 16949**, with 100% of their business scope certified.



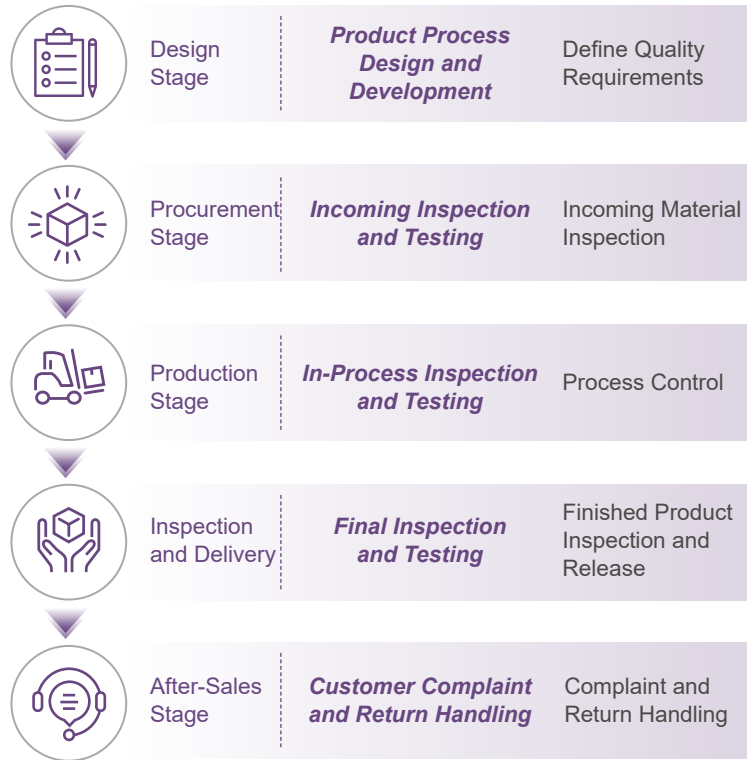
IATF 16949 Quality Management System Certificate



ISO 9001 Quality Management System Certificate

# Strategy

Kaizhong Precision strictly adheres to the *Product Quality Law of the People's Republic of China*, with systematic policy development at its core. The Company continuously improves its modern quality management system from three dimensions: quality assurance, cultivation of a company-wide quality culture, and closed-loop handling of quality feedback. Based on its established quality management system, the Company has created a standardized system of quality control policies and procedural documents covering the entire product lifecycle (including design, procurement, production, inspection and delivery, and after-sales). By setting clear performance indicators for each key stage and implementing systematic monitoring, the Company ensures that quality objectives are implemented and continuously optimized at every level.



**Product Lifecycle Quality Control Process**

Kaizhong Precision has identified the following risks and opportunities related to "Product and Service Safety and Quality":

| Risk                                    | Risk description  | Financial impact          | Management measures  |
|---|---|---------------------------|--|
| Risk of Supply Chain Quality Resilience | Under a globalized supply chain layout, it is necessary to ensure the stable quality of upstream raw materials and components | Increased operating costs | Strictly manage supplier quality systems, advance quality control through access audits and dynamic management, and achieve full-process traceability of materials |

|                                      |   |   |   |
|--------------------------------------|---|---|---|
| Risk of After-Sales Quality Upgrades | A mechanism for rapid identification and closed-loop resolution needs to be established for customer feedback | Customer churn, legal litigation, reputational damage | Establish a rapid response mechanism for customer demands and use after-sales data to drive front-end optimization, forming a closed loop for quality improvement |
|--------------------------------------|---|---|---|

| Opportunities  | Opportunity description   | Financial impact  | Management measures  |
|--|---|---|--|
| Opportunity for Market Differentiation and Brand Value Enhancement | Excellent and stable product quality is key to building a core brand moat | Increased pricing power, customer loyalty, and market share | Build a transparent and reliable quality information communication mechanism, and establish strict finished product quality standards to fully meet customer needs |

|  |   |   |  |
|--|---|---|--|
| Opportunity for Customer Strategic Collaboration | Excellent quality allows for deep integration into the R&D and supply chain systems of core customers | Stable long-term orders, increased collaborative projects, and R&D synergy benefits | Precisely meet customer quality demands and deepen cooperative trust through efficient responses and regular communication |
|--|---|---|--|

|   |   |                               |  |
|---|---|-------------------------------|--|
| Opportunity for Operational Optimization and Cost Savings | Proactive quality control and refined management can optimize operational costs throughout the entire chain | Operational cost optimization | Implement a quality cost management system to achieve a win-win outcome of quality improvement and cost optimization |
|---|---|-------------------------------|--|

**Identification and Response to Risks in Product and Service Safety and Quality**

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# Impact, risk, and opportunity management

Kaizhong Precision uses the monthly QCDS (Quality, Cost, Delivery, Service) performance evaluations from core customers as its primary management tool. Combined with annual customer satisfaction surveys, the Company systematically identifies and monitors risks and opportunities related to product and service quality. By regularly receiving customer scorecards and standardized questionnaires, the Company can comprehensively identify operational weaknesses and gain insight into areas for improvement based on customer expectations.

## Indicators and targets

In 2025, the Company continued to advance its quality control and improvement efforts, meeting all quality indicators and targets.

| Target   | Progress in 2025 | Achievement status for the reporting period |
|--|------------------|---|
| Customer complaint handling rate of 100%                 | 100%             | ✓ Achieved                                  |
| Number of customer complaints per million shipments <0.3 | 0.079            | ✓ Achieved                                  |
| Product recall rate of 0                                 | 0                | ✓ Achieved                                  |

### Key Performance

|                                 |                           |                                |                       |
|---------------------------------|---------------------------|--------------------------------|-----------------------|
| <b>0.079</b> Times              | <b>0</b> Times            | <b>100%</b>                    | <b>90%</b>            |
| PPM (Parts Per Million defects) | Number of product recalls | customer issue resolution rate | Customer satisfaction |

## Product quality assurance

Kaizhong Precision has established a systematic quality assurance mechanism that covers the entire product lifecycle. Through a dual-drive approach of institutionalized audits and refined process controls, the Company ensures the continuous reliability of product quality.

### Kaizhong Precision's product quality assurance measures

- 

**Establish a multi-layered, hierarchical quality audit mechanism**

The Company has built a quality audit mechanism covering all aspects of production and operation. By combining routine inspections with assessments of key focus areas, the Company continuously identifies potential quality risks and drives management improvements.
- 

**Strengthen systematic quality control in key production stages**

Focusing on core manufacturing processes, the Company enhances the stability of production processes and the consistency of product quality through the synergistic efforts of institutional constraints and process management.
- 

**Implement closed-loop management of nonconforming products throughout the entire process**

The Company implements unified control of nonconforming products for raw materials, production processes, and finished product delivery. This ensures that quality issues are addressed and feedback is provided in a timely and effective manner, preventing the recurrence of risks.
- 

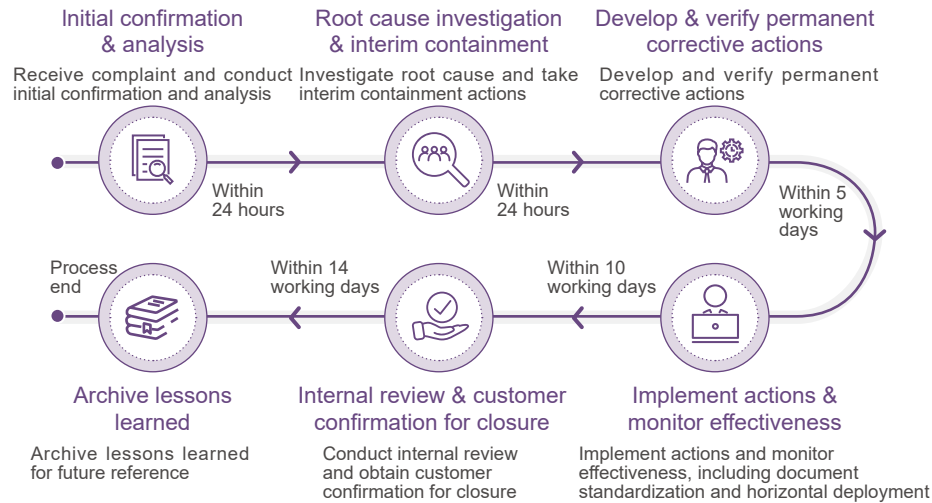
**Promote digital and automated empowerment of manufacturing processes**

By applying information technology and automation, the Company enhances the transparency and traceability of its production processes, reducing the impact of human factors on product quality from the source.

## Quality Feedback and Closed-Loop Handling

The Company has established a comprehensive quality handling mechanism that covers the entire process of "feedback—analysis—action—improvement." This ensures a systematic and timely response and closed-loop management for all types of quality feedback, including customer complaints, after-sales issues, and product returns. The Company follows the 8D problem-solving methodology, from receiving the problem and analyzing the root cause to implementing and standardizing corrective actions. This ensures that every complaint is systematically resolved and forms a closed loop for improvement, continuously enhancing customer satisfaction.

### Kaizhong Precision Customer Complaint Handling Process



### Quality Culture Development

The Company adheres to the quality policy of "full participation, prevention first, continuous improvement, and long-term stable satisfaction of customer needs," and continuously promotes the development of a quality culture. During the reporting period, the Company conducted a total of 196 specialized quality training sessions, with a total training duration of approximately 980 hours. The comprehensive system coverage included professional content such as the five core tools (APQP, FMEA, etc.) and VDA 6.3 process audits, effectively enhancing the prevention awareness and improvement capabilities of all staff.

### Case: Specialized training on APQP and VDA series to strengthen quality planning and audit capabilities



In December 2025, the Company organized a series of specialized training sessions on APQP (Advanced Product Quality Planning) and VDA 6.3 (Process Audit), covering employees from production, technology, and quality departments across its product lines/business divisions. The training, conducted in a hybrid online and offline format,



Quality Series Specialized Training

systematically explained front-end quality planning methods for product development and the core requirements of process audits. This effectively enhanced the team's capabilities in systematic quality planning and risk identification, representing a significant practice for the Company in implementing the "prevention first" quality policy and building a long-term quality control mechanism.

### Hazardous Substance Management

The Company fulfills its responsibility for environmental protection and pollution prevention by strictly adhering to domestic and international regulations on hazardous substance control, including the EU's Restriction of Hazardous Substances (RoHS) Directive, the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation, and China's *Administrative Measures on the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products*. The Company has formulated the *Standard for the Control of Restricted Substances* to implement closed-loop management throughout the entire process, from the entry of raw materials and the production process to the shipment of finished products, ensuring that its products meet the requirements for restricted substances and continuously improving its environmental quality. The Company also requires suppliers to provide third-party compliance testing reports annually to ensure compliance throughout the entire supply chain.

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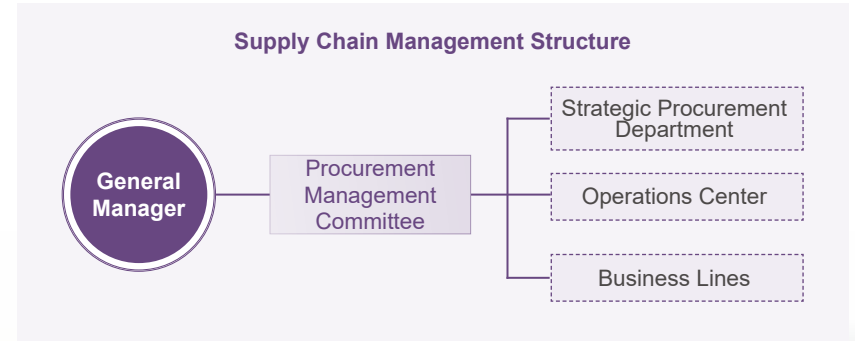
# Supply Chain Security

Kaizhong Precision regards supply chain management as a key cornerstone of its sustainable development. Adhering to the principle of "integrity-based cooperation and mutual benefit," the Company is committed to building transparent, fair, and collaborative partnerships. Through a systematic management framework and close communication mechanisms, the Company works with its partners to promote quality improvement, technological synergy, and green operations. Together, they are building a secure, reliable, and sustainable supply chain ecosystem, contributing to the overall value creation and resilience enhancement of the industrial chain.

## Governance

Kaizhong Precision has established a policy framework centered on the *Supplier Management Process* and the *Supplier Management Manual* to systematically regulate supplier development, evaluation, and ongoing management. The Company also strengthens business continuity assurance through mechanisms such as the *Emergency Plan Work Instruction* and the *Supplier Supply Risk Management Plan* to ensure the stable operation of its supply chain system.

In terms of management structure, the Company implements a hierarchical control system: the Procurement Committee, led by the General Manager, is responsible for overseeing supply chain strategy and major resource allocation; the Strategic Procurement Department leads supplier development and strategic procurement; the Operations Center coordinates delivery and inventory optimization; and the business lines handle execution and provide feedback on site-specific issues. This forms a three-tiered control structure of "strategy - coordination - execution," ensuring the stable operation of the supply chain system.



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# Strategy

Kaizhong Precision considers the supply chain a critical value chain for achieving sustainable development. The Company systematically conducts supply chain risk identification and response, continuously improves its full-cycle supplier management mechanism, and deeply integrates the concept of responsible operation into supplier cooperation and collaborative improvement processes. The Company has formulated policies such as the *Supplier Supply Risk Management Plan* to systematically identify and proactively manage supplier performance risks, minimizing their potential impact on the Company and its customers. Kaizhong Precision has identified the following risks and opportunities related to "supply chain security":

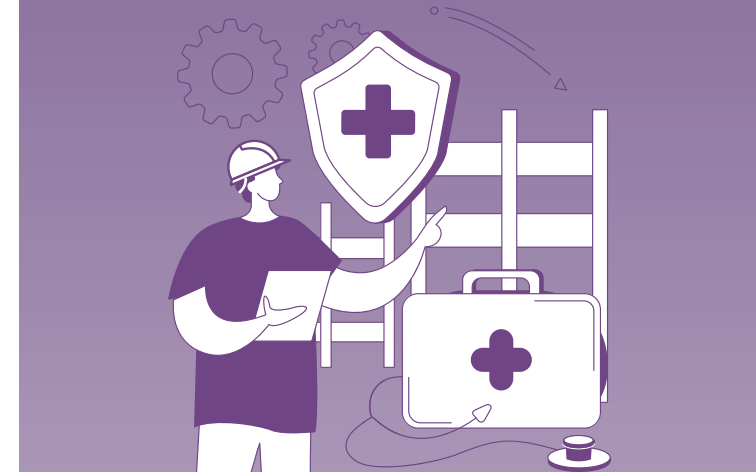
| Risk                        | Risk description  | Financial impact  | Management measures   |
|-----------------------------|---|---|---|
| Economy and Market          | Drastic exchange rate fluctuations, soaring commodity prices, sudden changes in market demand | Increased raw material costs  | Closely monitor market price trends, establish safety stock, and implement hedging mechanisms such as price linkage |
| Supply Chain Delivery Risk  | Shortage or interruption of upstream raw material supply, leading to production stagnation    | Production shutdown losses, increased raw material costs, risk of order default | Core materials require multiple backups and safety stock, with emergency escalation plans in place                  |
| Material Quality Issue Risk | Suppliers changing processes or materials without approval, affecting product consistency     | Increased quality costs, reputational damage                                    | Standardize supplier change processes, strengthening process approval and risk traceability                         |

| Opportunities                                  | Opportunity description   | Financial impact  | Management measures   |
|--|---|---|---|
| Opportunity to Enhance Supply Chain Resilience | Systematic risk identification and response mechanisms transform passive emergency response into proactive prevention | Reduce losses from sudden supply disruptions, optimize procurement costs, and enhance customer trust            | Build a closed-loop risk management system and promote regional diversification for key materials     |
| Opportunity for Collaborative Development      | Deepen strategic cooperation in risk response and jointly improve technology and quality                              | Reduce total supply chain costs, improve new product development efficiency, and establish long-term advantages | Promote the transformation of suppliers into value co-creation partners to achieve deep collaboration |

# Impact, risk, and opportunity management

Based on the *Supplier Supply Risk Management Plan*, Kaizhong Precision has established a supply chain risk identification and response mechanism. The Company's Strategic Procurement Management Department tracks the external environment, supplier operations, and market dynamics, assesses and ranks risk probability and impact, and forms a risk level list. For key risks, the Company sets up cross-departmental response teams to formulate and track prevention and control measures. Through developing alternative suppliers, maintaining safety stock, and establishing regional supply chain layouts, the Company transforms risk control into opportunities for enhancing supply chain resilience and collaborative development.



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# Indicators and targets

Promote the transformation of suppliers into value co-creation partners to achieve deep collaboration

| Target  | Progress in 2025 | Achievement status for the reporting period |
|---|------------------|---|
| 100% of new suppliers are screened using social and environmental responsibility standards                      | 100%             | ✓ Achieved                                  |
| 100% of suppliers undergo social and environmental responsibility impact assessments                            | 100%             | ✓ Achieved                                  |
| 100% signing rate for the <i>Supplier Integrity Cooperation Commitment Letter and Confidentiality Agreement</i> | 100%             | ✓ Achieved                                  |

## Admission evaluation and due diligence

The Company has established a scientific admission mechanism for new suppliers, adhering to principles such as quality system requirements, industry preference, supply chain security, categorized development, and comprehensive evaluation. Suppliers are classified into four categories (A, B, C, and D) based on the impact of their materials on product quality, with differentiated admission requirements.

During the admission process, the Company systematically conducts ESG due diligence, giving priority to suppliers certified under management systems such as IATF 16949, ISO 9001, and ISO 14001. This preemptively mitigates environmental, health and safety, and compliance risks, ensuring that newly introduced partners are aligned with the Company's long-term development strategy.

### Management System Certification Requirements for Suppliers

ISO 9001, IATF 16949, ISO 14001, and customer-specific requirements

#### A- and B-class suppliers

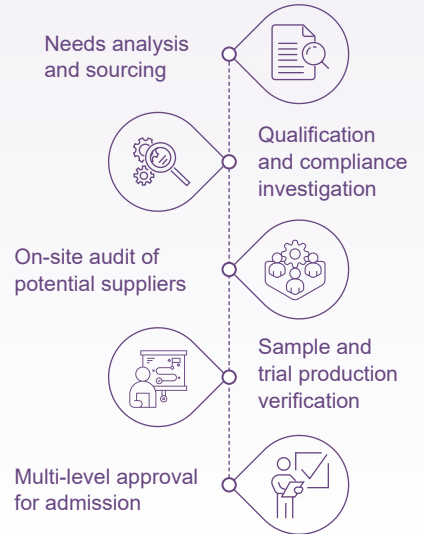
Priority shall be given to suppliers certified under IATF 16949 and ISO 14001. Where customers have specific requirements for the supply chain management system, those requirements must be adhered to.

#### C-class suppliers

Priority shall be given to suppliers certified under ISO 9001.

The Company has established an ESG due diligence and tiered audit mechanism covering the entire admission process to preemptively mitigate EHS risks, achieving closed-loop sustainable supply chain management from sourcing to warehousing.

### Full-Process Due Diligence and Auditing



### Key Performance

**77.44%**

Supplier localization rate

**93.29%**

Local procurement ratio

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## Performance management and exit mechanism

The Company implements dynamic performance management for suppliers based on the QCDS (Quality, Cost, Delivery, Service) evaluation system. Through monthly quantitative assessments, suppliers are managed by grade: Grade A suppliers engage in deep cooperation, are prioritized for order shares, and receive increased procurement volumes; Grade B suppliers maintain cooperation with set improvement targets; Grade C suppliers are given a deadline for rectification and face reduced shares; Grade D suppliers have their cooperation suspended or face exit procedures.

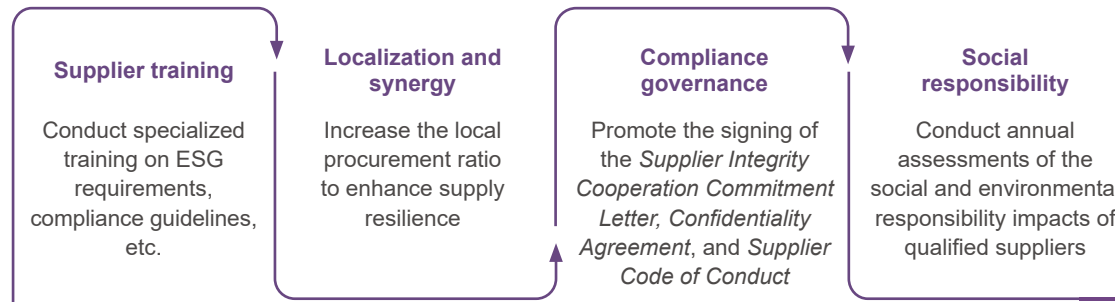
Furthermore, the Company conducts annual EHS-specific audits for high-environmental-risk suppliers and has established a three-level early warning mechanism. It intervenes in cases of significant quality hazards, environmental violations, or persistent non-compliance to continuously optimize the supply chain structure.



While ensuring that basic access and performance requirements are met, the Company will further promote the development of a sustainable supply chain and continuously enhance the social and environmental management capabilities of its suppliers through methods such as audits and training.

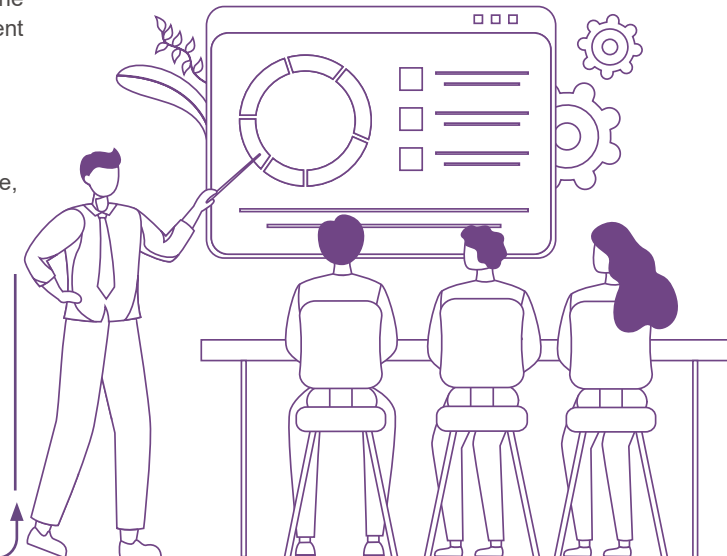
## Sustainable Supply Chain Development

The Company systematically promotes sustainable supply chain development, committed to building a secure, Achieved, efficient, and resilient supply ecosystem. Key initiatives include:



### Case: Specialized ESG training for suppliers

In December 2025, the Company updated the *Supplier Management Manual* to elaborate on ESG-related matters and conducted specialized training for several key suppliers based on the latest management requirements. The training systematically explained ESG definitions, requirements, and practical pathways. All participating suppliers pledged to strictly adhere to the relevant regulations and committed to promoting stable, sustainable, and mutual development.



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**Key Performance**

| Indicator   | Unit  | 2025 data |
|---|-------|-----------|
| Number of supplier ESG training sessions conducted by the Company                                       | Times | 3         |
| Percentage of suppliers who received ESG training from the Company                                      | %     | 100       |
| Percentage of suppliers who have signed the Supplier Code of Conduct                                    | %     | 85        |
| Percentage of suppliers identified with significant actual and potential negative environmental impacts | %     | 0         |

**Conflict Minerals Management**

Kaizhong Precision strictly manages the risks of conflict mineral procurement in its supply chain and adheres to its commitment to responsible sourcing. To implement its zero-tolerance policy on conflict minerals, the Company has established an annual investigation mechanism, ensuring that 100% of customer requirements are communicated to suppliers and that due diligence is conducted. The Company traces the smelting sources of metals such as tin, tantalum, tungsten, gold, and cobalt to ensure that its procurement does not involve conflict regions or human rights violations. Concurrently, the Company's global operations strictly comply with the laws and regulations of all countries. Through internal controls and codes of conduct, the Company ensures that its international trade is conducted legally and with integrity, thereby safeguarding its global reputation for compliance. During the reporting period, the Company found no instances of conflict mineral use by its supply chain enterprises.

**Key Performance**

**100%**

Coverage rate of suppliers who have completed conflict minerals due diligence

**0**

Number of suppliers whose partnerships were terminated due to controversial sourcing issues

**0**

Number of major disputes related to procurement activities



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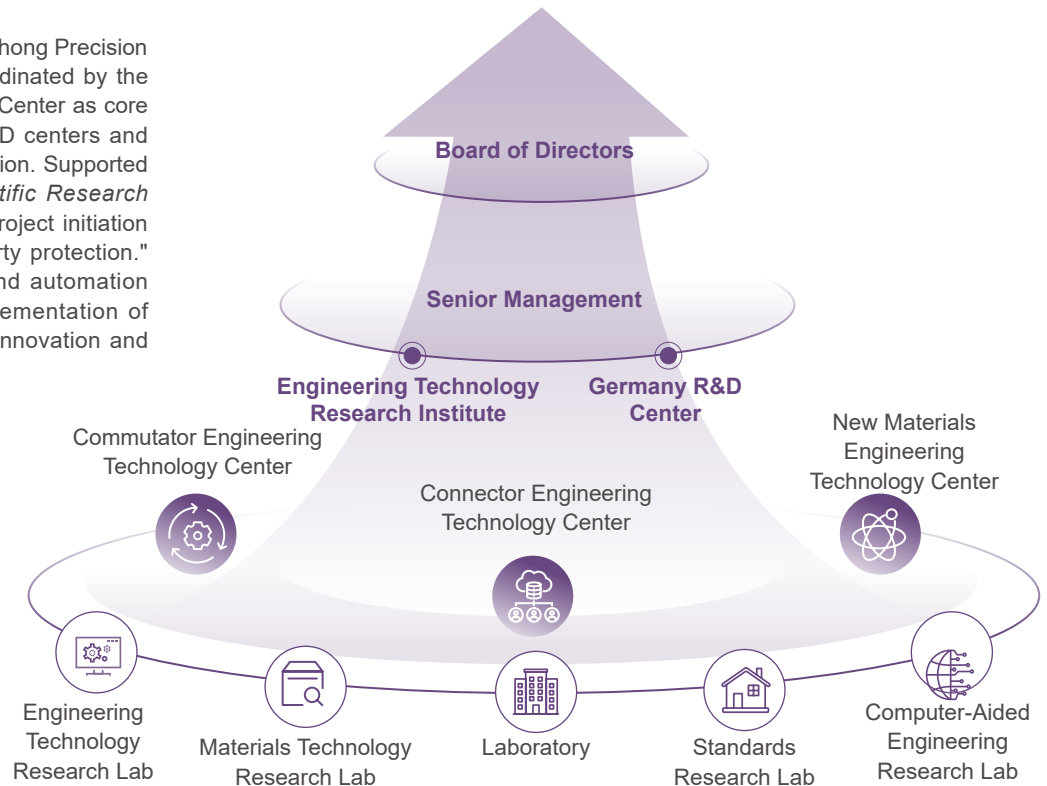
# Innovation-Driven Development

Kaizhong Precision continues its development strategy with technology as the core driving force, fostering a vibrant R&D environment and a fair incentive mechanism. The Company has established a three-tiered innovation management system of "decision-making, coordination, and execution," supported by relevant policies covering the entire lifecycle of scientific research, technology transfer, intellectual property, and talent incentives. Guided by customer needs and market trends, the Company deepens industry-academia-research collaboration, attracts and nurtures R&D talent, and maintains high R&D investment. Through standardized management and practical innovation, the Company aligns technological breakthroughs with business value, develops new quality productive forces, consolidates its advantages in proprietary intellectual property, and continuously creates value for its customers.

## Governance

Building upon its improved technological innovation framework, Kaizhong Precision has upgraded its R&D and innovation management system. Coordinated by the Engineering Technology Research Institute and the Germany R&D Center as core hubs, this system synergizes with domestic and international R&D centers and other innovation platforms to integrate R&D resources and information. Supported by core policies such as the *Management Measures for Scientific Research Projects*, it forms a closed-loop management process covering "project initiation - execution - acceptance - commercialization - intellectual property protection." The system focuses on core areas like materials technology and automation equipment, while also balancing talent incentives and the implementation of research outcomes, thereby ensuring the advancement of R&D innovation and promoting breakthroughs in core technologies.

Additionally, the Company has established a comprehensive, tiered management system for innovation-driven implementation. The Board of Directors is responsible for steering strategic direction and risk control, approving innovation strategies and major investments, and evaluating innovation performance. Senior Management is responsible for coordinating resources, promoting collaboration, and monitoring processes; formulating innovation priority matrices; establishing cross-functional project teams; and improving innovation incentive mechanisms. The Engineering Technology Research Institute is responsible for execution. With multiple specialized technology centers and research laboratories under it, the Institute coordinates project initiation, implementation, and result archiving. It works with various business departments to ensure the orderly progress of R&D and innovation in products, materials, processes, and validation.



Structure of the Engineering Technology Research Institute

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The Company has established a standardized management system for laboratory testing and calibration, ensuring comprehensive product inspections that cover core dimensions such as appearance and performance. The laboratory is outfitted with advanced instrumentation for precision measurement, reliability testing, material analysis, and environmental testing. It possesses in-house calibration capabilities for length, electrical, and mechanical measurement devices. Accredited by the China National Accreditation Service for Conformity Assessment (CNAS), the laboratory ensures its test results are internationally recognized. Furthermore, the laboratory consistently participates in measurement audits and proficiency testing programs to guarantee the accuracy and credibility of its data.



**CNAS-certified laboratory's test results are internationally recognized**



**Participation in measurement audit and proficiency verification and the certificates obtained**

The Company has established a full-chain R&D and innovation assurance system covering innovation project management, technology transfer, talent development, and intellectual property management:



**Innovation project management:**

Standardize the entire R&D process through policies, clarify roles and responsibilities, and support the development of talent pipelines

**Technology transfer:**

Promote the evaluation and mass production of scientific and technological achievements to realize their value.

**Talent development assurance:**

Build diverse career advancement channels and enhance R&D capabilities through industry-academia-research collaboration and internal training.

**Intellectual property management**

Embed IP protection into the entire R&D process, clarify ownership, support the development of technical standards, and comprehensively protect the rights of core technologies while promoting efficient innovation.

**Key Performance**

The Company has a total of **337** R&D personnel

accounting for **9.35%** of all employees

R&D investment amounted to RMB **82.24** mn

accounting for **2.81%** of the total audited operating revenue for the year

# Strategy

In response to the national "15th Five-Year Plan," Kaizhong Precision has deeply integrated the national strategies of scientific and technological self-reliance and building a manufacturing powerhouse into its R&D and innovation. The Company has constructed a tripartite innovation strategy system of "independent innovation R&D - emerging industry development - green transition empowerment." The Company focuses on achieving independent control over key core technologies. Leveraging its advantages in vertical integration across the entire industry chain, it has established an innovation chain that connects "basic research - technological breakthroughs - technology transfer - industrial application," supporting the Company's sustainable development in the high-end precision manufacturing sector. Seizing opportunities in emerging industries such as AI and the low-altitude economy, the Company is accelerating R&D and market expansion for related new products, while making forward-looking layouts for future industries like intelligent robotics. The Company supports the achievement of national "dual carbon" goals through breakthroughs in green and low-carbon technologies, embedding concepts of energy conservation, emission reduction, clean production, and the circular economy throughout the entire product R&D lifecycle. This creates a sustainable development pattern where technological breakthroughs, market expansion, and ecological benefits synergistically reinforce one another.

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The Company has identified the following risks and opportunities related to "Innovation-Driven Development":

| Risk  | Risk description   | Financial impact  | Management measures   |
|---|--|---|---|
| Risk of identifying market and technology opportunities | Failure to gain timely insights into market and industry dynamics, resulting in missed new market opportunities.                                 | Decline in market share, affecting revenue growth.                            | Improve the market foresight mechanism and product management system  |
| Risk of technology implementation and commercialization | Insufficient internal technical development capabilities, making it difficult to translate market demand into competitive products or solutions. | Low return on R&D investment, leading to a decline in product competitiveness | Strengthen internal and external technical collaboration to accelerate capability building                  |
| Intellectual Property and Compliance Risks              | Infringement of others' intellectual property rights or leakage of own trade secrets   | Legal litigation and compensation costs, loss of competitive advantage        | Establish a protection system for trade secrets and intellectual property, and conduct specialized training |

| Opportunities   | Opportunity description  | Financial impact   | Management measures                        |
|---|--|--|--|
| Opportunity for Green Innovation and Market Expansion                                 | Respond to global environmental trends through the R&D of green and low-carbon technologies                      | Develop high-value-added product lines to increase gross profit margin | Formulate and execute a green R&D strategy |
| Opportunity to Enhance Competitiveness through Digital and Intelligent Transformation | Achieve data-driven decision-making and intelligent manufacturing through digital and intelligent transformation | Improve production efficiency and reduce operating costs               | Implement an overall digital strategy      |

## Impact, risk, and opportunity management

Kaizhong Precision identifies and assesses risks and opportunities related to R&D and innovation through systematic processes and dynamic management methods. The Company continuously monitors identified risks and opportunities through mechanisms such as performance assessments, dynamic tracking, and closed-loop management.

## Indicators and targets

Kaizhong Precision formulates its R&D strategic goals in short-, medium-, and long-term phases to ensure that its innovation direction is aligned with market trends and technological evolution. In the field of green development, the Company will prioritize the development and market launch of green products, gradually ensuring that its core product lines fully comply with international green standards, building a global low-carbon R&D network, and ultimately creating an industry-benchmark green manufacturing plant.

| Indicator | Progress in 2025 | Achievement status for 2025 |
|-----------|------------------|-----------------------------|
|-----------|------------------|-----------------------------|

|                                 |      |  |
|---------------------------------|------|--|
| 100% green product ratio in R&D | 100% |  Achieved |
|---------------------------------|------|--|

## Highlights of R&D and Innovation Efforts

### Case: Collaborating with the Materials Research Institute of the Chinese University of Hong Kong to develop core polymer material modification technologies, empowering product upgrades and market expansion

Kaizhong Precision has collaborated with the Shenzhen Institute for Advanced Polymer Materials of The Chinese University of Hong Kong to develop polymer material modification technologies. This initiative covers formulations and production processes for key insulation materials, effectively resolving technical bottlenecks. The technology has been applied to insulated wires for high-frequency transformers, serving multiple market sectors including consumer electronics, new energy, and data communications, providing robust support for product competitiveness and business expansion.

### Case: Collaborating with Huazhong University of Science and Technology to develop material preparation technology for SiC semiconductor power modules and completing reliability assessments under extreme environments

Relying on its industry-academia-research collaborative innovation mechanism, Kaizhong Precision has conducted in-depth cooperation with Huazhong University of Science and Technology, focusing on the R&D of core packaging materials for third-generation semiconductor SiC power modules. SiC power modules are key control devices in fields such as wind and solar power generation, smart grids, high-speed rail traction, and new energy vehicle drive control; therefore, performance improvements place higher demands on the heat dissipation capability and reliability of packaging substrates. Through joint research, the two parties successfully developed a new preparation technology for high-performance copper-clad substrates, which effectively optimizes the bonding quality and thermal conductivity of the packaging interface and has passed rigorous environmental reliability verification.

### Case: Co-developing core components for high- and low-voltage switch units in electric vehicles with clients

Serving as the energy transmission interface for EV battery packs, high- and low-voltage switch units rely on the reliability of their connection and disconnection mechanisms to ensure vehicle safety. Responding to specific customer needs and leveraging full-process CAE simulation capabilities, Kaizhong Precision engaged in deep collaboration to tackle challenges surrounding the unit's main components. This joint initiative encompassed material selection, structural optimization, and manufacturing process development. Consequently, the Company established a domestically leading automated production line that ensures the stable mass production of ultra-large insert-molded parts, successfully meeting the rigorous delivery standards of top-tier industry clients.

## Intellectual property protection

Adhering to the principle of "Leveraging Intellectual Property to Drive Innovation and Enhance Global Competitiveness," Kaizhong Precision complies with the *Intellectual Property Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and other regulations, continuously improving and optimizing its intellectual property management system. In 2025, the Company implemented policies such as the *Intellectual Property Management System Manual* to systematically manage the maintenance, implementation, licensing, and transfer of intellectual property. The Company strengthens the protection of its own intellectual property and values the protection of others' intellectual property and trade secrets, promoting the development of an innovative industry ecosystem and supporting sustainable innovation and competitiveness enhancement through responsible practices. The Company has obtained intellectual property management system certification, and the certificate is currently valid.

### The Company's Intellectual Property Management System Certificate and patent certificates



### Case: Conducting specialized intellectual property training to build a strong protective barrier for R&D and innovation



In June 2025, Kaizhong Precision conducted specialized intellectual property training for the R&D Department. Using a hybrid "offline + online" format, the training systematically explained patent searching and infringement risk prevention, and included simulation exercises. This effectively enhanced all employees' awareness of patent protection and risk control capabilities, building a strong protective net for R&D and innovation achievements.



Intellectual Property Training

### Key Performance

#### As of the end of 2025

the Company held **271** authorized and valid patents

including **86** invention patents

**177** utility model patents and **8** international patents

The Company also held **14** software copyrights

The Company has conducted a total of **5** internal training sessions related to intellectual property.

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# Digital and Intelligent Development

With the core objectives of "data-driven decision-making, intelligent-led manufacturing, and ecosystem-wide collaboration for mutual success," Kaizhong Precision is building a digital and intelligent transformation path focused on "data-driven operations, intelligent manufacturing, and ecosystem collaboration." The Company is concentrating on the digital and intelligent upgrading of the entire precision manufacturing process to enhance lean production, quality traceability, and delivery agility, thereby strengthening its core competitiveness in the global precision manufacturing field.



The Company obtained the Certificate of Intelligent Manufacturing Capability Maturity (Level 3), establishing a digital and intelligent management baseline that meets industry standards

## Key Performance

### In 2025

the Company's investment in digital and intelligent transformation reached RMB **10** million, focusing on upgrading core production systems and implementing new technologies.

## Case: Building an MOM digital and intelligent management system to empower quality and efficiency improvements throughout the entire production process

In 2025, focusing on the needs for lean manufacturing, quality traceability, and delivery agility, Kaizhong Precision advanced the construction of a Manufacturing Operations Management (MOM) system in phase. Led by the IT department, the project was jointly implemented with production, quality, and external technical service providers. The system integrates IoT technology for equipment and connects with existing systems such as ERP and PLM to build a digital management system covering the entire process from order to delivery. This digital and intelligent initiative makes the entire production process transparent and controllable, enhancing quality traceability and delivery response speed, and injecting momentum into the global expansion and flexible manufacturing of the Company's new energy vehicle precision components business.



## Overall planning scheme for the Manufacturing Operations Management (MOM) system

To ensure the efficient application of the Manufacturing Operations Management (MOM) system, the Company provides supporting specialized training at different levels and for various categories of employees. On the one hand, the Company explains the strategic value and data-driven decision-making logic to the management team. On the other hand, it offers hands-on training for workshop team leaders and process technicians on modules such as work order execution and quality traceability. Additionally, the Company has established a "Digital Benchmark Production Line" as a practical training site. Using a combined approach of "theory + simulation + practice," the Company has conducted over 20 specialized training sessions.

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# Data Security and Customer Privacy Protection

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Kaizhong Precision has established a comprehensive data security and customer privacy protection management system featuring "hierarchical architecture control + closed-loop institutional processes + technological tool support + emergency drill guarantees." Centered on ISO 27001 and TISAX standards, this system covers the entire data lifecycle and all aspects of customer privacy protection. Through standardized policies, meticulous controls, and regular drills, the Company aims to achieve its management goals of "zero data security incidents and zero customer privacy leaks," ensuring the security and compliance of both the Company's and its customers' data assets.

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## Data security and privacy protection management system

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The data security and customer privacy protection management architecture of Kaizhong Precision is led by the Information Security Management Committee, headed by the General Manager, which serves as the top-level decision-making and coordination body. The Information Management Department acts as the lead executive department, collaborating with the Information Security System Team, the Information Security Implementation Team, and other departments such as Human Resources and Marketing. This forms a three-tiered collaborative mechanism of "decision-making - management - execution." The Company has also formulated core management policies, including the *Information Security Management Manual*, and has obtained ISO 27001:2022 Information Security Management System and TISAX certifications. This ensures Achieved control across all scenarios and processes, with certification covering the entire business scope of the Company and establishing a security control baseline that meets international standards.

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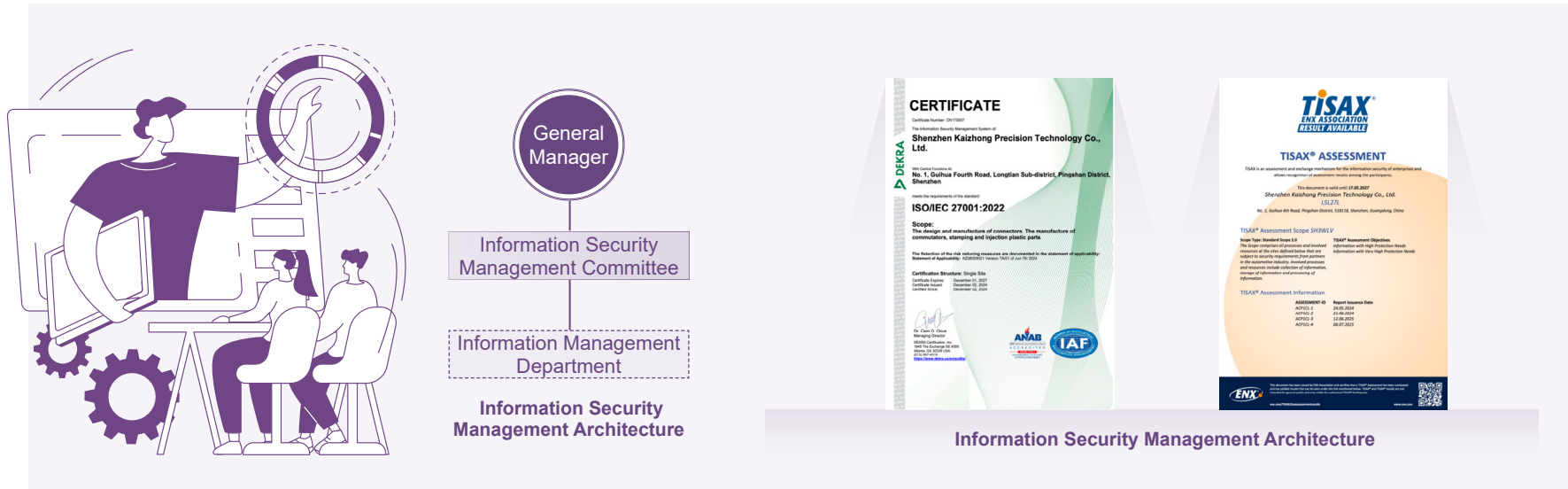
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The Company implements a triple-backup strategy (local, off-site, and offline) for system data and shared drive files, establishing secure shared drives to ensure storage safety.



**Backup and Recovery**

Terminal documents are encrypted during transfer, with approval required for external distribution or decryption. Core data is protected throughout its lifecycle using national-grade cryptographic products.



**Data Encryption**

Following the principle of least privilege, data access requires approval and authentication, with key operations logged for traceability. Unauthorized access attempts trigger data masking.



**access Control**

The Company deploys firewalls and anti-malware software with updated virus definitions. Core network equipment is configured with dual-unit hot standby. New systems undergo vulnerability scanning, penetration testing, and code audits before going live.



**Technical Protection**



**Data Security Control: Full-Lifecycle Protection**



**Customer Privacy Protection: Balancing Compliance and Responsibility**



**Data Minimization**

The Company collects only necessary information during collaborations and clearly identifies core assets.



**Multi-Scenario Emergency Drills**

Mutual privacy protection obligations are defined in confidentiality and cooperation agreements.



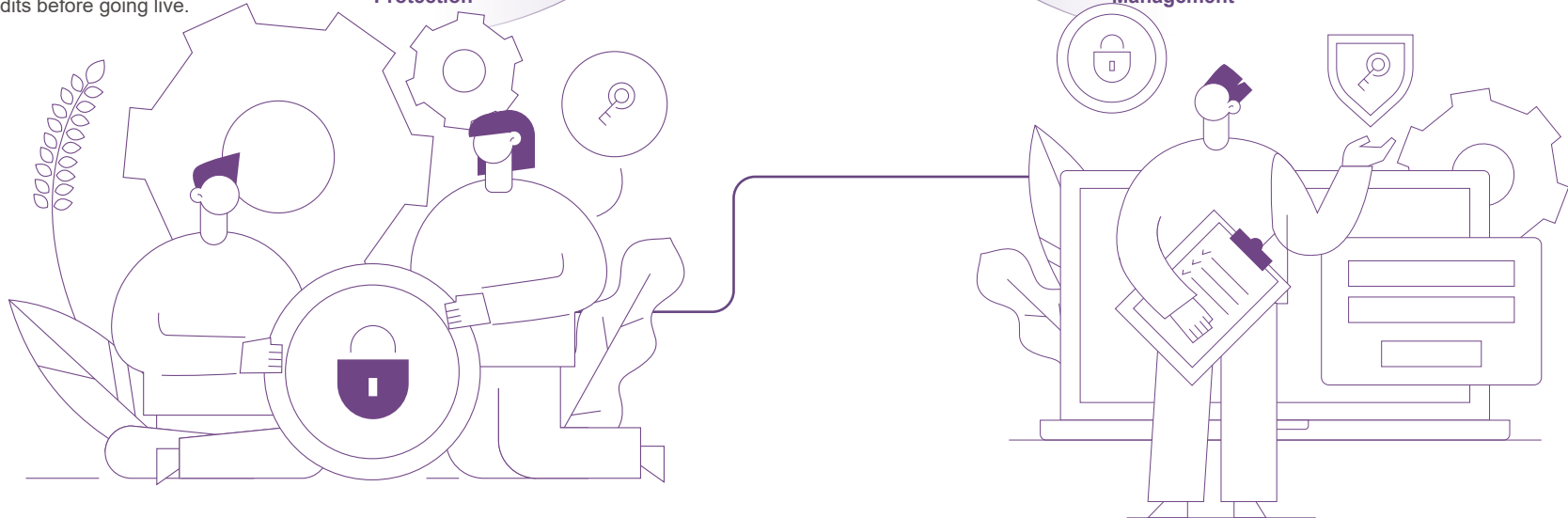
**Post-Termination Handling**

Upon termination of cooperation, data is returned or destroyed as required, with proof of destruction provided.



**Personnel Management**

Constraints are placed on employees and authorized representatives, strictly prohibiting unauthorized access to or disclosure of customer data.



## Data security and privacy protection initiatives in 2025

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### Multi-Scenario Emergency Drills

In 2025, the Company conducted a total of 3 information security emergency drills, which verified the feasibility of its emergency plans and the response capabilities of its team.



### Company-Wide Security Training

In 2025, the Company conducted specialized training on customer information security and privacy protection via an online platform, covering all employees. The employee training coverage rate was 100%, enhancing employees' understanding and execution of data security policies and privacy protection requirements.



### Data Security Audits

In 2025, the Company conducted 3 information security audits, finding no major compliance risks. These audits led to 3 optimizations in permission configurations and 1 improvement in backup procedures.



### Related Party Privacy Protection

In collaborations with suppliers and customers, the Company comprehensively signs agreements containing privacy protection clauses that clearly define data usage boundaries and security obligations. In 2025, there were no data leakage incidents involving related parties, achieving a 100% cooperation compliance rate.

### Case: Conducting multi-scenario data security emergency drills to strengthen the barrier for data security and customer privacy protection



In 2025, focusing on the core needs of data security and customer privacy protection, Kaizhong Precision organized multi-scenario emergency drills for IT operations and maintenance personnel and related positions. In June, a power outage drill was conducted in the data center, simulating emergency system shutdowns and data recovery operations. In August, emergency drills for virus outbreaks and cyberattacks were organized, involving practical operations such as network isolation, virus scanning and removal, and system recovery, thereby strengthening the response process for sudden security incidents. This series of drills covered key data security risk scenarios, effectively enhancing the emergency response and collaborative handling capabilities of the O&M team. These efforts have fortified the security defense line for the entire data lifecycle, safeguarding the Company's core data and customer privacy, and providing support for business continuity.

### Key Performance

As of the end of 2025

**100%**

Completion rate of important data backup

**100%**

Success rate of backup data recovery tests

**100%**

Information security training completion rate

**0**

Number of major information security incidents

**0**

Number of information leakage incidents



# 04

## Environment

Facing severe global environmental challenges, Kaizhong Precision responds to the national "Dual Carbon" strategy by integrating sustainable development into its corporate core. With the vision of "building a green global supply chain to create a better home," and adhering to the policy of "green manufacturing," the Company promotes green transformation and efficient resource utilization through measures such as improving its environmental management system. The Company commits to reaching peak carbon emissions before 2025 and achieving carbon neutrality before 2050. It will work with all parties to contribute to the green development and ecological protection of the industry, fulfill its corporate environmental responsibilities, and jointly build a green future.

- Environmental compliance management
- Addressing climate change
- Energy use and management
- Water resource utilization
- Pollutant emission management
- Waste management
- Circular economy
- Biodiversity conservation

### SDG alignments



# EHS Governance Structure

Kaizhong Precision considers Environment, Health, and Safety (EHS) management as the cornerstone of its sustainable operations and high-quality development. The Company has established a governance structure with the Risk Management Committee, led by the General Manager, and the EHS Department at its core, covering the entire organization to coordinate ESG issues such as environmental compliance management and climate change response. Through a cross-departmental responsibility system, heads of various business divisions, operational units, and subsidiaries drive implementation, forming a collaborative and efficient management network. Furthermore, through systematic audits and a continuous improvement mechanism, the Company regularly assesses risk control and the effectiveness of its actions, promoting the enhancement of the risk management system to ensure the Company's long-term stable development and the achievement of its strategic goals.

## Kaizhong Precision EHS Management Architecture



# Environmental Compliance Management

Kaizhong Precision complies with the *Environmental Protection Law of the People's Republic of China* and other relevant laws, regulations, and local administrative rules where it operates. The Company has established a systematic environmental management system with clear responsibilities linked to performance, and has formulated environmental management policies, procedures, and documents to monitor environmental factors. Adhering to the core principles of "clear responsibility, prevention first, and continuous improvement," the Company has built an environmental governance system with full employee participation and comprehensive coverage. By implementing a regional management system, the Company delegates and solidifies environmental responsibilities to each department and business unit, creating a closed-loop accountability mechanism. At the same time, the Company embeds environmental requirements into the entire production and operation process, promoting the transformation of environmental awareness into action. This approach integrates environmental management with daily operations, enhancing its capabilities for green and low-carbon development.

## System certification

Kaizhong Precision actively promotes and conducts external third-party system certifications and reviews. The Company strictly adheres to audit regulations, undergoing annual surveillance audits by external third parties to ensure the continued effective operation of its management systems. Recertification audits are conducted every three years to meet the latest requirements of certification standards. Additionally, the Company conducts an internal system audit annually to perform a comprehensive self-assessment of its management systems. For any non-conformities identified, effective corrective measures are formulated and implemented to ensure all issues are thoroughly resolved, thereby further enhancing the scientific and standardized nature of the Company's management systems. As of the end of the reporting period, all major production plants of Kaizhong Precision have been certified under the ISO 14001:2015 Environmental Management System.



ISO 14001 Certificate



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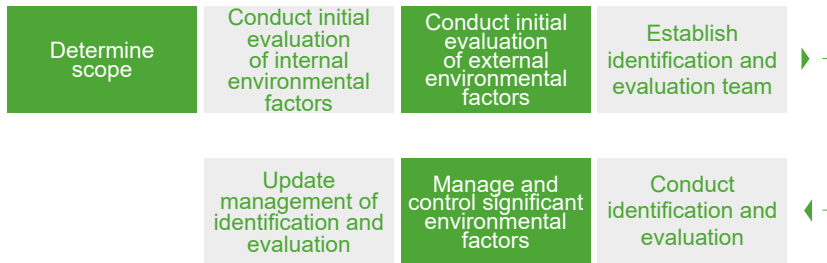
## Environmental honors and titles

Kaizhong Precision aligns closely with the national "Dual Carbon" strategy, benchmarking against green factory standards to build a system that integrates a low-carbon circular economy with intelligent manufacturing. The Company continuously advances green transformation to comprehensively enhance its level of green development and environmental competitiveness.



## Environmental risk identification and control

Kaizhong Precision has established and implemented the *Procedure for Environmental Factor Identification and Evaluation*. Led by the EHS Management Committee, all departments are organized annually to comprehensively identify and systematically evaluate EHS risks and environmental factors. The evaluation covers multiple dimensions, including air emissions and water pollution, and uses quantitative scoring to determine significant risks, ensuring precise identification and effective control. The Company integrates internal and external information sources to ensure a comprehensive and objective evaluation. For significant risks, specialized control plans are developed, and a dynamic update mechanism is established to enhance the adaptability and foresight of risk management, thereby achieving a closed-loop improvement of environmental performance.



**Environmental Factor Identification and Evaluation Process**

## Environmental emergency management

To respond to potential environmental emergencies, Kaizhong Precision has established a comprehensive and standardized environmental emergency management system. The Company has formulated an *Emergency Response Plan for Environmental Emergencies* for risk scenarios such as leaks, fires, and excessive emissions, which clarifies the emergency organizational structure and response procedures to guide incident handling. At the same time, the Company regularly promotes emergency preparedness by organizing at least one full-process drill annually to strengthen collaborative response effectiveness and employee awareness. It also maintains an adequate stock of emergency supplies and equipment to ensure a rapid response and control the spread of pollution during emergencies, safeguarding both the ecological environment and the Company's operational security.

### Case: Participation in external environmental protection training on corporate environmental emergency response



In November 2025, Kaizhong Precision participated in a specialized training session on corporate environmental emergency response organized by the Shenzhen Municipal Ecology and Environment Bureau. By systematically studying major domestic and international environmental accident cases, the Company gained a deeper understanding of the severe consequences and profound lessons learned from incidents such as chemical leaks, fires, explosions, and cross-border pollution, which were caused by a lack of emergency systems, slow response, and management loopholes. This training further enhanced the Company's awareness of the systematic and hidden nature of environmental risks and prompted a review and improvement of its internal environmental emergency response plans.



**On-Site Photo of the Specialized Training on Corporate Environmental Emergency Response**

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**Target**

**2025 Achievements**

The Company has set a target of **0** environmental violation incidents



The Company did **NOT** receive any major administrative penalties or face criminal prosecution from ecological and environmental authorities due to environmental incidents.

**Key Performance**

| Indicator   | Unit         | 2025 data |
|---|--------------|-----------|
| Total investment in environmental protection                                    | RMB 10,000   | 878.48    |
| Ratio of environmental protection investment to operating revenue (per million) | %            | 30        |
| Number of non-Achieved pollutant discharge incidents                            | Cases        | 0         |
| Number of environmental management training sessions conducted                  | Times        | 12        |
| Total duration of environmental management training                             | Hours        | 24        |
| Number of participants in environmental management training                     | Person-times | 120       |
| Number of environmental emergency risk drills conducted                         | Sessions     | 10        |
| Number of participants in environmental emergency risk drills                   | Person-times | 150       |

# Addressing Climate Change

In response to the national "Dual Carbon" strategy, Kaizhong Precision integrates climate change response into its corporate governance and long-term development strategy. By establishing a management system, setting emission reduction targets, and implementing energy conservation and emission reduction projects, the Company is reducing its carbon footprint, enhancing climate resilience, and promoting green and sustainable development to achieve a 50% reduction in carbon emissions by 2030 and 100% carbon neutrality by 2050. Furthermore, the Company has incorporated greenhouse gas management into its core climate governance agenda. Benchmarking against ISO 14064-1:2018, it has established a climate change management system, issued relevant manuals and supporting procedural documents, and built a full-chain management mechanism. For emissions inventory, the Company implements quantitative management covering all three scopes, identifying and calculating both direct and indirect carbon emissions, and has established a data screening mechanism. Relying on this management system, the Company ensures that carbon data is authentic, reliable, and traceable, supporting the setting of carbon targets and accelerating the transition of climate action from compliance to value creation.

## Strategy

Kaizhong Precision is progressively establishing and refining a climate risk management system that covers the entire value chain. The Company systematically identifies climate-related risks and opportunities at every stage, from raw material procurement to product delivery. It integrates the sustainable development of key stakeholders into its management strategy to enhance social responsibility and sustainable value. The Company will continue to focus on key issues, assess potential financial impacts, and develop cost-effective response plans to secure a leading position in the low-carbon transition.

Kaizhong Precision has identified the following risks and opportunities related to "Climate Change Response":

| Risk  | Risk description   | Financial impact  | Management measures  |
|---|--|---|--|
| Extreme weather risks                         | The Company's main operating locations are in coastal areas, making them susceptible to typhoons and heavy rainfall, which could lead to damage to plants and equipment and pose a threat to personnel safety. | Reduced production capacity leading to a decrease in revenue              | Formulate natural disaster emergency plans and conduct regular drills; transfer a portion of losses through commercial insurance.  |
| Policy risk                                   | Increasingly stringent global carbon emission control policies.  | Increased compliance costs  | Continuously track policy developments, promote energy conservation and emission reduction, and increase the proportion of clean energy.   |
| Market risk                                   | Consumer focus on low-carbon standards driving the supply chain toward a green transition.   | Reduced demand for products and services leading to a decrease in revenue | Conduct an organization-level carbon inventory, set emission reduction targets, and implement specific measures.   |
| Technology risks                              | The transition to low-carbon technologies requires continuous R&D investment, and technological iteration involves uncertainty.  | Increased R&D costs   | Strengthen talent development and retention, increase investment in low-carbon technology R&D, and optimize production processes to reduce energy consumption.                               |
| Reputational risk                             | Increasing attention from investors and stakeholders on climate action.  | Impact on financing costs   | Disclose progress in climate risk management, and establish and monitor the achievement of emission reduction targets.   |
| Opportunities                                 | Opportunity description  | Financial impact  | Management measures  |
| Opportunity for green market expansion        | Under the "Dual Carbon" strategy, the demand for new energy vehicles and green manufacturing is growing, and a low-carbon transition can expand access to high-end customers and markets.                      | Increased operating revenue and product gross profit margin               | Leverage green factories to build a green product system, partner with leading new energy vehicle companies, and expand into the low-carbon sector.  |
| Opportunity for operational cost optimization | Substituting with clean energy, implementing energy efficiency upgrades, and recycling resources can reduce energy costs and improve resource efficiency.  | Reduced operating costs   | Increase the proportion of green electricity and promote energy-saving technological upgrades; optimize energy management and establish a full-process energy consumption control mechanism. |

# Impact, risk, and opportunity management

## Climate change materiality assessment

Guided by its development mission and vision, and considering internal and external resources, policies, and market conditions, Kaizhong Precision has mapped out its industrial value chain. The Company is positioned in the middle of the value chain, transforming upstream materials and components into competitive products through its own R&D, production, and technological innovation.

## Assessment method for climate-Related impacts, risks, and opportunities

### Impact assessment



The Company strictly follows the ISO 14064-1 standard and local guidelines in Shenzhen to quantify and assess the impact of direct and indirect carbon emissions from its operational activities through annual greenhouse gas inventories.

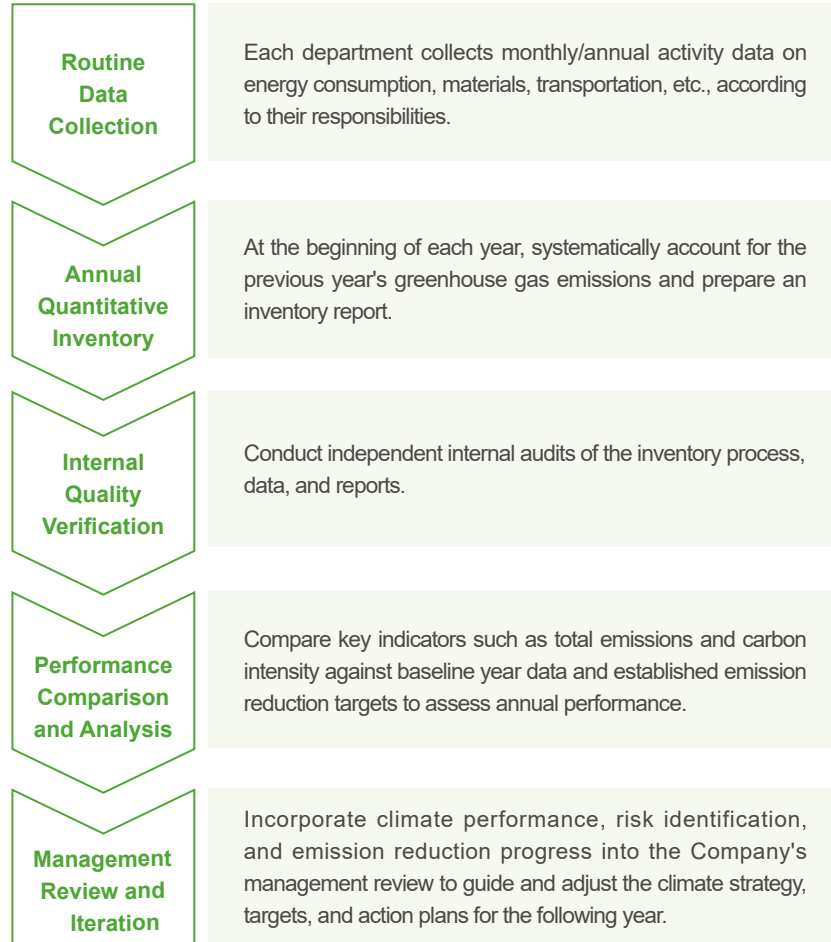
### Risk and opportunity identification



The Company employs a method that combines qualitative analysis with industry assessment. By monitoring policy dynamics, analyzing customer needs, evaluating supply chain conditions, and studying local climate characteristics, it regularly identifies and updates climate-related risks, physical risks, and potential opportunities.

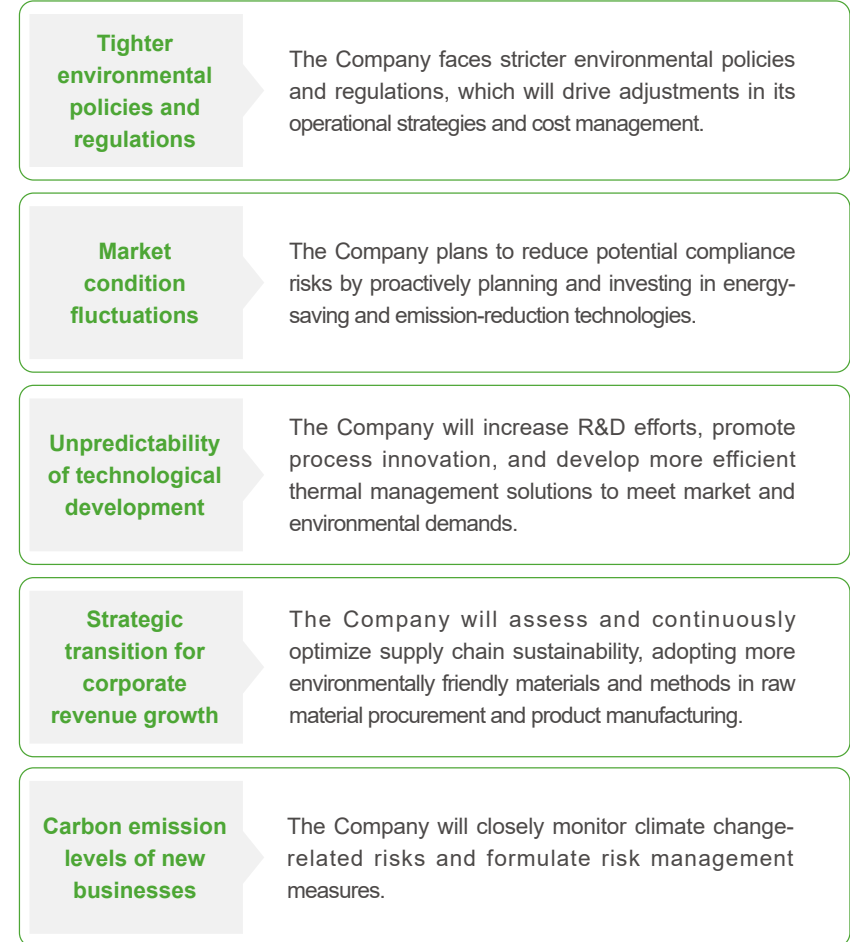
## Monitoring mechanism for climate-related issues

Kaizhong Precision has established a regular and procedural monitoring mechanism to continuously track climate issues. With the "Greenhouse Gas Management Team" at its core and the Environmental Protection Department as the executive hub, the Company has formed a stable organizational guarantee. A closed-loop monitoring and management system has also been established to ensure the Company can respond promptly to internal and external changes and steadily advance its low-carbon transition.



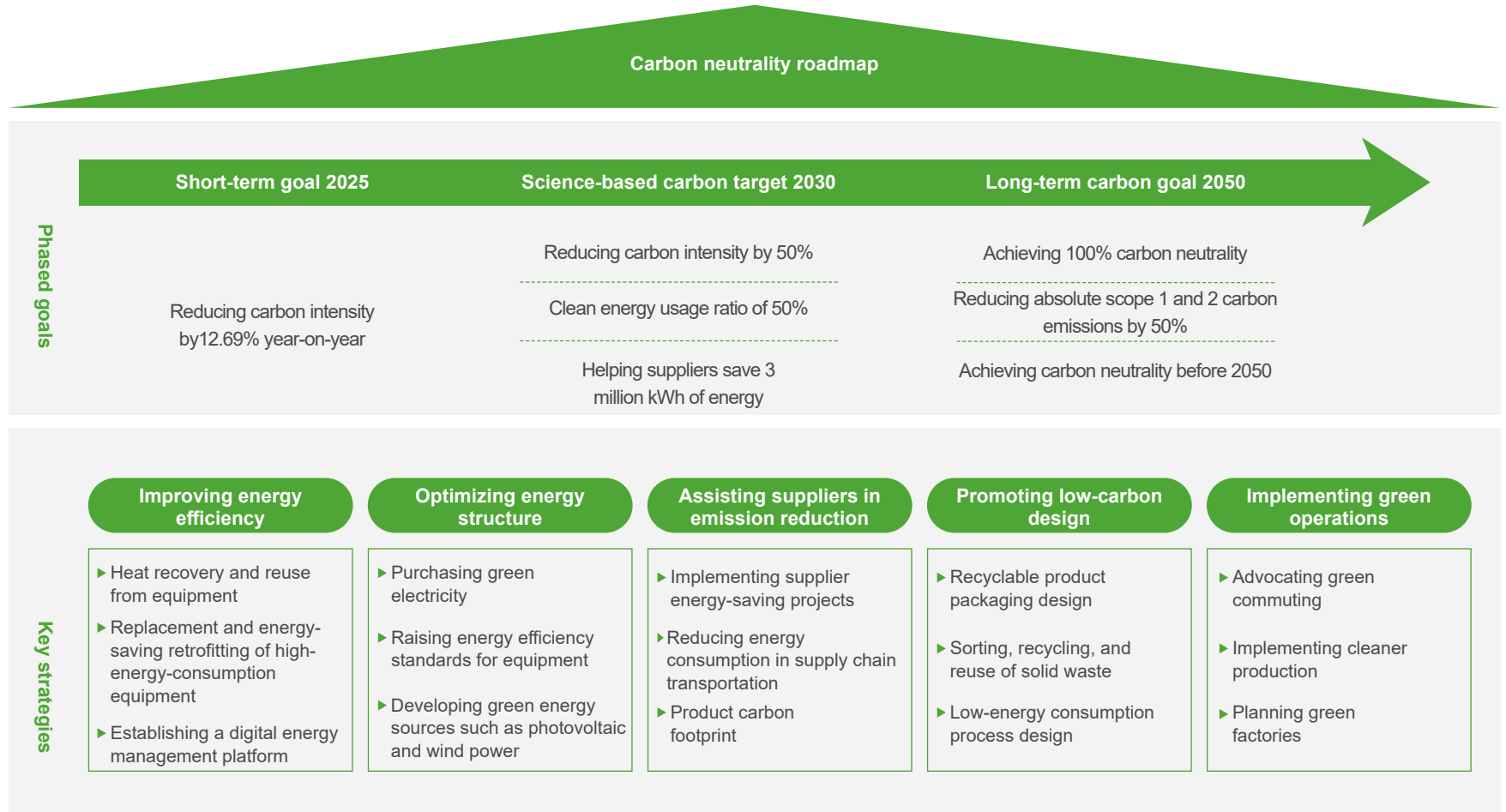
## Conducting climate change scenario analysis

To actively respond to the national "Dual Carbon" goals and meet policy requirements, customer demands, and industry development trends, Kaizhong Precision, after assessment, selected the Beyond 2°C Scenario (B2DS) proposed by the International Energy Agency (IEA) for its climate scenario analysis. This scenario integrates multiple risk dimensions, including extreme weather events, policy changes, and market fluctuations, to effectively assess the Company's climate resilience.



# Indicators and targets

Kaizhong Precision integrates into the national "Dual Carbon" strategic framework, demonstrating its firm commitment to the 3060 goals through practical actions. By continuously increasing resource investment and implementing systematic emission reduction actions, the Company has translated its environmental responsibilities into quantifiable performance results—as of 2025, the carbon emission intensity per unit of value added has decreased by 12.69% year-on-year, laying a solid foundation for its medium- and long-term "Dual Carbon" targets. Looking ahead, the Company will continue to follow its "Carbon Neutrality Roadmap," driving the low-carbon transition forward with phased milestones and steadily advancing toward a net-zero future.



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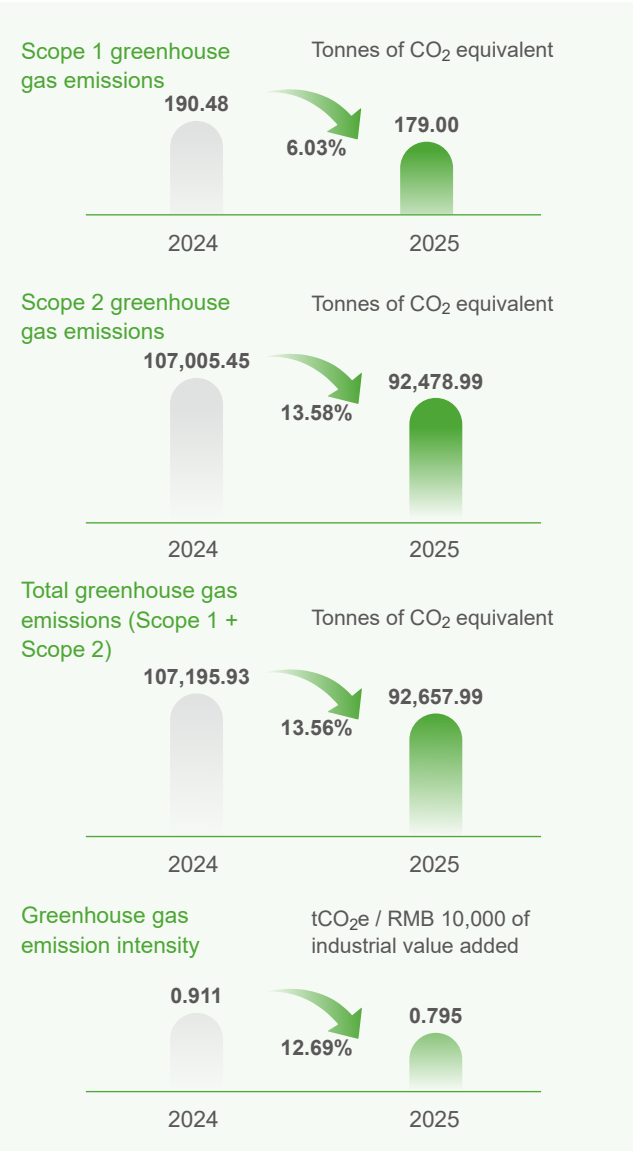
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## Greenhouse gas emission reduction measures

Kaizhong Precision reshapes its organizational behavior through green operations, creating a low-carbon ecosystem that covers work methods, lifestyles, and production models. The Company has issued an energy conservation and carbon reduction initiative to all employees, weaving specific actions such as energy-saving electricity use, paperless offices, green commuting, resource recycling, and intelligent manufacturing efficiency improvements into the fabric of daily operations. From desks to production lines, from commutes to community homes, a green mindset is becoming a shared identity for Kaizhong's people. This is both a proactive response to the national strategy for energy conservation and emission reduction and an intrinsic driver for the Company's journey toward a sustainable future.

### Case: Replacing traditional fossil fuels with clean energy to implement low-carbon practices

In 2025, the Company steadfastly implemented its green and low-carbon development strategy, making the application of clean energy a core measure to optimize its energy structure and reduce carbon emissions, continuously increasing the proportion of green electricity in its production and operational energy consumption. During the reporting period, the Company's green electricity consumption reached 13.769 million kWh. Through the low-carbon practice of replacing traditional fossil fuels with clean energy, the Company achieved a cumulative carbon emission reduction of 13,065.4 tCO<sub>2</sub>e, effectively reducing the carbon footprint of its production and operations.

### Case: Active participation in training on carbon market policy interpretation and trading capability enhancement

To enhance its capacity to participate in the carbon market, Kaizhong Precision attended the 2025 capacity-building training session for key emitting entities in June 2025, organized by Shenzhen Green Exchange. This training focused on interpreting Shenzhen's carbon emission rights trading policies, practical skills for the carbon market, and guidance for annual compliance work, aiming to help key emitting entities deeply understand policy requirements, master trading processes, and successfully fulfill their emission reduction responsibilities. Through this systematic learning, the Company has further clarified its primary responsibilities and action paths within the carbon market, laying a solid foundation for active participation in carbon emission rights trading and optimizing internal carbon management processes in the future.

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# Energy Use and Management

Kaizhong Precision places energy management at the core of its production, operations, and strategic development, establishing a systematic, company-wide energy governance system. Benchmarking against the ISO 50001:2018 Energy Management System standard, the Company has formulated institutional documents such as the *Energy Management Manual*, which clarify its energy policy, responsibilities, and operational standards, embedding energy management goals into the entire production and operational process and strategic decision-making. To ensure the efficient operation of this system, the Company has established an Energy Conservation and Consumption Reduction Leading Group, composed of members from the EHS Management Committee and the Equipment and Power Department under the EHS Department. This group drives the shift from passive cost control in energy conservation and carbon reduction to proactive value creation, achieving synergistic environmental and economic benefits. This effort lays a solid energy management foundation for the Company's low-carbon transition and high-quality development.

## Energy-Saving Targets

Reduce annual energy consumption by **3%** (baseline Unit: per RMB million of industrial added value)



**ISO 50001 Energy Management System Certificate**

The Company actively responds to the national "dual control" policy and carries out energy conservation and emission reduction work in conjunction with its main business, comprehensively implementing green operation strategies. The Company has issued an energy conservation and emission reduction initiative to all employees, implementing measures such as energy-saving electricity use, paperless offices, green commuting, resource management optimization, and production efficiency improvements. At the same time, the Company has formulated the *Regulations on Energy Conservation and Emission Reduction Management* to further utilize energy effectively and rationally, improve energy efficiency, control costs, and achieve the Company's dual control targets.



## Low-Carbon Living

- ✓ Green Commuting: Implement the "3-5-10 Commuting Plan" (walking for 3 km, cycling for 5 km, taking public transportation for 10 km, and driving for distances over 10 km), encourage walking, cycling, and public transport, and drive one less day per week.
- ✓ Energy Conservation and Emission Reduction Behaviors: Advocate for taking the stairs, sorting and recycling waste, and conserving resources (water, paper, electricity) to cultivate environmental protection habits.



## Low-Carbon Office

- ✓ Energy-Saving Electricity Use: Use energy-saving light fixtures and promote the use of strong natural light for illumination; strictly require that electrical appliances be turned off when leaving the office and set reasonable computer screensaver times; regulate the use of air conditioning, and suspend its use on specific days.
- ✓ Paperless Office: Promote paperless communication and document processing (using the OA e-office platform and video conferencing), save printing paper, and advocate for double-sided printing.



## Low-Carbon Manufacturing

- ✓ Resource Management: Promptly identify and address leaks, spills, and drips to reduce energy waste.
- ✓ Production Efficiency: Ensure machinery is turned off when not in use and non-essential power sources are shut down; improve production quality and efficiency to save energy.
- ✓ Energy-Saving Improvements: Encourage suggestions for energy-saving equipment and improvements to enhance the Company's operational efficiency.

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### Key Performance

| Indicator                                       | Unit   | 2025 data |
|---|--|-----------|
| Total energy consumption                        | Tonnes of standard coal equivalent                   | 12,063.76 |
| Total energy consumption per million in revenue | Tonnes of standard coal equivalent/<br>RMB 1 million | 4.12      |
| Direct energy consumption                       | Tonnes of standard coal equivalent                   | 86.04     |
| Including: Diesel                               | Tonnes of standard coal equivalent                   | 57.78     |
| Including: Gasoline                             | Tonnes of standard coal equivalent                   | 28.26     |
| Indirect energy consumption                     | Tonnes of standard coal equivalent                   | 11,977.73 |
| Including: Electricity                          | Tonnes of standard coal equivalent                   | 11,977.73 |

# Water Resource Utilization

To actively address the global challenge of water scarcity and promote sustainable corporate development, Kaizhong Precision has always regarded water as a precious strategic resource and is committed to building a comprehensive and efficient water resource management system. The Company strictly complies with laws and regulations such as the *Water Law of the People's Republic of China* and the *Regulations on Water Conservation*. Adhering to the management principles of "total volume control, efficiency first, recycling and reuse, and individual accountability," the Company has formulated and implemented the *Water Resource Management System*, integrating the concepts of water resource protection and efficient utilization into every aspect of its strategic decision-making and daily operations.

### Water conservation target

Annual reduction of **5%** (Unit: per RMB million of industrial added value)



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Through strict compliance management of water withdrawal, a quota control system, and a refined metering and monitoring network of "one meter per household, one meter per machine," Kaizhong Precision achieves precise tracking and dynamic management of water flow and consumption throughout the entire plant area, laying a solid foundation for continuous improvement in water use efficiency.

**Water Withdrawal and Use Management Measures**



**Achieved water withdrawal, strictly adhering to legal red lines**

- All water withdrawals are legally licensed and strictly adhere to permit requirements;
- Unlicensed or excessive water withdrawal is strictly prohibited to ensure full operational compliance.



**Planned management, implementing precise control**

- Annual departmental and monthly water use plans are developed based on the production plan for the following year;
- Total water consumption and conservation targets are clearly defined to achieve refined, goal-oriented management.



**Quota control, promoting water conservation and efficiency**

- Water consumption quotas for major products and processes are established with reference to national and industry standards;
- Workshop water use is strictly controlled within quotas, with any excess requiring analysis and corrective action, forming a closed management loop.

**Water Conservation and Recycling Management Measures**



Water-saving fixtures are used in office areas and dormitories. Water-efficient processes and equipment are prioritized in production. The technical department regularly assesses and promotes water-saving retrofits for older equipment.



A production wastewater treatment and reuse system has been established, with treated water used for workshop cleaning and landscape irrigation. Rainwater is collected for plant greening and road sweeping to reduce fresh water consumption.



The technical department conducts weekly inspections of the water supply network and water-using equipment, uses professional methods to detect leaks, and repairs them within 24 hours. All departments are required to report any discovered leaks immediately.

**Key Performance**

| Indicator               | Unit   | 2025 data |
|-------------------------|--------|-----------|
| Total water consumption | Tonnes | 138,858   |
| Recycled water volume   | Tonnes | 41,199.30 |
| Water recycling rate    | %      | 30        |

# Pollutant Emission Management

In accordance with national laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Regulations on the Administration of Pollutant Discharge Permits*, and based on its own production and operational realities, Kaizhong Precision has formulated the *Pollutant Emission Management System* and has established and continuously improved a pollutant emission management system covering the entire process. The Company implements a coordinated strategy of source reduction, process control, and end-of-pipe treatment for waste gas, wastewater, solid waste, and noise to ensure that environmental impact is minimized and resource utilization is maximized.

Furthermore, with environmental compliance as the baseline for its survival and development, the Company has built a four-in-one environmental governance system encompassing "monitoring - record-keeping - permitting - emergency response." This system is founded on a five-dimensional monitoring network to establish a solid data foundation, a dual-track record-keeping system to solidify full-process traceability, a pollutant discharge permit system to define compliance boundaries, and a tiered emergency response mechanism to secure the risk bottom line. This forms a closed-loop environmental management cycle covering "prevention - control - improvement - emergency response," driving the transformation of pollution prevention from passive compliance to proactive governance and from experience-based management to data-driven management.

## Five-dimensional monitoring

A five-dimensional self-monitoring system of "location - indicator - frequency - method - responsibility" has been established, covering all media including waste gas, wastewater, and noise. Monitoring is conducted with Achieved equipment, ensuring data is traceable and publicly disclosed in accordance with the law.

## Dual-track record-keeping

A comprehending on a dual-track basis of "primarily electronic, with paper for built, oper backup." Retention periods are set by category to meet regulatory and trace ability requirements.

## Tiered emergency response

A tiered emergency response mechanism has been established. In the event of an incident, a "notification - reporting - disposal" process is activated. Drills and reviews enhance risk prevention and control capabilities.

## Permit compliance

The Company strictly implements the pollutant discharge permit system, completing permit applications, renewals, and modifications in accordance with the law to ensure that all discharge activities are lawful and Achieved throughout the entire process.

### Pollutant Emission Management System

## Special Management Measures for Pollutants

### Air pollution prevention and control

- Establish an inventory management system for all exhaust emission sources, and adopt differentiated treatment processes for different types of exhaust gas, generally using a combined model of "pretreatment + main treatment + end-of-pipe treatment";
- Process exhaust gases from organized emissions are strictly treated using high-efficiency processes such as adsorption and combustion. All exhaust emissions comply with national and local standards, with some factories implementing stricter "special emission limits";
- Strictly control the unorganized escape of dust and volatile organic compounds (VOCs) through measures such as sealed storage of raw materials, optimization of transportation links, and treatment of fugitive emissions;
- Establish operational records for all pollution control facilities, which are regularly maintained to prevent unauthorized shutdowns.

### Water pollution prevention and control

- Strictly implement "separation of rainwater and sewage, and separation of clean and polluted water." All production bases nationwide have established wastewater treatment systems, with treatment processes combining physical, chemical, biochemical, and membrane technologies based on water quality and local environmental requirements;
- Production wastewater is treated to meet discharge standards or is reused as reclaimed water after deep treatment. Some factories have achieved "zero discharge," increasing the water recycling rate;
- Domestic sewage is pretreated before being discharged into the municipal pipe network; storage tanks, pipelines, and sewage pools on the plant site are equipped with anti-seepage and emergency collection facilities to prevent leakage risks.

### Noise pollution prevention and control

- Prioritize the use of low-noise equipment, and install soundproof covers and shock-absorbing bases for high-noise sources to reduce noise at the source and equipment level;
- Reasonably plan production operation times to avoid high-noise operations at night;
- Regularly commission third-party monitoring of noise at the plant boundary to ensure compliance with the *Emission Standard for Industrial Enterprises Noise at Boundary*.

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**Case: Wastewater pipe leakage emergency response drill**



In 2025, to test and enhance its practical response capabilities for environmental emergencies, Kaizhong Precision organized a special emergency drill for a "wastewater pipe leak in Production Department." The drill simulated a scenario where a workshop wastewater pipe was damaged. The emergency response team quickly initiated the response according to the plan and efficiently completed a series of actions, including cutting off the leakage source, containing the pollution, conducting environmental monitoring, and repairing the pipeline, successfully preventing the pollutants from escaping. This drill effectively verified the operability of the Company's emergency plan, strengthened the collaborative response capabilities of multiple departments, and reflected the Company's management philosophy of "combining peacetime preparedness with wartime response and being well-prepared" in environmental risk control.

**Case: Conducting specialized hands-on training for wastewater treatment to strengthen guarantees for Achieved waste disposal**



In 2025, to enhance the level of refined environmental management and the practical skills of frontline employees in waste and wastewater treatment, Kaizhong Precision's Bao'an Branch conducted specialized on-site training and hands-on drills focused on the wastewater treatment system. The training, based on the *Wastewater Treatment System Operation Manual*, systematically explained the process flows of the three wastewater treatment units. Through on-site demonstrations and one-on-one practical guidance, it helped employees master skills in operational inspections and troubleshooting, and strengthened their professional knowledge of safe chemical preparation. This training clarified job responsibilities and effectively enhanced the environmental safety awareness and emergency response capabilities of all employees, providing both personnel and technical guarantees for the stable and Achieved operation of the Company's wastewater treatment system and the standard-Achieved discharge of pollutants.

**Key Performance**

**78,170** Tonnes

Total amount of wastewater discharge

**291,496.41** Ten thousand cubic meters

Total exhaust gas emissions

# Waste Management

Adhering to the principles of "reduction, resource recovery, and harmless treatment," Kaizhong Precision complies with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations. The Company has formulated policies such as the *Waste Management Regulations* and has established and optimized a full-lifecycle waste management system. The Company is building a scientific, efficient, and sustainable waste treatment system to enhance its treatment capacity and management level, reduce the impact of waste, promote green and low-carbon production and lifestyles, contribute to ecological and environmental protection and sustainable development, and achieve standardized, refined, and green management throughout the entire treatment process.

## Waste Management System



### General industrial solid waste

- ✓ Sorted disposal: Subdivide categories such as scrap metal and waste plastics, prioritize recycling and reuse, and commission Achieved units to dispose of materials with no recycling value; establish storage/transfer ledgers and retain them for no less than 5 years.
- ✓ Full-process control: Regularly update and file the solid waste inventory, sort and collect at the source, store in a standardized manner, commission qualified suppliers for disposal, conduct annual spot checks on the final disposal end, and track the destination through manifests, GPS, etc., to prevent illegal dumping and secondary pollution.



### Hazardous waste

- ✓ Sorted storage and transfer: Store in dedicated warehouses with partitioned and sorted areas, handle transfers through electronic manifests on the regulatory platform, and commission qualified units for disposal to achieve full-process traceability.
- ✓ Emergency management: Establish management ledgers and have them regularly checked by the EHS department, and strictly control the collection/storage/transfer processes; formulate and drill emergency plans, and in the event of an accident, activate the plan, notify affected parties, and report to the environmental protection department.

The Company organizes at least one hazardous waste leakage emergency drill annually to enhance employees' emergency response and handling capabilities, and maintains records and summary evaluations of the drills. At the same time, the Company's regulatory departments include standardized hazardous waste management in their annual training plans, regularly training relevant employees on laws and regulations, operating procedures, and safety awareness to ensure that management requirements are deeply ingrained.

**Case: 2025 hazardous chemical leakage and fire emergency drill**



To strengthen its emergency response capabilities for hazardous chemical accidents, Kaizhong Precision organized a joint emergency drill for a sulfuric acid leak and an alcohol fire in 2025. The drill simulated the neutralization, containment, and cleanup procedures for a sulfuric acid leak, as well as initial firefighting operations for an alcohol fire, covering key aspects such as alarm response, personal protection, leak control, and firefighting. This multi-departmental collaborative drill effectively tested the applicability of the emergency plan, enhanced employees' practical response skills for hazardous chemical incidents, and identified areas for control improvement in scenarios involving large-scale leaks and fire escalation, further solidifying the Company's production safety defenses.



**Emergency Drill for Responding to a Sulfuric Acid Leak and an Alcohol Fire**

**Key Performance**

**2,461** Tonnes

Total non-hazardous waste

**356** Tonnes

Total hazardous waste

**1,361** Tonnes

Total waste recycled

**48.33%**

Percentage of waste recycled

**100%**

Coverage rate of industrial solid waste sorting and recycling

**100%**

Compliance rate of hazardous waste sorting, storage, and transfer



# Circular Economy

In practicing the principles of a circular economy and promoting the green transformation of its production system, Kaizhong Precision is not only committed to the resource recovery of end-of-pipe waste but also proactively integrates circular economy thinking into the source innovation of product design and production processes. Through continuous material substitution and process optimization, the Company fundamentally reduces the use of hazardous substances and enhances the environmental friendliness and resource recycling potential of its products throughout their lifecycle.



## In production process management

- The Company proactively replaces high-risk chemicals with low-risk, environmentally friendly alternatives. Citric acid is used instead of traditional sulfuric acid for cleaning and treatment, significantly reducing the environmental and safety risks associated with the storage, use, and subsequent disposal of strong acids.



## In product design and material selection

- The Company actively explores and applies innovative materials, such as using polymer plastic blades instead of traditional metal magnetic yokes in some components. This move not only reduces product weight and optimizes performance but also significantly improves the material's recyclability and environmental compatibility in final disposal.

# Biodiversity Conservation

The Company integrates biodiversity conservation into its corporate environmental responsibility strategy, systematically managing its impacts on ecosystems across daily operations, supply chain management, and long-term investments. During the project planning and feasibility assessment phases, the Company proactively identifies and avoids ecologically sensitive areas, strictly adhering to the regulatory requirements of ecological protection red lines, environmental quality baselines, resource utilization ceilings, and the negative list for environmental access. Throughout the construction and operational phases, the Company minimizes disturbances to surrounding habitats and species through measures such as intensive land use, pollutant control, and facility greening. Furthermore, the Company has incorporated biodiversity compliance requirements into supplier qualification and performance evaluation systems, driving the entire upstream and downstream value chain to jointly fulfill ecological responsibilities.

## Key Performance

During the reporting period, the Company's production, operations, products, and services did **NOT** have a significant impact on biodiversity.



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## Society

Kaizhong Precision upholds a "people-oriented" philosophy, integrating employee well-being and social responsibility into its long-term development logic. The Company is committed to creating a fair, respectful, and inclusive work environment, safeguarding the legitimate rights and interests of its employees, improving its talent acquisition and development mechanisms, and fostering a strong sense of belonging and organizational cohesion. With occupational health and safety as its bottom line, the Company protects the lives and health of its employees and ensures operational stability. It also continuously engages in social contribution and rural revitalization initiatives, responding to community and public concerns and driving the parallel advancement of corporate growth and social value.

- Protection of employee rights
- Occupational health and safety
- Employee compensation and benefits
- Social contribution
- Employee career development and training
- Rural revitalization
- Employee care

### SDG alignments



# Protection of Employee Rights

Kaizhong Precision adheres to legally Achieved employment and a "zero tolerance for infringement" bottom line. The Company integrates the protection of employee rights into its systems and management by following domestic regulations, incorporating overseas requirements, and drawing on international initiatives. To improve its labor rights management mechanism, the Company has formulated and implemented policies such as the Employee Handbook, which covers aspects like equal employment, ensuring that employee grievances are handled in a documented and traceable manner. The Company fosters an inclusive, diverse, and equal work environment and improves mechanisms centered on "equal employment and a diverse workforce."

Talent acquisition is guided by job requirements and follows the principles of openness, transparency, and merit-based competition. The Company standardizes selection processes to ensure information is authentic and processes are traceable, promoting a diverse workforce structure. At the same time, it emphasizes a combination of internal and external talent allocation to build a sustainable talent supply system. To implement equal employment, the Company prohibits unfair treatment such as discrimination and harassment through its policies, enhancing fairness, optimizing codes of conduct and rights protection mechanisms, ensuring accessible complaint channels, and strengthening protection for special groups. This improves employees' sense of belonging and cohesion, achieving stable and integrated development of a diverse team.

## Measures for Protecting Labor Rights

**Anti-discrimination**

The Company does not interfere with employees' freedom of belief. It does not discriminate against employees in hiring, compensation, training opportunities, promotion, dismissal, or retirement based on ethnicity, race, nationality, religious belief, gender, or other factors. In the event of a discrimination incident or upon receiving a related complaint, the Company promptly investigates and provides reasonable assistance to the affected individuals, such as legal aid, financial compensation, and psychological counseling.

**Anti-harassment**

All forms of harassment, including psychological, sexual, and verbal, are prohibited. Employees are encouraged to report potential and actual incidents of harassment or abuse to their company's HR & Administration department or their department head. In the event of an incident or upon receiving a complaint, the Company promptly investigates and provides reasonable assistance to the affected individuals, such as legal aid, financial compensation, and psychological counseling.

**Prohibition of child labor**

The Company prohibits the hiring of employees under the age of 16 and strictly verifies the age of all applicants to ensure no child or juvenile workers are employed. If child labor is discovered, the Company immediately ceases their work in accordance with labor laws, sends them for a medical examination at a specialized institution, returns them to their guardians promptly, and assists them in continuing their compulsory education.

**Opposition to forced labor**

The Company signs labor contracts with employees in accordance with the law, clearly defining the terms of employment. It strictly prohibits collecting deposits from employees in any form and does not hold, destroy, hide, or confiscate their documents, except as required by law. If any instance of forced labor is discovered, the Company promptly investigates, holds the responsible parties accountable, and provides reasonable assistance to the affected individuals, such as legal aid, financial compensation, and psychological counseling.

**Freedom of association and collective bargaining**

The Company has established a labor union to ensure that employees can exercise their right to organize in an environment free from violence, pressure, fear, intimidation, and threats. For matters involving the vital interests of employees, such as wages, benefits, occupational safety and health, and social insurance, the Company supports listening to employees' opinions through democratic forms like the workers' congress and union meetings, and cares about and values their reasonable demands.

**Protection of female employees' rights**

- Job assignment and transfer for female employees: The Company prohibits arbitrarily assigning female employees to unsuitable positions. If a position becomes unsuitable due to production changes, a timely transfer will be arranged. Female employees may apply for a transfer for health reasons with a doctor's certificate.
- Labor protection during pregnancy: Pregnant employees are prohibited from working overtime. From the seventh month of pregnancy, they are not assigned to night shifts and are provided with rest time. Their working hours and tasks are monitored regularly.
- Maternity and nursing leave: The Company ensures female employees' rights to prenatal check-up leave, nursing leave, and parental leave in accordance with the law. During the nursing period, female employees are not assigned to work overtime or on night shifts.

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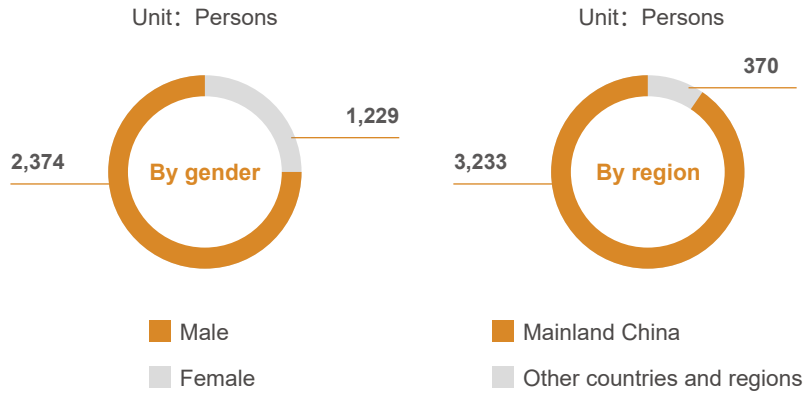
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Total number of employees **3,603** Persons



**Key Performance**

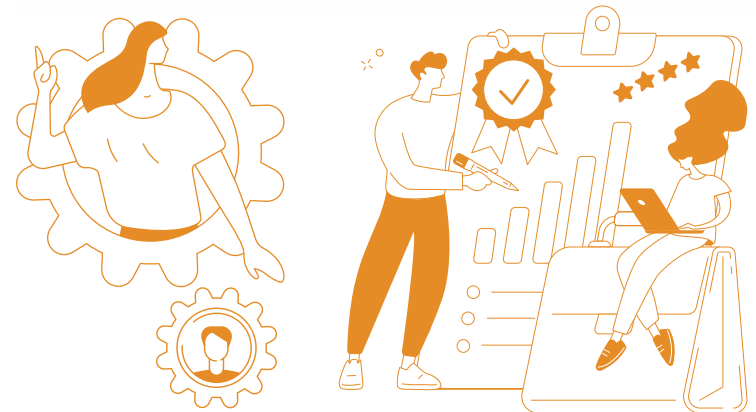
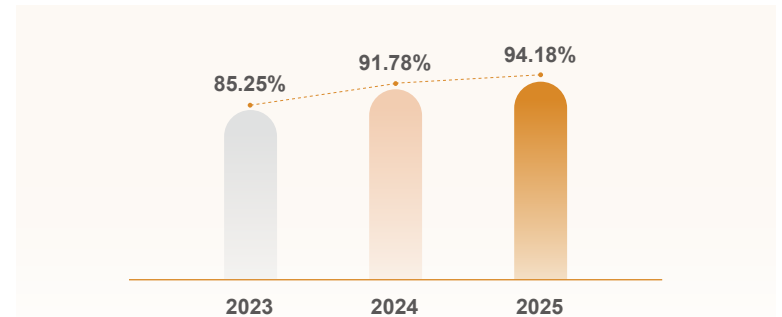
| Indicator                                      | Unit    | 2025 data |
|--|---------|-----------|
| Employees with disabilities hired              | Persons | 8         |
| Employees from ethnic minorities               | Persons | 452       |
| Veteran employees                              | %       | 25        |
| Percentage of female employees                 | %       | 34.11     |
| Employee turnover rate                         | %       | 9.96      |
| Workers' congress meetings throughout the year | Times   | 5         |
| Labor contract signing rate                    | %       | 100       |
| Social insurance coverage rate                 | %       | 100       |

**No incidents** involving infringement of the freedom of association and collective bargaining rights, forced labor, illegal servitude, employment of child labor, or any type of discrimination or harassment were found.

## Employee satisfaction

Kaizhong Precision regards its employees as core stakeholders in the organization's development and values their requests and experiences. The Company conducts annual all-staff satisfaction surveys to collect feedback on key dimensions such as the work environment, career development paths, team collaboration effectiveness, and the competitiveness of compensation and benefits. It has established a tiered and categorized issue response mechanism to ensure that requests are directed to the responsible departments. This system mandates time-bound, closed-loop implementation of improvement measures and targeted feedback on rectification results. This approach transforms value from "voices being heard" to "problems being solved," continuously enhancing the employee experience and organizational commitment.

**Employee satisfaction**



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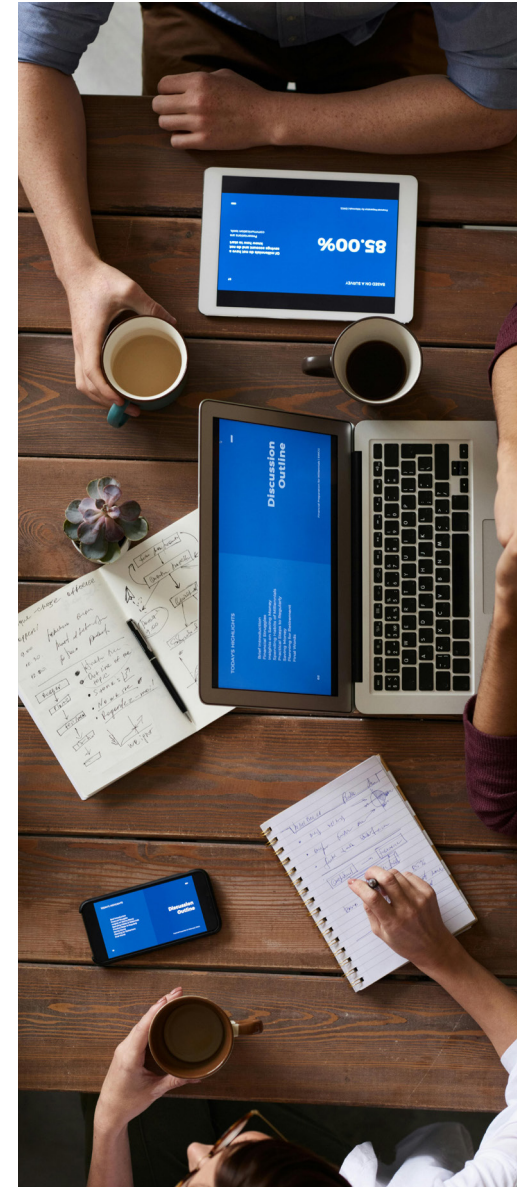
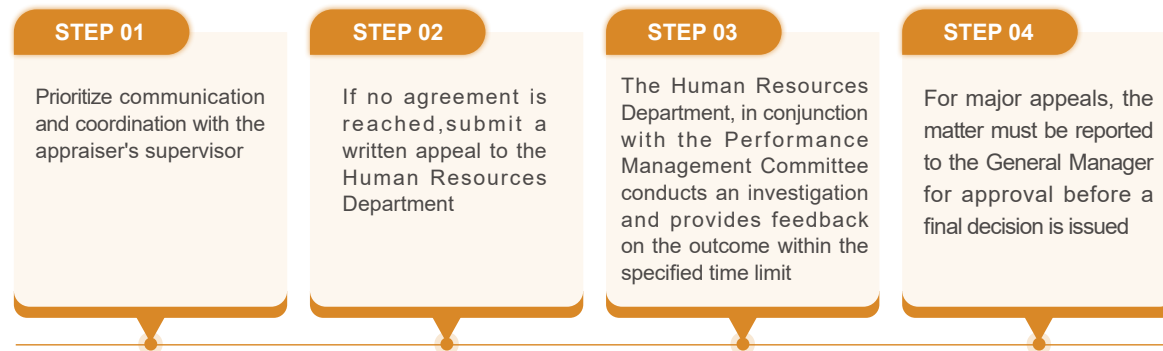
# Employee Compensation and Benefits

Kaizhong Precision is committed to centering its efforts on employee well-being and long-term talent development. The Company has built a compensation management system and an employee benefits framework that are both externally competitive and internally equitable. Through performance incentives, medium- and long-term employee stock ownership, and diverse welfare services, it addresses the multi-level needs of its employees. This ensures that employees receive more comprehensive support and care at the Company, enhancing their sense of belonging and cohesion, and stabilizing its core talent team. By continuously reviewing and optimizing its incentive and benefits strategies, the Company maintains its attractiveness to talent and its market competitiveness.

## Employee compensation and performance

Kaizhong Precision continuously improves its compensation and incentive systems, such as the *Compensation and Benefits Management System* and the *Performance Management System*. The *Employee Handbook* clearly outlines the performance-oriented principles, using performance results in key areas like bonus distribution. This strengthens the role of the compensation system in driving strategic goals and supporting key positions, fostering a positive cycle. Additionally, the Company strictly adheres to the *Performance Management System* to improve the entire process for employee performance feedback and appeals. After performance appraisal results are issued, the employee's direct supervisor conducts a one-on-one performance feedback meeting to explain the results and their basis, listen to the employee's opinions, and clarify subsequent improvement plans and resource support, thereby aligning organizational goals with individual development.

### Performance Appeal Process



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# Equity incentives and employee stock ownership plans

Kaizhong Precision uses a systematic performance management system to link medium- to long-term and daily incentives, applying organizational and individual performance results to incentive distributions such as annual bonuses, salary adjustments, and performance awards. At the same time, to improve the benefit-sharing mechanism between laborers and owners and align the interests of the Company, shareholders, and employees, the Company has launched a stock option incentive plan and an employee stock ownership plan. These initiatives aim to motivate and retain core talent, stimulate their enthusiasm and creativity, build a human resources advantage, and ensure the achievement of long-term strategic goals.

**Case: Implementing a stock option incentive plan to align core talent with performance goals**

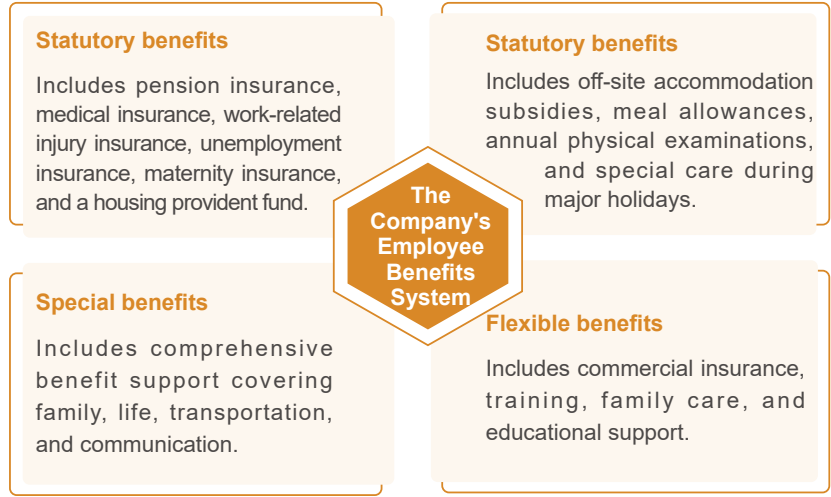
In September 2025, Kaizhong Precision launched the 2025 Stock Option Incentive Plan, covering certain senior and core management personnel. By implementing compensation securitization reforms, the plan links company-level performance targets with individual performance results. This long-term incentive strengthens the stability of key talent and aligns their objectives with the Company's business goals, thereby boosting momentum for sustained growth.

**Case: Implementing an employee stock ownership plan to enhance key talent retention and long-term incentives**

In May 2025, Kaizhong Precision launched the 2025 Employee Stock Ownership Plan, with 160 outstanding employees participating. This plan improves the corporate governance mechanism and enhances the Company's long-term, effective incentive and constraint mechanisms and compensation system. It fully mobilizes the enthusiasm and creativity of employees, attracting and retaining outstanding management talent and business backbones, which is conducive to the Company's future performance improvement and high-quality sustainable development.

# Employee benefits

Kaizhong Precision is deeply concerned with employee benefits and well-being. Guided by the *Welfare Management System*, the Company has established a benefits management framework covering all full-time employees. This framework emphasizes the legality, compliance, differentiation, and accessibility of benefits, while standardizing the composition and applicability of benefits. This approach ensures that welfare resources more accurately match the multi-level needs of employees, continuously enhancing their sense of belonging and team stability.



**Key Performance**

Employee benefits coverage rate: **100%**

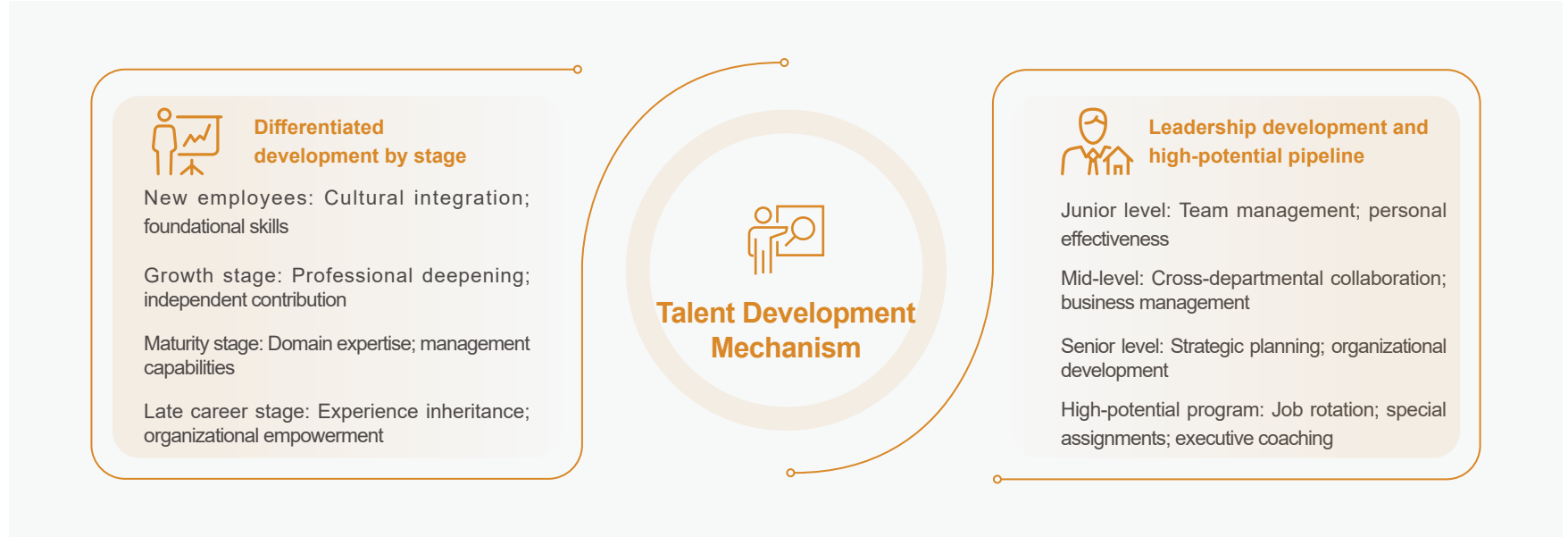
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# Employee Career Development and Training

Kaizhong Precision adheres to a strategic focus on employee career development and training. The Company has systematically built an employee development support system that balances institutional guarantees with capability enhancement. This system more closely aligns individual employee development with the Company's operational needs, continuously improving team stability and professionalism, and creating an internal driving force that supports the Company's continuous innovation and stable operation.

## Talent development management system

Supported by policy frameworks such as the *Kaizhong Corporate Culture Outline*, Kaizhong Precision has established an employee development management framework covering training, knowledge inheritance, and career paths. By standardizing processes, integrating dual-track growth paths, and reinforcing the application of performance results, the Company enhances the clarity and predictability of employee growth paths, thereby strengthening its talent pipeline and organizational capabilities. The Company treats talent development as a key lever for organizational capability building, integrating it into this process. It uses dual-track paths and competency standards to guide growth and promotion, complemented by mechanisms like needs identification, to solidify its knowledge inheritance and internal cultivation capabilities. This approach shifts talent development from a "project-based" model to one that is "long-term and systematic," providing sustained support for key positions and core competency building.



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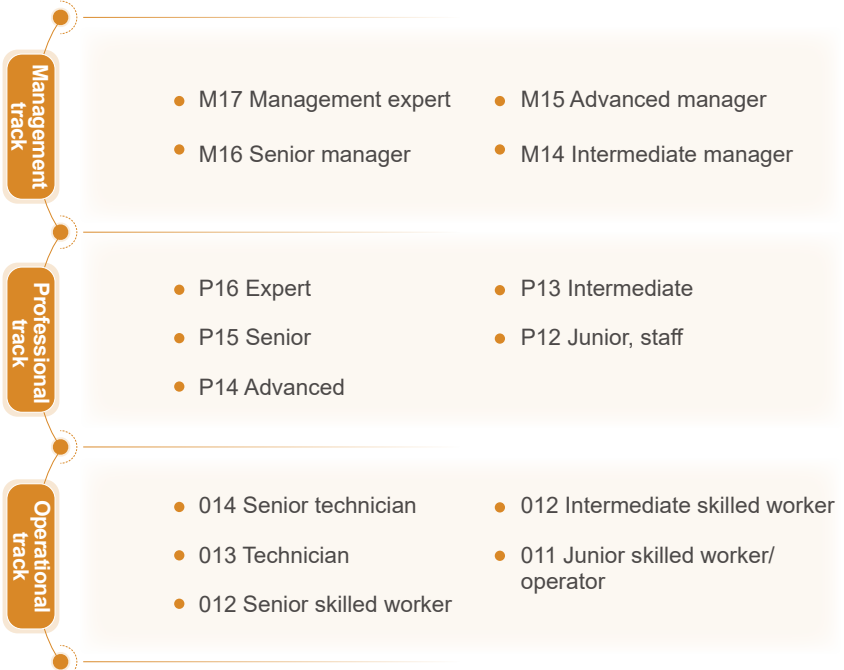
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# Employee promotion

Kaizhong Precision promotes employees based on competence and actual performance, establishing a fair and impartial internal career development channel. The Company has standardized the promotion process to broaden employees' growth opportunities, thereby motivating and retaining core talent. It has established a job-grade system covering management, professional, and operational tracks, supporting employee development within or across tracks based on their abilities. The Company conducts four-dimensional, tiered reviews based on job qualifications, with mechanisms in place to ensure fairness. The results are linked to promotions and compensation, creating a closed-loop management system.



Additionally, the Company encourages employees to pursue higher education, incorporating it into the career development support framework. By offering education allowances and subsidies, it lowers the barrier for employees to advance their education and enhances their sense of achievement, aligning their capabilities with job development needs. This approach strengthens the Company's ability to attract and retain high-caliber talent, thereby boosting its overall talent competitiveness.

# Employee training

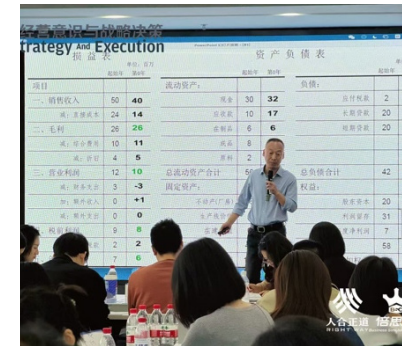
Kaizhong Precision prioritizes talent development by establishing a closed-loop training and development system that encompasses "stratified training, process evaluation, result application, and continuous improvement." Leveraging both internal and external training resources, the Company offers a wide range of training programs for all employees. These programs cover areas such as onboarding and integration, job-specific skills, professional series, management capabilities, professional ethics, and legal compliance. This approach ensures that employee skill enhancement is effectively aligned with their career development paths, continuously strengthening the organization's talent pipeline and core competencies.

## Leadership enhancement training

**Case: Conducting external training on business acumen and strategic decision-making to enhance the management capabilities of mid- to senior-level leaders**



In November 2025, Kaizhong Precision organized a two-day specialized external training session on "Business Acumen and Strategic Decision-Making" for its mid- to senior-level business managers. The course focused on key areas such as expanding business perspectives, strategic analysis methods, and pathways for decision implementation. Through systematic learning, the training strengthened the management team's business mindset and scientific decision-making capabilities. This further enhances the executability of strategic planning and the efficiency of operational management, providing talent and capability support for the Company's high-quality development.



On-site at the Business Acumen and Strategic Decision-Making training

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## Professional skills training

### Case: Conducting CAD&CAE application training to enhance engineering collaboration and simulation capabilities



In September 2025, Kaizhong Precision conducted CAD&CAE software application training for production management personnel from departments such as commutators and connectors. The training covered introductions to mainstream CAD/CAE tools, key points of internal CAE application, and a detailed explanation of the full-process CAE simulation capabilities. By integrating software operation with practical engineering scenarios, the training enhanced participants' understanding of the synergy between design, process, and manufacturing, as well as their ability to use these tools. This provides methodological support for product design optimization and manufacturing capability enhancement.



On-site at the CAD&CAE software application training

### Case: Conducting training on the TRIZ theory of inventive problem solving to enhance technical problem-tackling and problem-solving capabilities



In December 2025, Kaizhong Precision organized external training for R&D personnel on the theme of technological innovation. The training covered the innovation methodology system, an overview of TRIZ, the DTRIZ problem-solving path, and an explanation of related tools, complemented by hands-on exercises for key tools. By introducing structured analysis and innovative tools into R&D workflows, this initiative helps R&D personnel enhance their abilities to break down complex problems, generate solutions, and validate them, thereby further supporting improvements in technical problem-tackling efficiency and the quality of innovation output.



On-site at the TRIZ innovative methods practice training

### Key Performance

The Company conducted a total of **580** online and offline employee training sessions

with a total duration of **19,458** hours

an average satisfaction rate of **94.18%**

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# Employee Care

Kaizhong Precision consistently integrates employee care into its daily management and corporate culture. The Company continuously organizes a variety of employee activities focused on physical and mental health, team integration, holiday celebrations, and community engagement. These activities provide richer opportunities for communication and interaction, foster cross-departmental collaboration, enhance employees' sense of belonging, and cultivate a positive, harmonious, and inclusive work atmosphere.

## Employee activities

### Case: Organizing fun-themed activities for the Mid-Autumn Festival to enhance employees' sense of belonging



In 2025, the Company planned special activities for the Mid-Autumn Festival, combining interactive games with on-site participation and holiday gifts. It set up fun challenges and interactive sessions in common areas, allowing employees to experience a stronger sense of festive ritual through collaboration and communication. This also provided an opportunity for employees from different positions and shifts to connect in a relaxed setting, continuously enhancing team warmth and cohesion.



On-site at the Company's Mid-Autumn Festival activity challenges

### Case: Operating sports club communities to promote inter-departmental team exchange and collaboration



In 2025, the Company established badminton and football clubs as regular employee community programs, holding weekly activities. Employees are encouraged to participate voluntarily based on their interests and form teams freely. Through a model of "fixed frequency + stable organization," these sports activities have become a platform for cross-departmental communication. On one hand, they help new employees integrate into teams more quickly; on the other, they foster tacit understanding and trust through long-term interaction, providing "soft support" for daily collaboration and communication efficiency.



On-Site at the Football (Left) and Badminton (Right) Club Activities

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Case: Opening a cultural and activity room to support employees' fitness at any time



In 2025, the Company opened a cultural and activity room free of charge to all employees, 24 hours a day. It is equipped with basic fitness facilities such as treadmills and stationary bikes, meeting the "drop-in-and-work-out" needs of employees on different shifts before or after work. By embedding a fitness space into employees' daily routines, the Company lowers the barrier to exercise, helps employees develop more consistent health habits, and, to some extent, alleviates the effects of prolonged sitting and fatigue. This ensures that health support is "accessible, usable, and sustainable" in practice.



Photos of the Company's Activity Room Space and Equipment

## Assistance for employees in hardship

Kaizhong Precision has established an Employee Mutual Aid Foundation to provide financial assistance to members and their families facing medical difficulties or significant losses due to natural disasters or emergencies. The foundation helps recipient families alleviate temporary financial pressures, supplements the employee welfare system, and enhances employees' sense of gain and team cohesion.

### Key Performance

The Company provided assistance to **12** employees in hardship with **0.0041** employees assisted per million in revenue

# Occupational Health and Safety

Kaizhong Precision regards occupational health and safety as a fundamental baseline and a core capability for high-quality development. The Company adheres to the principles of prioritizing employee life and health, focusing on risk prevention, and ensuring accountability. Through institutionalized governance and routine operations, it translates safety requirements into executable behaviors and capabilities at the frontline. A closed-loop management system drives continuous improvement, which not only protects the occupational health and safety of its employees but also enhances the stability and resilience of its production and operations, providing a guarantee for long-term sustainable development.

## Governance

Kaizhong Precision complies with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Work Safety Law of the People's Republic of China*, and other laws and regulations. The Company also adheres to occupational health and safety standards and regulations in its overseas operating locations and references industry association requirements to establish an occupational health and safety governance system centered on policies, organization, and responsibility. The Company has formulated a series of policy systems, including the *Occupational Health Management System* and the *Work Safety Target Management System*, to solidify target requirements, procedural norms, and supervision and assessment, ensuring that risks are identifiable, measures are implementable, and responsibilities are traceable. For the specific governance structure, please refer to the EHS governance structure in Chapter IV, "Environment," of this Report.



The Company and Its Subsidiaries Are All Certified Under the ISO 45001:2018 Occupational Health and Safety Management System

### Key Performance

The Company had **no** major work safety accidents.

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# Strategy

The Company adopts an overall strategy of "prevention first, proactive risk management, and accountability at every post," elevating occupational health and safety management from isolated controls to a systemic capability that supports business continuity. In 2025, considering the characteristics of multi-campus operations and overseas compliance requirements, the Company established a routine risk and opportunity identification framework through mechanisms such as three-level work safety standardization, specialized inspections of key facilities, and monthly investigations. This ensures that management decisions are based on verifiable identification results, allowing for precise resource allocation and enhancing both delivery stability and long-term resilience.

Kaizhong Precision has identified the following risks and opportunities related to "Occupational Health and Safety":

| Risk                                | Risk description  | Financial impact   | Management measures   |
|-------------------------------------|---|--|---|
| Production Safety Accident Risks    | Typical accident types such as fires, electric shocks, and mechanical injuries                    | Increased operating costs  | Formulate emergency plans, strengthen safety training and drills, and normalize hazard identification and rectification                       |
| Occupational Health Exposure Risks  | Inadequate control of hazardous factors such as dust, noise, and chemicals                        | Increased compliance costs   | Identify and control occupational hazards, conduct regular monitoring and public disclosure, and implement full-lifecycle health examinations |
| Opportunities                       | Opportunity description   | Financial impact   | Management measures   |
| Business Continuity Opportunities   | Comprehensive emergency plans reduce shutdown losses from accident impacts                        | Reduce costs associated with shutdowns and secondary disposal                          | Establish a tiered response mechanism and validate its effectiveness through regular drills   |
| Preventive Management Opportunities | Closed-loop management of hazardous factors reduces the probability of occupational health damage | Reduce absenteeism and work-related injury expenses, and improve per capita efficiency | Conduct evaluations and occupational health examinations, and strengthen protective optimization and on-site improvements                     |

# Impact, risk, and opportunity management

Kaizhong Precision regards occupational health and safety as a fundamental capability to ensure employee well-being and business continuity. Following a closed-loop logic of "risk prevention - process monitoring - emergency response - review and improvement," the Company implements the policy of "safety first, prevention foremost, and comprehensive governance." It comprehensively implements daily prevention and control, emergency management, safety culture, and psychological support to form executable, collaborative, and traceable management arrangements. This approach continuously reduces exposure to accidents and occupational health risks, while transforming "safer work methods, a more stable workforce, and higher operational resilience" into opportunities for improving organizational efficiency and long-term competitiveness.



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# Indicators and targets

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## Target

### Six "Zeros"

- Zero fatalities and serious injuries (including traffic liability) accidents
- Zero major fire (or explosion) accidents
- Zero major equipment accidents
- Zero major liability accidents
- Zero major environmental pollution incidents
- Zero incidence rate of occupational diseases among employees



## Progress in 2025

Achieved



## Target

### Four "100%s"

- 100% rate of employee safety production education and training
- 100% coverage rate of work-related injury insurance and work safety liability insurance
- 100% coverage rate of occupational disease physical examinations
- 100% coverage rate of occupational health and safety training



## Progress in 2025

Achieved

## Key Performance

| Quantitative indicator disclosure item                            | Unit                            | 2025 data |
|---|---------------------------------|-----------|
| Investment in work safety   | RMB 10,000                      | 448.88    |
| Investment in work safety liability insurance                     | RMB 10,000                      | 12        |
| Ratio of work safety investment to operating revenue              | %                               | 0.15      |
| Number of work safety emergency drills                            | Times                           | 48        |
| Cumulative number of participants in emergency drills             | Person-times                    | 12,603    |
| Coverage ratio of work safety liability insurance                 | %                               | 100       |
| Cumulative number of safety risk inspections                      | Times                           | 92        |
| Safety risk inspection coverage rate                              | %                               | 100       |
| Number of occupational health and safety trainings                | Times                           | 320       |
| Occupational health and safety training coverage rate             | %                               | 100       |
| Occupational disease incidence rate                               | %                               | 0         |
| Number of workdays lost due to work-related injuries              | Days                            | 135       |
| Workdays lost due to work-related injuries per million in revenue | Days/RMB 1 million              | 0.05      |
| Work-related injury rate  | %                               | 0.19      |
| Lost time injury frequency rate                                   | Incidents/million hours (LTIFR) | 0.95      |

# Occupational health and work safety emergency plans

Kaizhong Precision considers the development of emergency plans a key barrier in occupational health and safety risk management. The Company has formulated the *Emergency Plan for Production Safety Accidents* and the *Emergency Response and Handling Mechanism for Safety Accidents* with the goal of achieving "rapid response, coordinated handling, and minimized losses" during emergencies. These plans integrate the protection of employees' lives and health with the assurance of business continuity into a single mechanism. Through process-based, tiered, and traceable management arrangements, the Company ensures that the plans are "usable, responsive, effective, and reviewable," continuously enhancing its accident prevention and emergency response capabilities.

## The Company's Emergency Response and Support for Work Safety Accidents



### Emergency Response

- **Level III (Department-Level):** Initial response by the accident department or team, with emergency support from other departments.
- **Level II (Company-Level):** Activated by the General Commander/Deputy General Commander, uniformly mobilizing company emergency resources for response.
- **Level I (Community-Level):** Activated and directed by the local sub-district office and government emergency management departments, coordinating social emergency resources for reinforcement.
- **Escalation Principle:** When a lower level cannot control the situation, the response level is escalated sequentially from III to II to I.
- **Early Warning/Information Reporting Chain:** First Discoverer On-Duty Manager General (Deputy) Emergency Commander Relevant Government Departments. In emergencies, reporting can bypass levels.



### Emergency Support

- **Communication and Information Guarantees:** Broadcasting systems, internal telephones, and mobile phones are used by zone; command center and team members are on 24/7; the logistics support team is responsible for maintaining broadcasting and office telephone systems.
- **Emergency Teams and External Linkage:** Teams cover emergency rescue, security and evacuation, medical aid, communications, and logistical support; external forces such as 110/119/120 are engaged when necessary.
- **Materials, Equipment, and Neighborhood Collaboration:** The Company is equipped with emergency supplies that can be deployed as needed; an emergency linkage mechanism has been established with neighboring enterprises to strengthen mutual resource assistance.
- **Financial Guarantees:** Special funds for emergency rescue are legally guaranteed for material procurement, team training and drills, emergency response expenses, and rescue rewards.
- **Other Guarantees + Institutionalized Operation:** Transportation support, security, medical aid, and rapid external firefighting reinforcement; implementation of a 24-hour duty system, annual training, inspection and maintenance, and regular meetings and drills (comprehensive/specialized at least once a year, on-site response plans at least once every six months).

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# Safety culture and mental health development

Kaizhong Precision uses safety culture development as a driver, integrating employee work safety awareness and mental health care into its daily management system. In 2025, the Company continued its themed event mechanisms, such as Safety Month and Fire Safety Month, and strengthened occupational health compliance training and the mental health support system. These efforts promote the transformation of safety standards into frontline capabilities and extend health care to both physical and mental well-being, fostering an atmosphere where employees "know the risks, can respond to emergencies, and have support." This reduces safety and health risks and enhances team stability and operational resilience. Additionally, the Company strictly complies with regulations such as the *Design Health Standard for Industrial Enterprises* and the *Administrative Provisions on Occupational Health at Workplaces*, and regularly provides training on relevant knowledge and skills for first-aid personnel, safety managers, and other staff.

## Case: Conducting "safety awareness month" training to enhance emergency response capabilities

In June 2025, Kaizhong Precision launched a Safety Awareness Month campaign themed "Everyone Talks About Safety, Everyone Knows Emergency Response." Department heads and employees participated in safety training that focused on strengthening risk identification, hazard prevention, and key aspects of emergency response. Through promotion to encourage learning and training to drive application, this initiative embedded safety awareness and emergency response capabilities into daily work, reinforced the Company's primary responsibility for work safety, and continuously ensured the safety of employees and the stability of production.



On-site at the Safety Awareness Month training

## Case: Training mental health first aiders to establish a peer support network

In April 2025, guided by a mental health management approach of "prevention first, early identification, and timely support," Kaizhong Precision selected and trained a group of volunteer employees from various departments to serve as "Mental Health First Aiders." After receiving basic training, these individuals can provide initial listening and support to colleagues experiencing psychological distress in their daily work, much like physical first aid, and guide them to seek more professional help when necessary. By building an accessible peer support system within the organization, the Company further enhances its employee care system, reduces the hidden risks of mental stress issues, and promotes the development of a more stable and resilient work atmosphere.



On-Site at the Employee Mental Health Training

### Key Performance

As of the end of 2025

the Company had **40**  
Red Cross first-aiders

**45** personnel holding safety  
management certificates

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# Social Contribution

Kaizhong Precision actively fulfills its corporate social responsibility by integrating it into its business development. The Company continuously engages in public welfare and charitable activities, giving back to society through actions focused on promoting rural employment, assisting vulnerable groups, making charitable donations, and providing educational support and care. At the same time, the Company practices environmental protection and low-carbon concepts, promoting the extension of green awareness into the community. It is committed to consistently enhancing the stability and impact of its social contributions, contributing to the construction of a harmonious society.

**Case: Launching a "June 1st" love and education support program to bolster campus learning**

In June 2025, in Pingshan District, Shenzhen, the Company donated learning materials to the Pingshan Foreign Language Wenyuan School and conducted a visit. The event focused on supporting students' learning and growth, conveying the warmth of public welfare through material aid and on-site interaction to help improve campus learning conditions and create a caring atmosphere. The school presented a plaque to the Company in thanks, acknowledging the social value of its corporate public welfare actions.



**The Company Receives a Thank-You Plaque From Pingshan Foreign Language Wenyuan School in Pingshan District, Shenzhen**

**Case: Donating to poverty alleviation and aid funds to solidify the foundation of public well-being and common prosperity**

During the 2025 Guangdong Poverty Alleviation Day event, Kaizhong Precision donated funds to the Sanhe Sub-district Office through the Huizhou Charity Federation. The donation was specifically designated to support the "Hundred, Thousand, Ten Thousand Project" and other public welfare initiatives. This action leveraged a standardized charitable platform to connect with grassroots needs, directing funds toward community livelihood and addressing shortcomings in public services. It collaboratively enhanced the capabilities of social assistance and grassroots governance support, contributing to the steady advancement of work related to rural revitalization and common prosperity.

# Rural Revitalization

Kaizhong Precision upholds a rural revitalization philosophy of "pragmatic participation and long-term mutual benefit." The Company considers rural revitalization a key direction for its social responsibility and regional co-development. Adhering to a needs-oriented approach, it focuses on the foundational conditions for industrial development and shortcomings in public well-being, prioritizing investments in projects with long-term benefits. Through a model of "small, precise investments + project-based management," the Company collaboratively promotes infrastructure improvement, production stability, and income-generating capacity, fostering co-development and mutual benefit between the Company and rural areas.

**Case: Kaizhong Precision's Heyuan base: Driving rural labor employment through industrial upgrading**

In active response to the rural revitalization strategy, Kaizhong Precision invested in the construction of an intelligent manufacturing industrial base for new energy vehicle components and an intelligent manufacturing project for "precision connectors + high-performance functional materials" in the Jiangdong New Area of Heyuan in 2017 and 2025, respectively. The establishment of these industries has powerfully driven local industrial upgrading and effectively boosted regional employment. As of the end of the reporting period, the Heyuan base had cumulatively employed 477 local laborers, creating stable job opportunities for the rural workforce through tangible actions. This has injected new momentum into the regional economy and vividly demonstrates the Company's proactive role in contributing to rural revitalization.

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# Key Performance

## Governance dimension

| Indicator   | Unit       | 2024       | 2025       |
|---|------------|------------|------------|
| Operating revenue   | RMB 10,000 | 304,960.76 | 292,835.38 |
| Net profit attributable to shareholders of the listed company                                 | RMB 10,000 | 17,011.08  | 23,359.85  |
| Accounts payable  | RMB 10,000 | 27,961.39  | 24,103.53  |
| Ratio of accounts payable to total assets   | %          | 7.85       | 6.65       |
| Total cash dividends  | RMB 10,000 | 10,830     | 11,000     |
| Percentage of female directors  | %          | 44.44      | 44.44      |
| Percentage of female senior executives  | %          | 20.00      | 20.00      |
| Percentage of independent directors   | %          | 33.33      | 33.33      |
| Percentage of independent directors with a tenure exceeding 6 years                           | %          | 0.00       | 0.00       |
| Percentage of independent directors with a tenure exceeding 9 years                           | %          | 0.00       | 0.00       |
| Percentage of independent directors serving on the boards of more than 3 listed companies (%) | %          | 0.00       | 0.00       |
| Percentage of independent directors on the Audit Committee                                    | %          | 66.67      | 66.67      |
| Whether the convener of the Audit Committee is an accounting professional                     | /          | Yes        | Yes        |

| Indicator  | Unit    | 2024  | 2025  |
|--|---------|-------|-------|
| Percentage of independent directors on the Remuneration and Appraisal Committee  | %       | 66.67 | 66.67 |
| Percentage of independent directors on the Nomination Committee                  | %       | 66.67 | 66.67 |
| Percentage of independent directors on the Strategy Committee                    | %       | 25    | 25    |
| Coverage rate of directors receiving anti-corruption training                    | %       | 100   | 100   |
| Number of reported anti-corruption incidents                                     | Times   | 0     | 0     |
| Coverage rate of employees receiving anti-bribery and anti-corruption training   | %       | 100   | 100   |
| Signing rate of employee anti-bribery commitments                                | %       | 100   | 100   |
| Number of training sessions on internal control, compliance, and risk management | Times   | 3     | 3     |
| Coverage rate of training in internal control, compliance, and risk management   | %       | 100   | 100   |
| Information security training completion rate                                    | %       | 100   | 100   |
| Number of major information security incidents                                   | Cases   | 0     | 0     |
| Standard deviation of the age of directors, supervisors, and senior management   | Years   | 8.7   | 8.7   |
| Board member attendance rate   | %       | 100   | 100   |
| Number of directors who attended less than 75% of meetings                       | Persons | 0     | 0     |

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## Environment dimension

|                           | Indicator   | Unit  | 2024           | 2025           |
|---------------------------|---|---|----------------|----------------|
| About This Report         | Environmental protection investment   | RMB 10,000  | 999.11         | 878.48         |
| About Kaizhong Precision  | Ratio of total environmental protection investment to operating revenue (per million) | %   | 33             | 30             |
| ESG Management            | Diesel  | Liters  | 47,606.29      | 47,205.11      |
| Governance                | Gasoline  | Liters  | 14,692.37      | 25,952.67      |
| Innovation and Operations | Purchased electricity   | kWh   | 112,968,623.90 | 111,228,147.60 |
| Environment               | Total energy consumption  | Tonnes of standard coal equivalent                | 13,958.52      | 12,063.76      |
|                           | Total energy consumption per million in revenue                                       | Tonnes of standard coal equivalent/ RMB 1 million | 4.58           | 4.12           |
| Society                   | Direct energy consumption   | Tonnes of standard coal equivalent                | 74.68          | 86.04          |
|                           | Including: Diesel   | Tonnes of standard coal equivalent                | 58.84          | 57.78          |
|                           | Including: Gasoline   | Tonnes of standard coal equivalent                | 15.84          | 28.26          |
| Indexes                   | Indirect energy consumption   | Tonnes of standard coal equivalent                | 13,883.84      | 11,977.73      |
|                           | Including: Electricity  | Tonnes of standard coal equivalent                | 13,883.84      | 11,977.73      |
| Reader Feedback           | Scope 1 greenhouse gas emissions  | Tonnes of CO <sub>2</sub> equivalent              | 190.48         | 179.00         |

|  | Indicator  | Unit  | 2024       | 2025       |
|--|--|---|------------|------------|
|  | Scope 2 greenhouse gas emissions   | Tonnes of CO <sub>2</sub> equivalent                | 107,005.45 | 92,478.99  |
|  | Total greenhouse gas emissions   | Tonnes of CO <sub>2</sub> equivalent                | 107,195.93 | 92,657.99  |
|  | Total greenhouse gas emissions per million in revenue (Scope 1 and Scope 2) (tonnes of CO <sub>2</sub> equivalent) | Tonnes of CO <sub>2</sub> equivalent/ RMB 1 million | 35.15      | 31.64      |
|  | Total water consumption  | Tonnes  | 175,836.00 | 138,858.00 |
|  | Water recycling rate   | %   | 24         | 30         |
|  | Recycled water volume  | Tonnes  | 41,659.00  | 41,199.30  |
|  | Total amount of wastewater discharge   | Tonnes  | 100,819.00 | 78,170.00  |
|  | Total exhaust gas emissions  | Ten thousand cubic meters                           | 255,053.06 | 291,496.41 |
|  | Total production waste   | Tonnes  | 2,747.00   | 2,817.00   |
|  | Total non-hazardous waste  | Tonnes  | 2,390.00   | 2,461.00   |
|  | Total non-hazardous waste generated per million in revenue   | Tonnes/RMB 1 million                                | 0.78       | 0.84       |
|  | Total non-hazardous waste recycled   | Tonnes  | 1,490.00   | 1,361.00   |
|  | Total hazardous waste  | Tonnes  | 357.00     | 356.00     |
|  | Total hazardous waste generated per million in revenue   | Tonnes/RMB 1 million                                | 0.12       | 0.12       |
|  | Total hazardous waste landfilled   | Tonnes  | 357.00     | 356.00     |

|                            | Indicator   | Unit                 | 2024     | 2025     |
|----------------------------|---|----------------------|----------|----------|
| About This Report          | Total waste recycled  | Tonnes               | 1,490.00 | 1,361.00 |
|                            | Total waste recycled per million in revenue   | Tonnes/RMB 1 million | 0.49     | 0.46     |
| About Kaizhong Precision   | Percentage of waste recycled  | %                    | 54.24    | 48.33    |
|                            | Coverage rate of industrial solid waste sorting and recycling (New)                 | %                    | 100      | 100      |
| ESG Management             | Compliance rate of hazardous waste sorting, collection, storage, and transfer (New) | %                    | 100      | 100      |
| Governance                 | Number of environmental management training sessions conducted                      | Times                | 10       | 12       |
| Innovation and Operations  | Total duration of environmental management training                                 | Hours                | 20       | 24       |
| Environment                | Number of participants in environmental management training                         | Person-times         | 100      | 120      |
|                            | Number of environmental emergency risk drills conducted                             | Sessions             | 8        | 10       |
| Society                    | Number of participants in environmental emergency risk drills                       | Person-times         | 120      | 150      |
| Key Performance Data Sheet | Number of non-Achieved pollutant discharge incidents                                | Cases                | 0        | 0        |

## Innovation and operations dimension

| Indicator  | Unit  | 2024  | 2025  |
|--|-------|-------|-------|
| Customer satisfaction  | %     | 98.50 | 90.00 |
| Customer complaint handling rate                                     | %     | 100   | 100   |
| PPM (Parts Per Million defects)                                      | Times | 0.080 | 0.079 |
| Product recalls  | Times | 0     | 0     |
| Number of quality and safety training sessions                       | Times | 80    | 196   |
| Total duration of quality and safety training                        | Hours | 300   | 980   |
| Supplier localization rate   | %     | 77.30 | 77.44 |
| Local procurement ratio  | %     | 93.25 | 93.29 |
| Number of supplier ESG training sessions                             | Times | 2     | 3     |
| Percentage of suppliers who received ESG training                    | %     | 100   | 100   |
| Percentage of suppliers who have signed the Supplier Code of Conduct | %     | 76    | 85    |

|                           | Indicator   | Unit       | 2024     | 2025     |
|---------------------------|---|------------|----------|----------|
| About This Report         | Signing rate for the Supplier Integrity Cooperation Commitment Letter and Confidentiality Agreement     | %          | 100      | 100      |
| About Kaizhong Precision  | Percentage of suppliers with contracts including environmental and labor requirement clauses            | %          | 100      | 100      |
| ESG Management            | Percentage of new suppliers screened using social and environmental responsibility standards            | %          | 100      | 100      |
| Governance                | Percentage of suppliers who have undergone social and environmental responsibility impact assessments   | %          | 100      | 100      |
| Innovation and Operations | Percentage of suppliers identified with significant actual and potential negative environmental impacts | %          | 0        | 0        |
| Environment               | Coverage rate of suppliers who have completed conflict minerals due diligence                           | %          | /        | 100      |
| Society                   | Number of suppliers whose partnerships were terminated due to controversial sourcing issues             | Counts     | /        | 0        |
|                           | Number of major disputes related to procurement activities  | Cases      | /        | 0        |
| Indexes                   | R&D investment  | RMB 10,000 | 7,606.42 | 8,224.10 |
| Reader Feedback           | Proportion of R&D investment to operating revenue   | %          | 2.49     | 2.81     |

| Indicator                                      | Unit                | 2024 | 2025 |
|--|---------------------|------|------|
| R&D personnel                                  | Persons             | 363  | 337  |
| Proportion of R&D personnel to total employees | %                   | 9.86 | 9.35 |
| Number of authorized and valid patents held    | Cases               | 240  | 271  |
| Including: Invention patents                   | Cases               | 68   | 86   |
| Including: Utility model patents               | Cases               | 168  | 177  |
| Including: International patents               | Cases               | 4    | 8    |
| Number of valid patents per million in revenue | Cases/RMB 1 million | 0.08 | 0.09 |
| Number of software copyrights                  | Cases               | 10   | 14   |
| Internal training on intellectual property     | Sessions            | 5    | 5    |

## Society dimension

| Indicator                           | Unit    | 2024  | 2025  |
|-------------------------------------|---------|-------|-------|
| Total number of employees           | Persons | 3,682 | 3,603 |
| Male                                | Persons | 2,365 | 2,374 |
| Female                              | Persons | 1,317 | 1,229 |
| Mainland China                      | Persons | 3,272 | 3,233 |
| Other countries and regions         | Persons | 410   | 370   |
| Number of ethnic minority employees | Persons | 462   | 452   |

|                            | Indicator   | Unit                  | 2024   | 2025   |
|----------------------------|---|-----------------------|--------|--------|
| About This Report          | Number of employees with disabilities                           | Persons               | 9      | 8      |
|                            | Number of veterans recruited                                    | Persons               | 2      | 25     |
|                            | Total employee turnover rate                                    | %                     | 6.28   | 9.96   |
| About Kaizhong Precision   | Labor contract signing rate                                     | %                     | 100    | 100    |
|                            | Social insurance coverage rate                                  | %                     | 100    | 100    |
| ESG Management             | Total number of training courses conducted                      | Times                 | 344    | 580    |
|                            | Total duration of employee training                             | Hours                 | 11,074 | 19,458 |
| Governance                 | Average training satisfaction rate                              | %                     | 90.02  | 97.00  |
|                            | Employee satisfaction   | %                     | 91.78  | 94.18  |
| Innovation and Operations  | Number of employee representative assemblies held               | Times                 | 4      | 5      |
|                            | Percentage of female employees                                  | %                     | 35.16  | 34.11  |
| Environment                | Average salary per employee                                     | RMB 10,000            | 20.62  | 20.12  |
|                            | Revenue per employee  | RMB 10,000            | 82.82  | 81.28  |
| Society                    | Number of employees in hardship assisted                        | Persons               | 12     | 12     |
|                            | Number of employees in hardship assisted per million in revenue | Persons/RMB 1 million | 0.0039 | 0.0041 |
| Key Performance Data Sheet | Investment in work safety                                       | RMB 10,000            | 108.45 | 448.88 |
|                            | Number of work safety emergency drills                          | Times                 | 35     | 48     |
| Indexes                    | Cumulative number of participants in emergency drills           | Person-times          | 10,864 | 12,603 |

|                            | Indicator   | Unit                                    | 2024  | 2025  |
|----------------------------|---|---|-------|-------|
| About This Report          | Investment in work safety liability insurance                     | RMB 10,000                              | 12    | 12    |
|                            | Ratio of work safety investment to operating revenue              | %                                       | 0.04  | 0.15  |
| About Kaizhong Precision   | Coverage ratio of work safety liability insurance                 | %                                       | 100   | 100   |
|                            | Investment amount for work-related injury insurance               | RMB 10,000                              | 70.7  | 80.64 |
| ESG Management             | Number of occupational health and safety trainings                | Times                                   | 205   | 320   |
|                            | Cumulative occupational health and safety training hours          | Hours                                   | 2,496 | 4,200 |
| Governance                 | Average safety training hours per person                          | Hours                                   | 1.85  | 2.65  |
|                            | Occupational health and safety training coverage rate             | %                                       | 100   | 100   |
| Innovation and Operations  | Cumulative number of safety risk inspections                      | Times                                   | 85    | 92    |
|                            | Safety risk inspection coverage rate                              | %                                       | 100   | 100   |
| Environment                | Occupational disease incidence rate                               | %                                       | 0     | 0     |
|                            | Number of workdays lost due to work-related injuries              | Days                                    | 155   | 135   |
| Society                    | Workdays lost due to work-related injuries per million in revenue | Days/RMB 1 million                      | 0.05  | 0.05  |
|                            | Number of work-related fatalities per 100 million in revenue      | Persons/RMB 100 million                 | 0     | 0     |
| Key Performance Data Sheet | Work-related injury rate (employees)                              | %                                       | 0.21  | 0.19  |
|                            | Lost time injury frequency rate (employees)                       | (LTIRF) Incidents/million hours (LTIFR) | 1.08  | 0.95  |

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# Reader Feedback

Dear Readers,

Thank you for taking the time to read this Report. To provide you and other stakeholders with more comprehensive, professional, and valuable ESG information and to improve the quality of our sustainability reporting, we sincerely invite you to assist us by completing the following feedback form. We welcome your valuable input.

What is your relationship with Kaizhong Precision?

Employee  Customer  Supplier  Regulatory Authority  Media  Other

Are you satisfied with your overall impression of this Report?

Yes  Average  No

Do you believe this Report reflects Kaizhong Precision's material ESG impacts?

Yes  Average  No

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

Yes  Average  No

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

Yes  Average  No

Are you satisfied with the overall design of this Report?

Yes  Average  No

We welcome any other comments or suggestions you may have regarding the Kaizhong Precision 2025 Environmental, Social, and Governance (ESG) Report.

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You can share your valuable feedback with us through the following channels:

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