

# XINAO

## XINAO 2025

### Environmental, Social and Governance (ESG) Report



# XINAO



Zhejiang Xinao Textiles Inc.

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# CONTENTS

## 1 Direction of the Report 01

## 2 About XINAO 03

- 2.1 Letter from the Chairman 03
- 2.2 Company Profile 05
- 2.3 Standout Performance 07
- 2.4 ESG Honors and Recognitions 09

## 3 Assessment of Topic Materiality 11

- 3.1 Double Materiality Analysis 12
- 3.2 Due Diligence, Stakeholder Communication 13
- 3.3 Conclusion of the Materiality Analysis of the Topics 17

## 4 Arrangement for Corporate ESG Governance 19

- 4.1 Governance Structure for Sustainability 19
- 4.2 Reporting on Sustainability-Related Information 22
- 4.3 Mechanisms of Supervision and Appraisal 27

## Environment

## 5 Sustainable Green Products 29

- 5.1 Tackle Climate Change 31
- 5.2 Pollutant Discharge 37
- 5.3 Waste Disposal 43
- 5.4 Ecosystem and Biodiversity Conservation 45
- 5.5 Environmental Compliance Management 47
- 5.6 Energy Utilization 48
- 5.7 Water Resources Utilization 51
- 5.8 Circular Economy 53

## Social

## 6 Sustainable Value Sharing 55

- 6.1 Rural Revitalization 57
- 6.2 Social Contribution 57
- 6.3 Innovation-Driven 59
- 6.4 Ethics of Science and Technology 65
- 6.5 Supply Chain Security 65
- 6.6 Equal Treatment of SMEs 68
- 6.7 Safety and Quality of Products and Services 69
- 6.8 Data Security & Customer Privacy 76
- 6.9 Employees 77

## Governance

## 7 Sustainable Mode of Operation 87

- 7.1 Anti-Commercial Bribery and Anti-Corruption 89
- 7.2 Anti-Unfair Competition 91

## 8 EGS Date Sheets and Notes 93

## 9 Guide Index 108



XINAO

# 1. Direction of the Report

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

## ◆ Scope of the Report

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

The scope of entities in the Company's consolidated statements is as follows:

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

## ◆ Time Frame

This report covers the period from 1 January, 2025 to 31 December 2025, consistent with the scope of the annual report. Some information extending beyond this timeframe will be indicated where relevant.

## ◆ Basis of the Report

This report is prepared in accordance with the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Sustainability Report (Trial)* (released in April 2024), *Guide No. 4 for Self-Regulatory Supervision on Listed Companies of the SSE – Compilation of Sustainable Development Reports* (revised in January 2026), and the *Guidelines No. 1 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation* (revised in May 2025), while taking the United Nations Sustainable Development Goals (SDGs) as a guiding reference for the report.

## ◆ Notes on the Data

Note on ESG data: The ESG data and information presented in this report are derived from the original operational records of the Company and its subsidiaries.

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

## ◆ Reliability Assurance

The Company warrants that this report contains no false records, misleading statements, or material omissions. The report has been reviewed by the Board of Directors, which assumes full responsibility for the authenticity, accuracy, and completeness of its content.

## ◆ Access to the Report

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

## ◆ Contact

XINAO ESG Management Committee  
 Address: Guanzhuang Bridge, Chongfu Town, Tongxiang City, Zhejiang Province, China  
 Phone: +86 573 88455801  
 E-mail: [esg@xinaotex.com](mailto:esg@xinaotex.com)

## ◆ Principles of the Report

### Principles for Defining the Content of the Report

#### Context of Sustainability

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

#### Completeness

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

### Principles for the Quality of the Report

#### Timely

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

#### Balanced

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

#### Accurate

To the extent possible, the accuracy of the information contained in this report is ensured. For the quantitative information, the caliber of the data, the basis of calculation and the assumptions have been explained to ensure that the margin of error of the calculation will not mislead the users of the information. The quantitative information and notes are detailed in the chapter of "ESG Data Sheets and Notes" of this report.

The Board of Directors of the Company guarantees that the contents of the Report are free from false records, misleading statements or material omissions.

#### Comparable

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

#### Verifiable

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

#### Perspicuous

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

#### Quantified

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

## 2. About XINAO

### 2.1 Letter from the Chairman

This marks XINAO's fourth consecutive year of releasing its ESG report. For us, this document is not merely a static year-end recap nor a self-affirming subjective statement, but rather a candid dialogue with all stakeholders—it embodies a transparency “verifiable at any moment,” and a sincerity that is “accessible to everyone.”

The year 2025 concludes the “14th Five-Year Plan”, and simultaneously begins a new chapter as we embark on the journey toward the “15th Five-Year Plan”. Standing at this historical juncture between two five-year periods, we are more aware than ever that an enterprise's value lies not only in the profits it generates but also in what it contributes to the world. It is with this reflection that we have distilled our year-long exploration and consolidated experience into this report, presenting it openly to every friend and stakeholder who takes an interest in XINAO.

Over the past year, our ESG initiatives have yielded tangible outcomes. In the realm of carbon reduction, we invested over 17 million yuan to upgrade energy-consuming equipment, optimize production processes, deploy in-house photovoltaic systems, and increase the procurement of green electricity, thereby driving a reduction of 0.94% in the emission intensity per unit revenue. On the social front, we remained committed to fostering goodwill through compassionate engagement, contributing to communities via philanthropic donations, and upholding our values through volunteer services. We firmly believe that the value of social contributions lies not in the scale of investment, but in the warmth of actions and the breadth of their impact. In terms of governance, we continued to refine our ESG governance structure and supervisory mechanisms, enhancing the quality of information disclosure in alignment with SSE requirements to ensure corporate governance operates with full transparency.

Amidst the wave of globalization and the ongoing green transformation of the textile industry, we hold a fundamental vision: **to share sustainable warmth with the world**. Guided by this objective, we are committed to becoming a leading global provider of green, high-end wool textile solutions. This entails building on our expertise in the wool textile industry, honoring nature's gifts, and leveraging technological innovation, eco-friendly processes, recycled materials, and cross-value-chain collaboration to make textile products more environmentally sound, higher in quality, traceable, and sustainable—thereby advancing both corporate and societal value while preserving the ecological environment. To that end, we have developed the **“WARMTEX 2030” sustainability strategy framework**, equipped it with concrete implementation steps, clarified milestone objectives and accountability distribution for each phase, and established periodic strategic monitoring and goal assessment mechanisms to ensure a closed-loop process from vision to implementation!

The year 2026 marks the 35th anniversary of XINAO's founding. Looking back, what we cherish most is our unwavering identity—a company that takes responsibility toward the environment, acts sincerely with partners, and holds itself to high standards. Looking forward, our original aspiration remains unchanged. We hope to join hands with all sectors of society, forging ahead with more tangible efforts to transform every sustainable development goal into a beautiful reality within reach.

### Commitment Embodied in Action Value Perpetuated Through Endeavor



Chairman of XINAO  
April, 2026



## 2.2 Company Profile

English Name  
Zhejiang Xinao Textiles Inc.

Listing Date  
December 31, 2014

Listed on  
Shanghai Stock Exchange

### ● Stock Facts

Stock abbreviation  
XINAO

Stock code  
603889.SH



Zhejiang Xinao Textile Inc. (Stock Code: 603889.SH), established in 1991 and listed on the Shanghai Stock Exchange on December 31, 2014, is headquartered in Jiaxing City, Zhejiang Province. It stands as a leading global supplier of mid-to-high-end worsted wool yarn and has been recognized by the Ministry of Industry and Information Technology (MIIT) as a “Model Champion Enterprise in Worsted Wool Yarn Manufacturing.”

The Company specializes in the R&D, production, and sales of worsted wool yarn, cashmere yarn, and wool tops. It has established a fully integrated industrial chain that spans from raw wool selection to scouring, top-making, chemical treatment, dyeing, and spinning. Its products are widely used in apparel, fashion accessories, home textiles, and industrial applications.

As a key player in the wool spinning sector, XINAO has built a global production and trade network. Its production bases are located in China (Jiaxing, Zhejiang; Ningxia), the United Kingdom, and Vietnam, while its trade operations cover key markets including China (Jiaxing, Shanghai, Hong Kong), Australia, Italy, and the UK. The Company serves over **5,000** clients across approximately **30** countries and regions worldwide.

XINAO TEX has been accredited as a National High-Tech Enterprise, National Green Factory, MIIT Green Design Model Enterprise, and MIIT Green Supply Chain Management Enterprise. It hosts several R&D platforms, including the National Development Base of Woolen Yarn Products, the China Wool Textile Industry R&D Center of Worsted Woolen Yarns Technology, a Provincial Enterprise Technology Center, a Provincial Enterprise Institute, and the first Knitwear Development Center (KDC) jointly founded with International Wool Secretariat (IWS). With its robust comprehensive capabilities, the Company continues to strengthen its brand influence and core value.

The Company is steadily advancing its intelligent transformation to consolidate its global leadership in worsted wool yarn. Concurrently, it is expanding into high-value-added product lines such as cashmere, fancy yarns, and functional fiber blends, striving to build a sustainable competitive edge.



Devoting Exclusively to Wool Textiles

Committing Wholeheartedly to Professional Excellence

Pursuing Refinement and Strength



HEADQUARTERS – Tongxiang, Zhejiang  
XINAO TEX – Spinning



Tongxiang, Zhejiang  
NEW CHUWA – Top and Modification Treatment



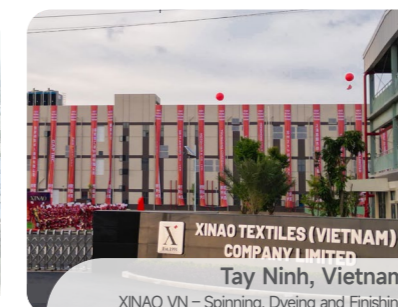
Tongxiang, Zhejiang  
HOUYUAN TEX – Dyeing and Finishing



Lingwu, Ningxia  
XINAO CASHMERE – Spinning, Dyeing and Finishing



Lingwu, Ningxia  
XINAO YINCHUAN – Spinning



Tay Ninh, Vietnam  
XINAO VN – Spinning, Dyeing and Finishing



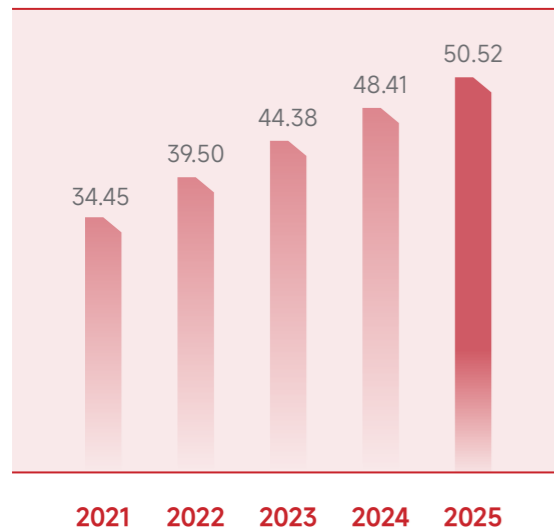
Scotland, UK  
T&D UK – Spinning, Dyeing and Finishing

## 2.3 Standout Performance

### Review of the 14th Five-Year Plan

#### Operation Income

Unit: 100 million yuan



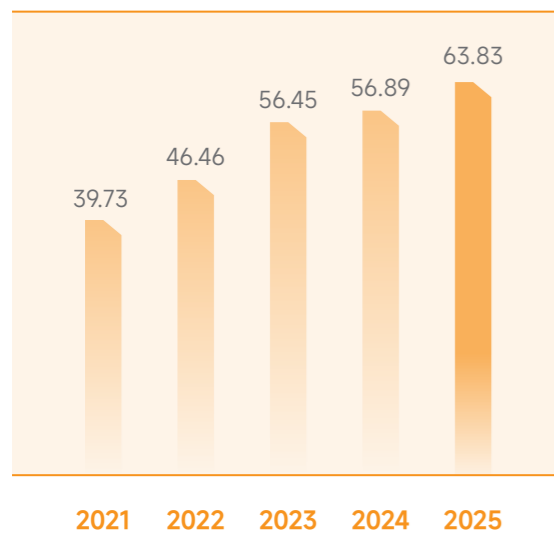
#### Net Profit Attributable to Shareholders of the Listed Company

Unit: 100 million yuan



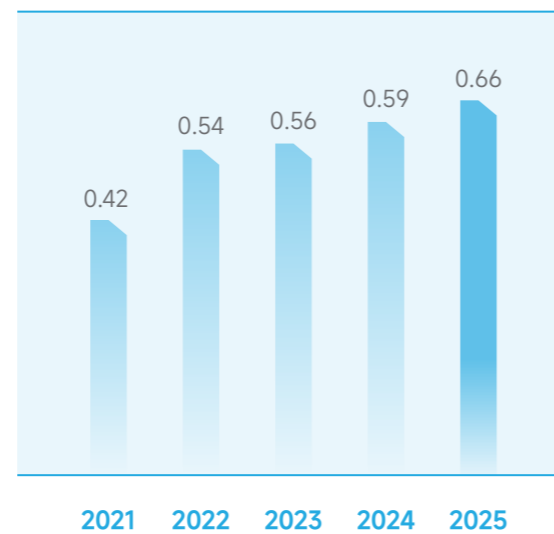
#### Total Assets

Unit: 100 million yuan



#### Basic Earnings Per Share

Unit: yuan/share



### Annual ESG Performance



#### Environmental Performance

Greenhouse gas emissions directly reduced by emission reduction measures  
**29,211.97** tCO<sub>2e</sub>

Clean energy consumption  
**7,229.62** tce

Waste cyclic utilization  
**149.44** t

Renewable energy consumption  
**2,980.17** tce

Reuse water consumption  
**1,097,758.22** t

Renewable resource consumption  
**28,868.52** t



#### Social Performance

Total number of employees (end of period)  
**4,455** people

Income generation per capita  
**1,084,500** yuan

Coverage rate of workplace safety liability insurance  
**100** %

Amount of investment in R&D  
**114.6381** million yuan

Number of employees from ethnic minorities  
**837** people

Coverage rate of work-related injury insurance for employees  
**100** %

Coverage rate of employee training  
**100** %

Total duration of employee volunteer service  
**428** hours



#### Governance Performance

Proportion of female senior executives  
**50** %

Percentage of management personnel covered by anti-commercial bribery and anti-corruption training  
**100** %

Percentage of directors covered by anti-commercial bribery and anti-corruption training  
**100** %

Percentage of front-line employees covered by anti-commercial bribery and anti-corruption training  
**100** %

## 2.4 ESG Honors and Recognitions



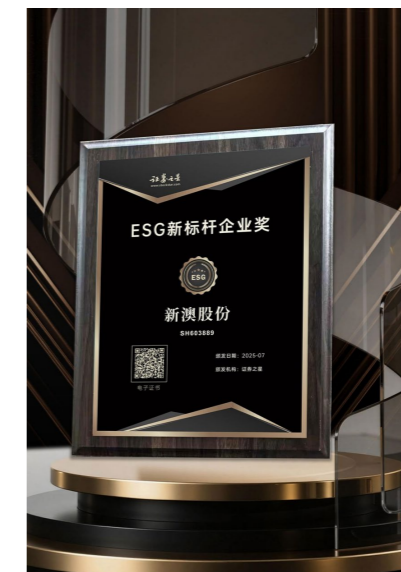
### Memberships and Initiatives

We endorse the "Ten Principles of the UN Global Compact"  
 We support the "17 United Nations Sustainable Development Goals (SDGs)"  
 We have joined the "Green and Low-Carbon Alliance of China Wool Textile Industry"  
 We participate in the "Climate Innovation 2030 Initiative" and the "Life Cycle Assessment Working Group" of China National Textile and Apparel Council  
 We are part of the Ten-Year Plan under the China Green Foundation's "Planting Trees, Nurturing Hearts" campaign

### Honors and Recognitions Received in 2025

Honors	Awarded by
"Shanghai Securities Eagle · Golden Quality" ESG Award	Shanghai Securities News www.cnstock.com
Top 20 ESG Performers in Consumer Discretionary Sector Among A-Share Listed Companies Top 20 ESG Standouts in Textile, Apparel and Jewelry Industries for A-Share and HKEX-Listed Companies	Sino-Securities Index
ESG New Benchmark Enterprise Award	Stockstar
Top 500 Charitable and Public Welfare Enterprises in China's Manufacturing Sector Top 500 Charitable and Public Welfare Enterprises Among China's Private Manufacturing Firms Top 500 Charitable and Public Welfare Enterprises Among China's Private Enterprises Top 500 Charitable and Public Welfare Enterprises Among China's High-Tech Firms	Center for Shared Prosperity and Human Resources Development Research of Beijing Institute of Technology
Top 100 Best CSR Performers Among Listed Companies in Zhejiang Province	Zhejiang University / Institute for Public Policy of Zhejiang Province
Top 100 Best ESG Performers Among Listed Companies in Zhejiang Province	Zhejiang Association for the Promotion of Corporate Social Responsibility and China Chengxin Green Finance Technology (Beijing) Co., Ltd.
ESG Pioneer Enterprise in Zhejiang	Zhejiang Association for the Promotion of Corporate Social Responsibility


ESG Rating Items	Ratings
 ESG Rating from Wind	<b>A</b> Updated: May 2025
 ESG Rating from SynTao Green Finance	<b>A</b> Updated: 2025Q4
 ESG Rating from Sino-Securities Index	<b>AA</b> Updated: 2025Q4
 ESG Rating from QL ESG	<b>AAA</b> Updated: May 2025
 ESG Rating from CCXGF	<b>A+</b> Updated: 2025Q4




### 3. Assessment of Topic Materiality

In April 2024, the Shanghai Stock Exchange (SSE) issued the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Sustainability Report (Trial)* (hereinafter referred to as the “SSE Guidelines”), requiring listed companies to disclose sustainability information that is financially material and/or impact material. The Company actively identifies material topics and, in accordance with the SSE *Guidelines*, enhances disclosure on four core aspects—governance, strategy, management of impact, risk and opportunity, indicators and targets—for topics with financial materiality. Given the holistic nature of sustainability management, the Company integrates disclosure of closely related content—such as strategies, indicators and targets for material topics—within the chapters “**Assessment of Topic Materiality**” and “**Arrangement for Corporate ESG Governance**”. The specific locations for disclosure of the four core aspects of each topic are detailed in the table below:




- 


**Governance**

  - The comprehensive governance structure for sustainability is detailed in the “**Governance Structure for Sustainability**” section.
  - The governance structure for financially material topics is elaborated in the corresponding chapters of the main text.
- 

**Strategy**

  - An analysis of the impacts, risks, and opportunities pertaining to financially material topics, along with corresponding financial implications, is detailed in the “**Conclusion of the Materiality Analysis of the Topics**”.
  - Plans, strategies, and approaches for addressing ESG-related impacts, risks, and opportunities are elaborated in the respective chapters of the main text.
- 

**Management of Impact, Risk and Opportunity**

  - The management processes and control measures pertaining to impacts, risks, and opportunities are elaborated in the corresponding chapters of the main text.
- 

**Indicators and Targets**

  - Details on management indicators for material topics and the performance during 2023–2025 are provided in the “**ESG Data Sheets and Notes**”.
  - Sustainability strategic objectives and their achievement status for 2025 are available in the “**Reporting on Sustainability-Related Information**”.

### 3.1 Double Materiality Analysis

In compliance with the Shanghai Stock Exchange’s Guidelines on Materiality Analysis, and in alignment with the United Nations Sustainable Development Goals (SDGs), the Company has conducted a materiality assessment of ESG-related topics from both impact and financial materiality perspectives.

**Double Materiality Assessment Process**

- 

**Gaining Insight into the Context of Corporate Activities and Business Relationships**

  - Access information on corporate strategic planning.
  - Comprehend the external market environment in which the company operates.
  - Identify value chain segments impacted by relevant topics and key stakeholders affected.
- 

**Developing a List of Topics**

  - Conduct preliminary identification and screening of ESG topics, taking into account the characteristics of the Company’s business segments, benchmarking against standards, policy analysis, and peer comparisons.
  - Summarize and form a list of material ESG topics for the Company, taking the 21 topics outlined the Guidelines as the basis, and identifying other potential material topics.
- 

**Assessment and Validation of Topic Materiality**

  - Establish appropriate assessment methodologies and materiality thresholds to evaluate the impact materiality of a topic (scale, scope, and irremediability of impact) and its financial materiality (possibility of occurrence and extent of financial consequences).
  - Integrate the outcomes of impact and financial materiality to prioritize topics and develop a materiality matrix.
- 

**Report on the Topics**

  - Make focused disclosure in the annual ESG report on material topics identified as high-priority upon review and approval by the Board’s Strategy and Sustainability (ESG) Committee of the Company.

## 3.2 Due Diligence, Stakeholder Communication

### Due Diligence

The Company conducts due diligence based on the list of material topics formulated through stakeholder engagement, identifying, analyzing, and categorizing the impacts of each ESG topic over short-term (0–1 year [inclusive]), medium-term (1–5 years [inclusive]), and long-term (beyond 5 years) horizons on external economic, environmental, and social dimensions, as well as the risks and opportunities posed to the Company’s operations and business model. Based on this, targeted management actions are implemented.

In determining the impact materiality of ESG topics, the Company conducts a comprehensive analysis that considers industry characteristics, corporate strategic planning, and resource allocation priorities. It focuses on actual or potential impacts—both positive and negative—that the Company exerts on the external economic, social, and environmental spheres. The materiality of these impacts is evaluated based on their scale, scope, and irremediability. For determining financial materiality, the Company emphasizes the potential impact of each ESG topic on financial performance and clarifies the principal types of risks and opportunities it may present. This serves as a foundational basis for subsequent formulation of management strategy, implementation of control measures, and establishment of indicators and objectives.

The Company identifies risks and opportunities associated with material sustainability topics and, for those deemed financially material, further analyzes the specific manifestations of these risks and opportunities within topic management processes.



### Categories of Risks and Opportunities Pertaining to Materiality Topics

Risks	Opportunities
 <h4>Policy and Regulatory Risk</h4> <p>Changes and uncertainties in government policies, laws, and regulations may result in additional operational costs for the Company; failure to strictly comply with relevant legal requirements and internal policies could adversely affect the Company’s financial status and operational qualifications.</p>	 <h4>Market Opportunity</h4> <p>Shifts in market demand, innovation, or expansion into emerging markets may present opportunities for the Company to drive revenue growth and enhance competitive advantage.</p>
 <h4>Market Risk</h4> <p>Fluctuations in market factors (including but not limited to price volatility, liquidity changes, and supply-demand dynamics) may expose the Company to potential financial losses.</p>	 <h4>Product and Service Opportunity</h4> <p>Innovation or optimization of existing products and services may present new opportunities to more effectively meet customer needs.</p>
 <h4>Reputational Risk</h4> <p>Negative perceptions or actions by the public toward the company or its products/services may lead to reputational damage and adversely impact normal business operations.</p>	 <h4>Energy Source Opportunity</h4> <p>Leveraging clean energy alternatives, energy efficiency improvements, and green policy incentives can reduce reliance on conventional energy sources, alleviate environmental pressure, facilitating green transformation and value enhancement.</p>
 <h4>Technological Risk</h4> <p>Uncertainties arising from technological innovation and application may negatively affect operations, including inefficiencies in R&amp;D, data security breaches, ethical controversies, environmental side effects, and compliance issues, potentially undermining operational stability.</p>	 <h4>Resource Efficiency Opportunity</h4> <p>Optimizing resource utilization and minimizing waste contribute to productivity gains, fostering more efficient and sustainable operational practices while unlocking potential benefits for the enterprise.</p>
 <h4>Physical Risk</h4> <p>Long-term or short-term climate change and extreme weather events may directly or indirectly negatively impact the company’s assets, infrastructure, supply chain, and business operations.</p>	

## Stakeholder Communication

To advance the double materiality assessment in a systematic manner, the Company prioritizes stakeholder engagement as a core component and formulated the "Stakeholder Communication Management Procedures". These procedures define the fundamental principles, scope of coverage, division of responsibilities, process guidelines, and safeguarding measures to provide institutional guidance for standardized communication practices. The Procedures explicitly require that engagement efforts cover key stakeholder groups, including shareholders (investors) and creditors, employees, customers, suppliers and partners, community organizations, as well as relevant governmental and regulatory authorities. In 2025, through effective implementation of the procedures, the Company steadily advanced communication initiatives with all relevant stakeholders, achieving standardized and orderly communication processes alongside efficient and smooth interaction.

Adhering to a philosophy of continuous and effective communication, the Company places high importance on interaction with stakeholders and continuously refines diversified communication mechanisms and channels. By integrating annual specialized communications with routine day-to-day engagement, the Company actively listens and responds to the core concerns and demands of stakeholders, thereby providing robust support for optimizing ESG management practices and enhancing management quality and efficiency.



## Topics of Concern to Key Stakeholders, Communication & Response Methods

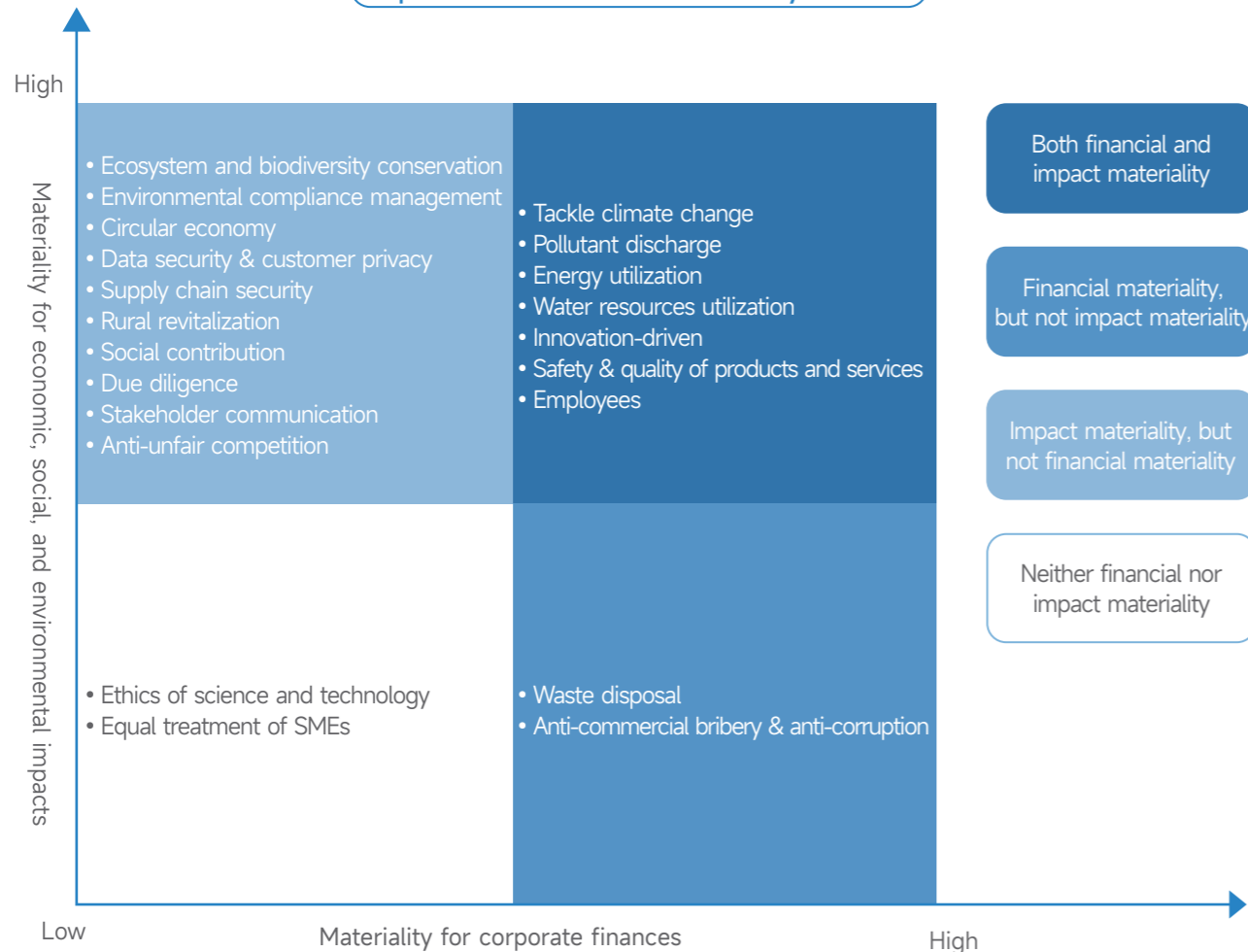
Key Stakeholders	Topics of Concern	Communication & Response Methods	Chapters Disclosed
<b>Shareholders (investors) &amp; Creditors</b>	<ul style="list-style-type: none"> <li>Innovation-driven</li> <li>Anti-commercial bribery and anti-corruption</li> <li>Anti-unfair competition</li> </ul>	<ul style="list-style-type: none"> <li>Conduct shareholders meeting &amp; investor exchange</li> <li>Promote regular and irregular information disclosure</li> <li>Implement the new vision for development</li> <li>Establish complaint reporting &amp; oversight mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Social: Sustainable Value Sharing</li> <li>Governance: Sustainable Mode of Operation</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employment &amp; employee rights</li> <li>Occupational health &amp; safety</li> <li>Employee training &amp; development</li> </ul>	<ul style="list-style-type: none"> <li>Establish internal communication channels for information exchange</li> <li>Improve compensation &amp; benefit system</li> <li>Enrich activities for employees</li> <li>Strengthen workplace safety management</li> <li>Protect occupational health</li> <li>Expand channels for employee development</li> <li>Standardize employee performance appraisal &amp; promotion</li> </ul>	<ul style="list-style-type: none"> <li>Social: Sustainable Value Sharing</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Safety &amp; quality of products and services</li> <li>Innovation-driven</li> <li>Data security &amp; customer privacy</li> <li>Tackle climate change</li> <li>Ecosystem and biodiversity conservation</li> <li>Anti-unfair competition</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen quality control</li> <li>Increase investment in R&amp;D and innovation</li> <li>Conduct customer satisfaction survey</li> <li>Improve customer privacy measures</li> <li>Deepen ecological conservation practices</li> <li>Regulate market business conduct</li> </ul>	<ul style="list-style-type: none"> <li>Environment: Sustainable Green Products</li> <li>Social: Sustainable Value Sharing</li> <li>Governance: Sustainable Mode of Operation</li> </ul>
<b>Suppliers &amp; Partners</b>	<ul style="list-style-type: none"> <li>Supply chain security</li> <li>Anti-commercial bribery &amp; anti-corruption</li> <li>Anti-unfair competition</li> </ul>	<ul style="list-style-type: none"> <li>Standardize supplier management</li> <li>Promote transparent &amp; fair purchase</li> <li>Deepen strategic cooperation initiatives</li> <li>Conduct industry exchanges and visits</li> <li>Improve the commercial conduct framework</li> </ul>	<ul style="list-style-type: none"> <li>Social: Sustainable Value Sharing</li> <li>Governance: Sustainable Mode of Operation</li> </ul>
<b>Community Organizations</b>	<ul style="list-style-type: none"> <li>Rural revitalization</li> <li>Social contribution</li> </ul>	<ul style="list-style-type: none"> <li>Boost rural revitalization</li> <li>Launch social welfare projects</li> <li>Participate in community volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Social: Sustainable Value Sharing</li> </ul>
<b>Government &amp; Regulatory Authorities</b>	<ul style="list-style-type: none"> <li>Tackle climate change</li> <li>Pollutant discharge</li> <li>Waste disposal</li> <li>Environmental compliance management</li> <li>Energy utilization</li> <li>Water resources utilization</li> <li>Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>Identify risks of climate change</li> <li>Improve environmental management systems</li> <li>Strengthen emissions management</li> <li>Implement energy saving and consumption reduction</li> <li>Standardize environmental information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Environment: Sustainable Green Products</li> </ul>

### 3.3 Conclusion of the Materiality Analysis of the Topics

In 2025, among the 21 topics identified and screened, a total of 7 topics demonstrated both financial materiality and impact materiality. 2 topics were financially material but not impact material, while 10 were impact material but not financially material. The remaining 2 topics lacked both financial and impact materiality. The specific categorization is as follows:

- **Topics with both financial and impact materiality:** tackle climate change, pollutant discharge, energy utilization, water resources utilization, innovation-driven, safety & quality of products and services, and employees;
- **Topics with financial materiality but not impact materiality:** waste disposal, anti-commercial bribery & anti-corruption;
- **Topics with impact materiality but not financial materiality:** ecosystem and biodiversity conservation, environmental compliance management, circular economy, data security and customer privacy, supply chain security, rural revitalization, social contribution, due diligence, stakeholder communication and anti-unfair competition;
- **Topics with neither financial nor impact materiality:** ethics of science and technology, and equal treatment of SMEs.

Topic Matrix of Double Materiality in 2025



Analysis of Impacts, Risks and Opportunities for Financial Materiality Topics in 2025

Topics	Impacts			Risks & Opportunities		Financial Impacts
	Types of Impact	Stakeholders Subject to Primary Impact	Scope of Impact	Types of Risks & Opportunities	Period of Impact	
Tackle Climate Change	Actual Positive Impact	Customers	Upstream of the value chain	Physical Risk Technological Risk Policy and Regulatory Risk Market Risk Reputational Risk	Short term Medium term Long term	Increase in operating costs Decrease in operating income
	Potential Negative Impact	Government & Regulatory Authorities	Internal corporate operations Downstream of the value chain	Resource Efficiency Opportunity Product and Service Opportunity Market Opportunity Energy Source Opportunity Resilience Opportunity	Short term Medium term Long term	Decrease in operating costs Increase in operating income
Pollutant Discharge	Potential Negative Impact	Government & Regulatory Authorities	Internal corporate operations	Policy and Regulatory Risk Reputational Risk	Short term Medium term Long term	Increase in operating costs
			Downstream of the value chain	Market Opportunity	Medium term Long term	Increase in operating income
Waste Disposal	Potential Negative Impact	Government & Regulatory Authorities	Internal corporate operations	Policy and Regulatory Risk Reputational Risk	Short term Medium term Long term	Increase in operating costs
			Downstream of the value chain	Market Opportunity	Medium term Long term	Increase in operating income
Energy Utilization	Actual Positive Impact	Government & Regulatory Authorities	Upstream of the value chain	Technological Risk	Short term Medium term Long term	Increase in operating costs
			Internal corporate operations Downstream of the value chain	Energy Source Opportunity Market Opportunity	Medium term Long term	Decrease in operating costs Increase in operating income
Water Resources Utilization	Actual Positive Impact	Government & Regulatory Authorities	Internal corporate operations	Technological Risk	Short term Medium term Long term	Increase in operating costs
			Downstream of the value chain	Resource Efficiency Opportunity	Medium term Long term	Increase in operating income
Innovation-Driven	Actual Positive Impact	Shareholders (investors) & Creditors Customers	Internal corporate operations	Market Risk Technological Risk	Short term Medium term	Increase in operating costs Decrease in operating income
	Potential Negative Impact		Downstream of the value chain	Market Opportunity	Medium term Long term	Increase in operating income
Safety and Quality of Products and Services	Actual Positive Impact	Customers	Internal corporate operations	Policy and Regulatory Risk Reputational Risk	Short term Medium term	Increase in operating costs Decrease in operating income
	Potential Negative Impact		Downstream of the value chain	Product and Service Opportunity	Medium term Long term	Decrease in operating costs Increase in operating income
Employees	Actual Positive Impact	Employees	Internal corporate operations	Reputational Risk	Short term Medium term Long term	Increase in operating costs
	Potential Negative Impact			Market Opportunity	Short term Medium term Long term	Increase in operating income
	Potential Negative Impact					
Anti-Commercial Bribery and Anti-Corruption	Actual Positive Impact	Shareholders (investors) & Creditors	Upstream of the value chain Internal corporate operations	Reputational Risk	Medium term Long term	Increase in operating costs
	Potential Negative Impact	Suppliers & Partners	Downstream of the value chain	Market Opportunity	Medium term Long term	Increase in operating income

Note: The Company defines the period of impact as short-term (0-1 year [inclusive]), medium-term (1-5 years [inclusive]), and long-term (over 5 years).

# 4. Arrangement for Corporate ESG Governance

## 4.1 Governance Structure for Sustainability

### Corporate Governance Structure

In strict compliance with the laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, as well as the relevant provisions of the Shanghai Stock Exchange, the Company establishes a corporate governance mechanism comprising the Shareholders' Meeting, the Board of Directors, and the Management, each with distinct responsibilities and mutual oversight, thereby continuously enhancing the transparency and effectiveness of corporate governance.

The Company places high importance on the effective implementation and operational feasibility of governance regulations. In 2025, in compliance with relevant laws, regulations, and supervisory rules, and based on the Company's actual circumstances, a systematic revision and update of internal regulations—such as the "Articles of Association of Zhejiang Xiniao Textiles Inc.", "Rules of Procedure for Shareholders Meetings", "Rules of Procedure for Board of Directors", "Working System for Independent Directors", and "Information Disclosure Management System"—were carried out to further elevate the standard of corporate governance.



#### ◆ Board of Shareholders and Protection of Shareholder Rights

The Board of Shareholders serves as the supreme governing body of the Company, exercising its authority in accordance with the law. The Company places high importance on the protection of shareholder rights and interests, particularly those of minority shareholders. It safeguards and continuously refines mechanisms for shareholder participation and voting, maintains clear and accessible communication channels with investors, and strives to make every shareholder feel equally and genuinely valued by the Company. Shareholders' meetings are convened annually to guarantee that all shareholders enjoy equal standing and are able to exercise their rights effectively. In 2025, the Company conducted **3** General Shareholders' Meetings.

#### ◆ Board Construction

The Company places great emphasis on board governance and has established standardized mechanisms and rules for director election, appointment, removal, and deliberation. It continuously refines the board's structure to enhance its independence and diversity, thereby maximizing the board's professional expertise and providing robust support for the Company's sustainable development.

Directors are elected by the shareholders' meeting and are accountable to it. Acting in the best interests of all shareholders, directors adhere to the principles of diligence, integrity, and pragmatism in fulfilling their duties. The Board has established four specialized committees—Strategy and Sustainability (ESG) Committee, Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee—to support its decision-making processes. In 2025, the Board convened **8** meetings.

The Company implements a diversity policy for board composition, taking into full consideration the business model and operational needs while ensuring diversity in gender, age, cultural and educational backgrounds, and professional expertise. Board members comprise seasoned experts with professional backgrounds in law, finance, and senior management experience in large enterprises, offering valuable insights and recommendations to the Company. As of the end of 2025, the Board consisted a total of **9** members (including **2** female directors), **3** of whom are independent external directors. For detailed information, please refer to the *Annual Report 2025 of Zhejiang Xiniao Textiles Inc.*

### Board ESG Management Guideline and Policy

Adhering to the core principle that "sustainability creates long-term value," the Board of Directors fully integrates environmental (E), social (S), and governance (G) factors into the Company's strategic planning, operational decision-making, and risk management systems.

Committed to compliance as the baseline, green development as the direction, social responsibility as the mission, and transparent governance as the safeguard, the Board pledges to balance the interests of diverse stakeholders and propel the Company toward synergistic growth in economic, social, and environmental performance.

#### Board ESG Management Policy

**Strategy Integration Policy**

Incorporate ESG development objectives into corporate strategy framework to ensure ESG initiatives align closely with core business directions, industry trends, and regulatory requirements. Drive the implementation of the strategy by establishing quantifiable ESG Key Performance Indicators (KPIs).

**Risk Prevention and Control Policy**

Integrate ESG risks into the Company's comprehensive risk management system, with a focus on preventing and controlling potential risks in areas such as climate change, pollutant discharge, energy utilization, safety and quality of product and service, and workplace safety, thereby mitigating negative impacts on business operations.

**Value Creation Policy**

Unlock growth opportunities in the ESG domain, increase investment in green technology R&D to drive sustainable upgrades in products and services; enhance system for safeguarding employee rights and development to strengthen organizational cohesion; foster regular communication with stakeholders to cultivate a responsible corporate brand image.

#### ◆ Management Fulfillment of Duties

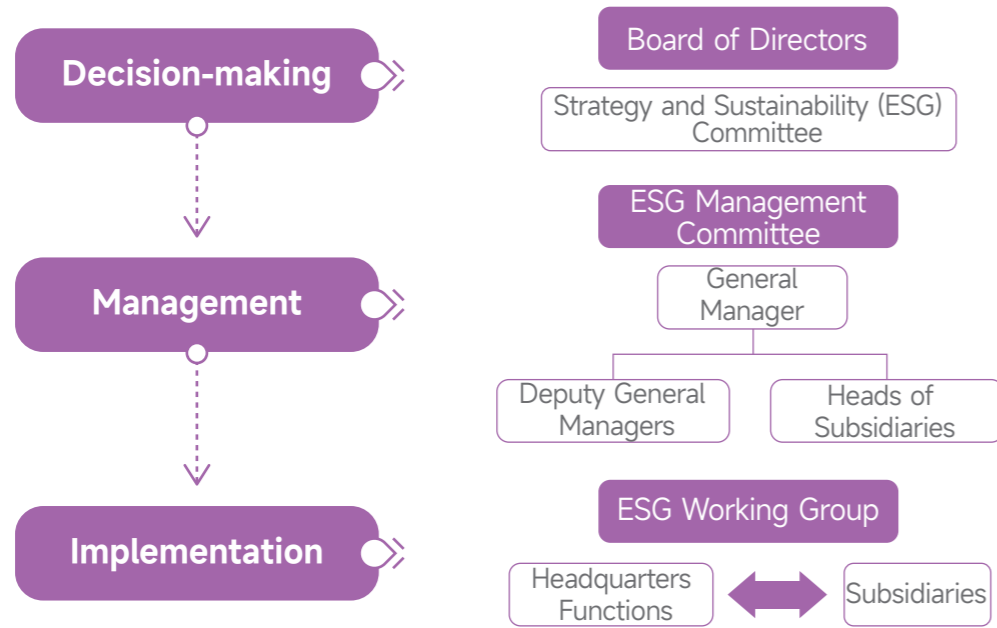
The Company's management team performs its duties in strict compliance with laws, regulations, and internal corporate policies, rigorously executing resolutions passed by the shareholders' meetings and board of directors to ensure the Company's sustained and stable operation. The General Manager, Deputy General Managers, Chief Financial Officer, and Board Secretary constitute the Company's senior management. As of the end of 2025, there were a total of **6** senior executives, **3** of whom are female.

The compensation plan for senior management is subject to review and approval by the board of directors. It is primarily composed of a base salary and performance-based incentives. The Company incorporates ESG indicators, including greenhouse gas emission reduction performance, implementation of innovation projects, product quality, workplace safety, and compliance management into the performance evaluations of its management team. Performance-based compensation is then awarded according to the evaluation outcomes, thereby promoting the effective implementation of the Company's sustainability strategy. For detailed information on the total remuneration and shareholding status of senior management, please refer to the *Annual Report 2025 of Zhejiang Xiniao Textiles Inc.*

## ESG Governance Structure

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

ESG Governance Structure Chart



Composition & Terms of Reference of the ESG Governance Structure

Tier	Composition	Terms of Reference
Decision-making	<ul style="list-style-type: none"> <li>Members of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>The highest-level ESG governance body, responsible for formulating corporate ESG management policies and strategies, and authorizing the Strategy and Sustainability (ESG) Committee to oversee and make decisions on relevant matters.</li> </ul>
	<ul style="list-style-type: none"> <li>Members of the Strategy and Sustainability (ESG) Committee</li> </ul>	<ul style="list-style-type: none"> <li>Develop long-term corporate development strategies and enhance sustainability capabilities. Conduct research and assessment on major sustainability trends and relevant risks and opportunities facing the company; provide guidance and oversight for the formulation and implementation of ESG objectives, thereby offering critical support for the Company's sustainable development.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Senior executives with ESG-related knowledge</li> </ul>	<ul style="list-style-type: none"> <li>Establish corporate ESG objectives, identify material ESG topics, develop management policies, and evaluate corporate sustainability performance. Continuously monitor the progress of ESG strategy implementation, and regularly report ESG work progress and management outcomes to the Strategy and Sustainability (ESG) Committee and the Board of Directors.</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>Core members from functional departments and subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Develop ESG work plans and action programs, coordinate and oversee the implementation of ESG initiatives, and monitor the progress of ESG objectives alongside business development strategies.</li> </ul>

## 4.2 Reporting on Sustainability-Related Information

### Concept of Sustainability

Amidst the tide of globalization and the green-oriented transition of the textile industry, the Company has consistently adhered to the concept of sustainability. Centered on the mission of "Sharing Sustainable Warmth with the World," it strives to build a greener, low-carbon, and common prosperous future. Guided by its sustainability vision of "Becoming a Globally Leading Provider of High-End Green Wool Textile Solutions", the Company employs continuous technological innovation, eco-friendly process renovation, and cross-value-chain collaboration to safeguard the ecological environment while simultaneously enhancing both corporate and societal value. Embracing the sustainability mission of "Pioneering the Green-oriented Transition in the Wool Textile Industry to Make Textile Products More Eco-Friendly, High-Quality, Traceable, and Sustainable," the Company collaborates with global value chain partners to collectively address climate change challenges, promote resource recycling, refine responsible supply chain systems, and foster a sustainable ecosystem within the wool textile industry.

Concept of Sustainability



### Framework for Sustainability Strategy

To comprehensively implement the United Nations 2030 Sustainable Development Goals (SDGs), the Company has developed the "WARMTEX 2030" sustainability strategy framework. Grounded in the concept of sustainability and building upon the core operations of the wool textile industry, this model aims to deeply respond to the needs of stakeholders—including customers, supply chain partners, the industry, and society at large. Through sustainable initiatives, the Company strives to energize wool textile sector, empower brand partners, strengthen responsible supply chains, protect ecological environments, and contribute to a sustainable global future.

“WARMTEX 2030” Sustainability Strategy Framework

# W A R M T E X

<p><b>Wisdom Powered</b></p> <p>Leveraging digital and intelligent technologies to upgrade the entire operational workflow, enhancing efficiency and reducing costs, thereby empowering green production and lean management.</p> <p>9 产业、创新和基础设施</p> <p>12 负责任消费和生产</p>	<p><b>Accountable Sourcing</b></p> <p>Establishing a green and compliant sourcing system, prioritizing sustainable suppliers, and ensuring the implementation of environmental and social responsibility throughout the supply chain.</p> <p>12 负责任消费和生产</p> <p>17 促进目标实现的伙伴关系</p>	<p><b>Recycling Low-carbon</b></p> <p>Practicing the concept of recycling and low-carbon development, promoting the recycling and reuse of production materials and energy, and minimizing resource waste and carbon emissions.</p> <p>12 负责任消费和生产</p> <p>13 气候行动</p>	<p><b>Multifaceted Innovation</b></p> <p>Driving innovation across technology, processes, and management to overcome developmental bottlenecks and enhance the core competitiveness of corporate sustainability.</p> <p>9 产业、创新和基础设施</p> <p>17 促进目标实现的伙伴关系</p>	<p><b>Talent Diversity</b></p> <p>Building a diverse and inclusive talent ecosystem that emphasizes gender equality and diverse competencies, fostering employee growth and team development.</p> <p>5 性别平等</p> <p>8 体面工作和经济增长</p>	<p><b>Ethical Business</b></p> <p>Adhering to the principles of integrity and compliance, upholding fair trade practices and anti-unfair competition, and reinforcing the baseline for compliance operations.</p> <p>16 和平、正义与强大机构</p> <p>17 促进目标实现的伙伴关系</p>	<p><b>X Attitude Brand</b></p> <p>Elevating brand building through sustainability principles, communicating green and compliant values, and enhancing social recognition and influence of the brand.</p> <p>8 体面工作和经济增长</p> <p>12 负责任消费和生产</p>
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## Planning of Sustainability

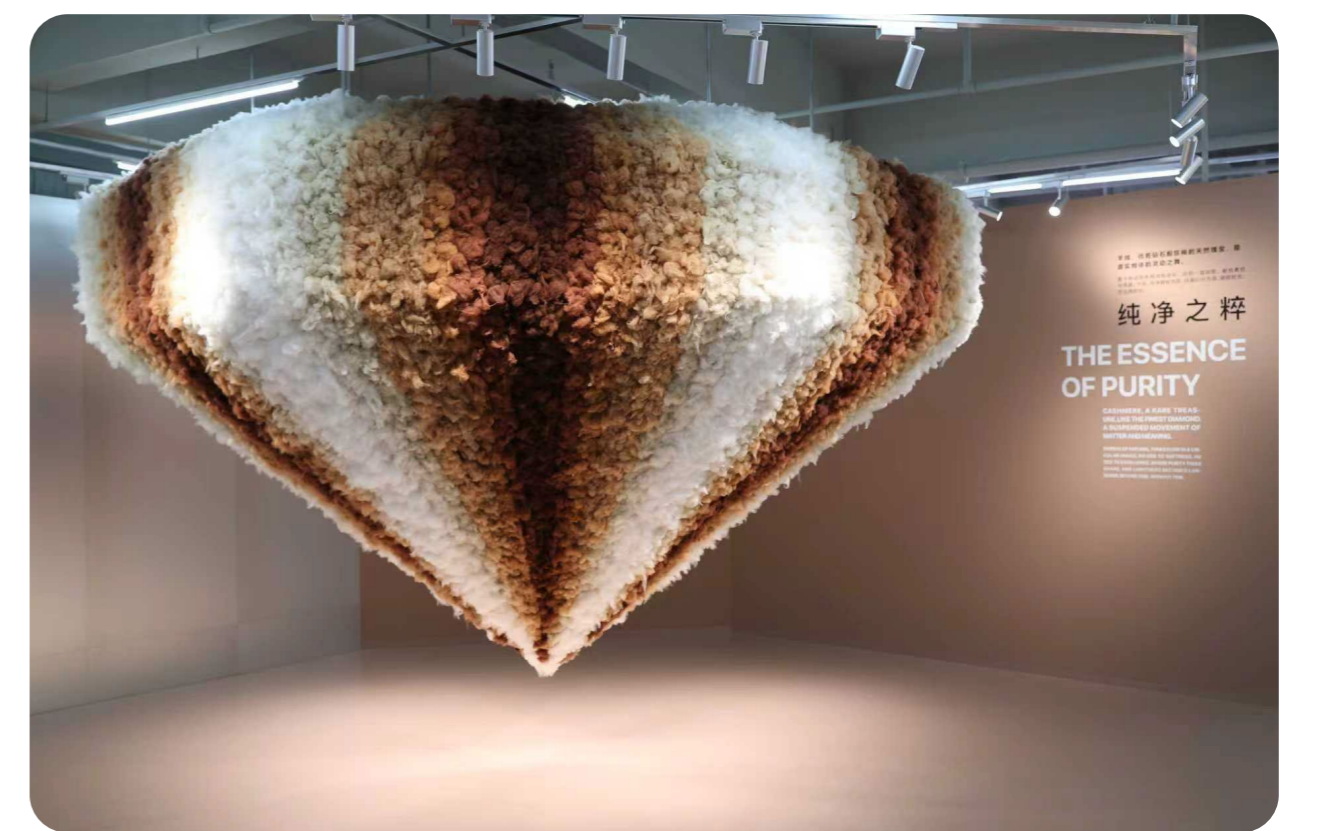
To effectively implement its sustainability vision, the Company adopted a “**Comprehensive Development, Planning-Led**” approach and formulated the “XINAO Sustainability Planning for the 15th Five-Year Plan Period (2026-2030)” by the end of 2025. This plan outlines phased objectives for the 2026-2030 period:

**Years of Quality · Synergy (2026-2027):** Focused on “**Deepening Quality Control and Upgrading Collaborative Co-creation**”, this phase aims to fortify the baseline of ESG responsibilities through product quality enhancement, and strengthen the foundation for sustainability via cross-entity collaboration;

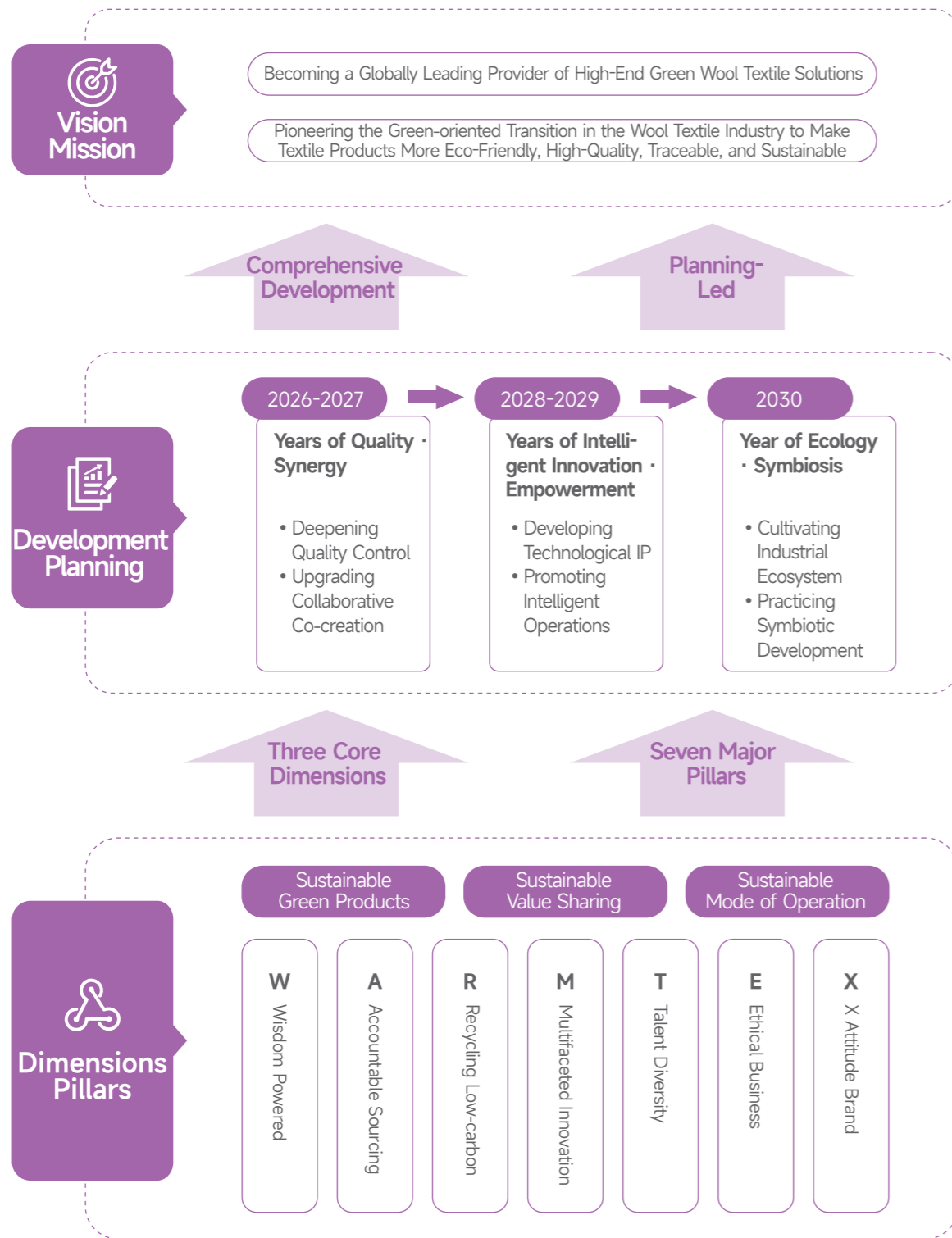
**Years of Intelligent Innovation · Empowerment (2028-2029):** Centered on “**Developing Technological IP and Promoting Intelligent Operations**”, this stage emphasizes driving operational efficiency through technological innovation, and enhancing industrial resilience via digital and intelligent upgrades.

**Year of Ecology · Symbiosis (2030):** Dedicated to “**Cultivating Industrial Ecosystem and Practicing Symbiotic Development**”, this final phase focuses on promoting circular synergy across the industrial chain through ecological integration, achieving synergistic value creation for both the enterprise and the socio-environmental landscape.

Concurrently, centering on the three core dimensions of “**Sustainable Green Products, Sustainable Value Sharing, and Sustainable Mode of Operation,**” and supported by **the seven pillars of “WARMTEX”** (Wisdom Powered, Accountable Sourcing, Recycling Low-carbon, Multifaceted Innovation, Talent Diversity, Ethical Business, and X Attitude Brand), concrete actions are implemented with clearly defined milestone objectives and accountability allocations at each phase. Through regular strategic monitoring and performance evaluation mechanisms, a closed-loop procession is ensured, translating strategic vision into tangible execution.



Sustainability Planning for the 15th Five-Year Plan Period (2026-2030)



Indicators, Objectives and Annual Progress of Sustainability

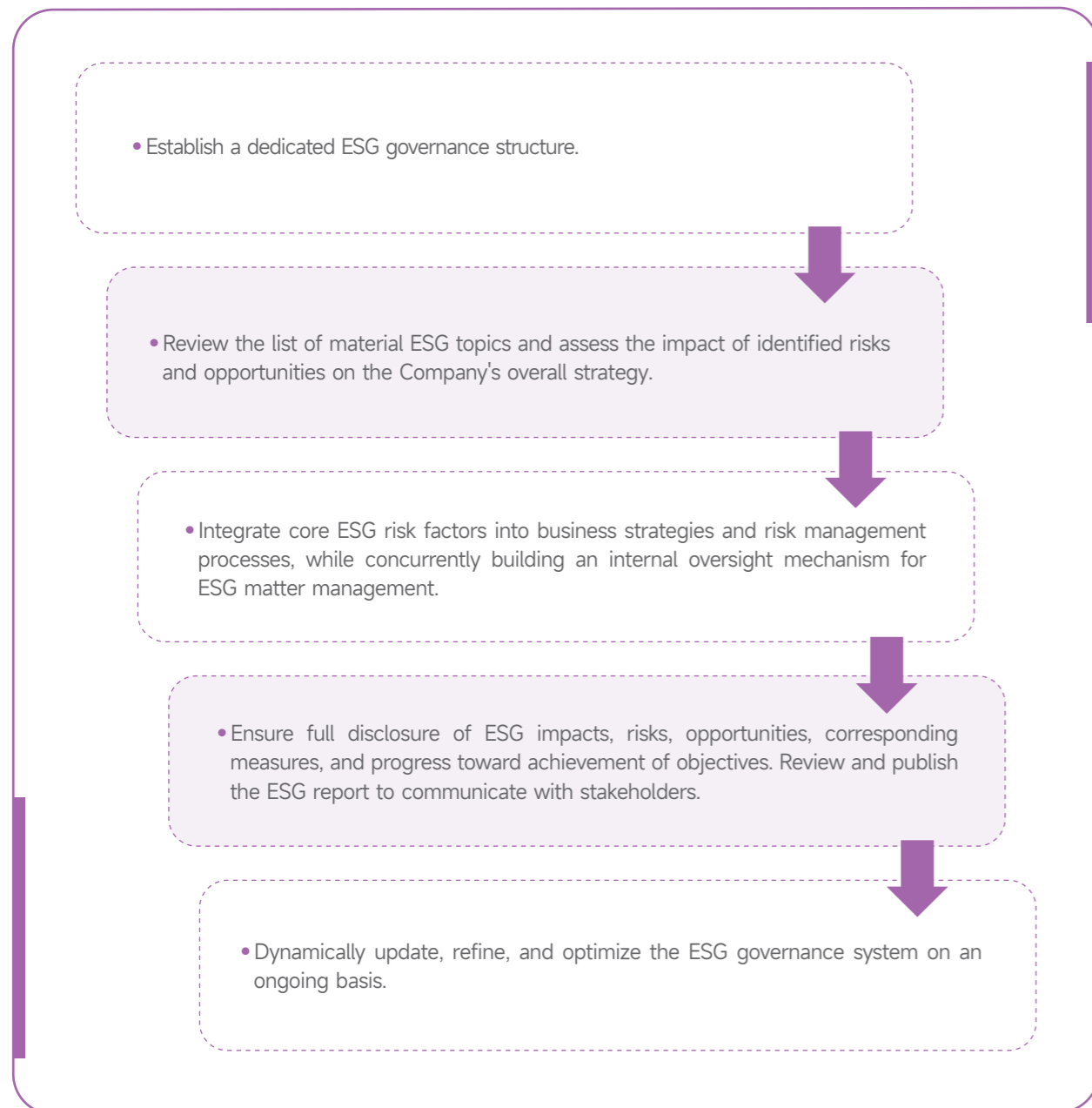
In alignment with relevant laws and regulations, the requirements of the SSE Guidelines, and its own development needs, the Company has established scientifically grounded sustainability objectives. These are formulated with reference to China national strategies—such as Rural Revitalization, Carbon Peak and Carbon Neutral—as well as international frameworks including the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. Centered on the management of material ESG topics, the Company advances its ESG practices comprehensively across multiple dimensions, including governance structure development, risk control implementation, and information disclosure standardization. Through these concerted efforts, the Company has achieved significant progress in sustainability and contributes tangibly to the realization of the United Nations SDGs.

SDGs	Material Topics	Indicators	Objectives	Progress in 2025	
	Tackle Climate Change	(with 2020 as the base year) Cumulative reduction of total GHG Emissions by 2030	132,000 tCO <sub>2</sub> e	29,211.97 tCO <sub>2</sub> e	
	Sustainable Green Products	Pollutant Discharge	Completion rate of pollution detection	100%	100%
			Compliance rate for pollutant discharges	100%	100%
	Waste Disposal		Accuracy rate of waste sorting and storage	100%	100%
			Rate of waste collection and disposal	100%	100%
			Harmless disposal rate of hazardous waste	100%	100%
	Energy Utilization		(with 2020 as the base year) Cumulative consumption of renewable energy by 2030	22,000 tce	8,800.99 tce
			(with 2020 as the base year) Cumulative total energy conservation by 2030	17,000 tce	4,303.28 tce
	Water Resources Utilization		Water reuse rate by 2030	Not less than 45%	36.44%
			(with 2020 as the base year) Cumulative total water savings by 2030	3,250,000 t	707,441.13 t
	Sustainable Value Sharing	Innovation-Driven	The proportion of R&D investment to revenue	Not less than 2.5%	2.27%
			The proportion of R&D personnel	Not less than 10%	9.97%
	Safety and Quality of Products and Services		Handling rate of complaints from customers	100%	100%
		Employees		Coverage rate of work-related injury insurance for employees	100%
	Signing rate of workplace safety liability agreements		100%	100%	
	Completion rate of safety hazard rectification		100%	100%	
	Sustainable Mode of Operation	Anti-Commercial Bribery and Anti-Corruption	Coverage rate of anti-commercial bribery and anti-corruption training for directors	100%	100%
			Coverage rate of anti-commercial bribery and anti-corruption training for management staff	100%	100%
			Coverage rate of anti-commercial bribery and anti-corruption training for front-line staff	100%	100%

### 4.3 Mechanisms of Supervision and Appraisal

The Company has established an ESG supervision mechanism with clearly defined responsibilities. The Board of Directors, along with its subordinate Strategy and Sustainability (ESG) Committee and Audit Committee, comprehensively manages the Company's ESG-related impacts, risks, and opportunities through a full-cycle approach. This includes approving ESG development strategies, assessing potential risks, setting core objectives, overseeing implementation, reviewing performance outcomes, and ensuring transparent communication. The Internal Audit Sector maintains functional independence from other business units. It conducts specialized evaluations of the effectiveness of ESG risk and opportunity management, issues monitoring opinions, proposes optimization suggestions, and reports regularly to management on its oversight activities.

#### ESG Supervision Process



The Company has systematically integrated ESG-related objectives into its performance appraisal framework, with clearly defined scopes of personnel coverage. To guide management in scientifically optimizing resource allocation and ensuring the implementation of established ESG goals, the Company deeply aligns management performance evaluations with their performance on core ESG topics.

#### ESG Mechanisms of Supervision and Appraisal

**Info. Report Mechanism**

- The Company's ESG Management Committee provides comprehensive periodic reports to the Board of Directors and its subordinate committees—namely, the Strategy and Sustainability (ESG) Committee and the Audit Committee—on the progress and completion status of ESG-related objectives.
- The Company compiles ESG reports on an annual basis, which are disclosed to the public after review. For major ESG matters such as environmental compliance incidents, an immediate special reporting mechanism is adopted.

**Supervision procedures and measures**

- Institutional Level:** Develop specialized systems such as the "Environmental, Social, and Governance (ESG) Management System" to clarify supervisory responsibilities.
- Organizational Level:** The Board of Directors and its subordinate Strategy and Sustainability (ESG) Committee exercise overarching supervision, while the ESG Management Committee serves as the core executive oversight body. The committee convenes dedicated sessions at regular intervals to evaluate and prioritize ESG-related impacts, risks, and opportunities, subsequently reviewing and approving key performance indicators and strategic objectives within the company's ESG framework.
- Supervision Procedures:** An annual specialized ESG compliance audit is conducted to examine areas such as environmental emissions, supply chain management, and employee rights. Identified issues are promptly rectified and tracked to ensure closed-loop management.

**Appraisal Mechanism**

- The Company incorporates GHG emission reduction performance, implementation of innovation projects, product quality, workplace safety, and compliance management into the core appraisal indicators for relevant responsible personnel, thereby promoting accountability through quantifiable assessment.



# 05 | Environment

## Sustainable Green Products

### Priority actions on environmental dimensions

- Tackle Climate Change
- Pollutant Discharge
- Waste Disposal
- Ecosystem and Biodiversity Conservation
- Environmental Compliance Management
- Energy Utilization
- Water Resources Utilization
- Circular Economy

### The SDGs to which this chapter is dedicated



## 5.1 Tackle Climate Change

Greenhouse gas emissions from corporate operations are categorized into direct and indirect emissions. Direct emissions originate from stationary source combustion of natural gas and liquefied petroleum gas, mobile source combustion of on-road vehicles such as gasoline and diesel trucks, and non-road vehicles such as diesel forklifts, fugitive emissions from refrigerants and fire extinguishers, and process-related emissions from carbon-containing chemicals. Indirect emissions result from outsourced electricity and steam used for production and office activities. These emissions comprise seven major greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).

The Company closely monitors the trend of global climate change and actively responds to national climate-related policies such as the State Council's "Action Plan for Carbon Dioxide Peaking Before 2030" and "Responding to Climate Change: China's Policies and Actions". By establishing a systematic climate change management framework, the Company fully integrates climate change mitigation and adaptation efforts into its daily operational management. In 2025, the allocated investment for greenhouse gas emission reduction initiatives amounted to **17.5718 million** yuan.

### Governance

The Company has established a three-tier governance structure for tackling climate change comprising the "Decision-making - Management - Implementation", with clearly delineated responsibilities and authorities across each tier. This structure ensures stratified coordination, implementation and closed-loop management of climate-related initiatives:

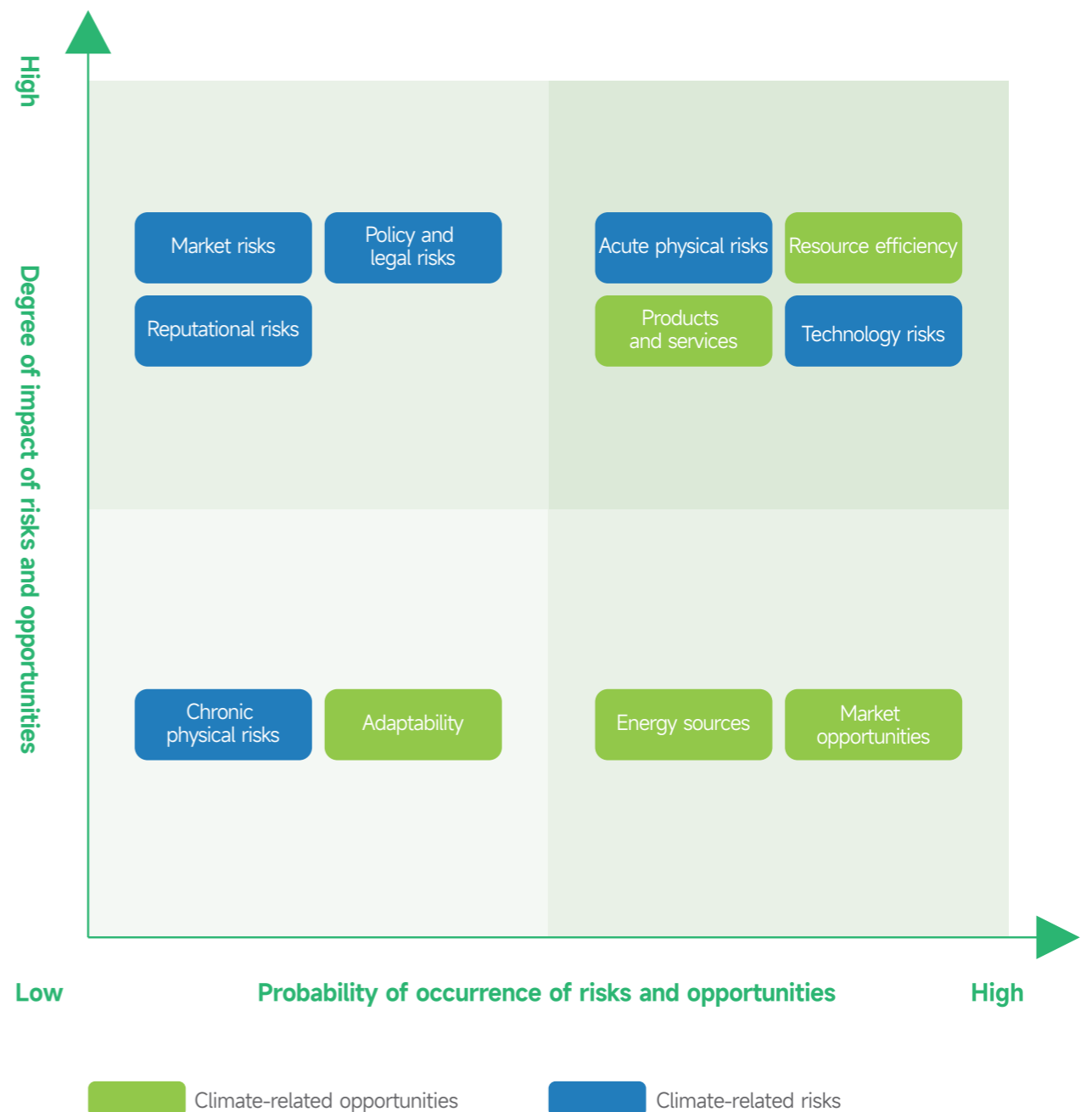
Decision-Making	 <p><b>Board's Strategy and Sustainability (ESG) Committee</b></p>	<ul style="list-style-type: none"> <li>Responsible for reviewing and approving climate-related strategies and management.</li> </ul>
Management	 <p><b>ESG Management Committee and Executive Management</b></p>	<ul style="list-style-type: none"> <li>Responsible for researching and formulating climate-related strategies, objectives, and management practices, as well as identifying and controlling climate-related risks and opportunities.</li> </ul>
Implementation	 <p><b>Enterprise Management Section, General Section of Safety and Environment at the Headquarters, and all subsidiaries</b></p>	<ul style="list-style-type: none"> <li>Responsible for organizing, arranging, and managing climate-related tasks, ensuring the implementation of these initiatives, and providing regular progress reports.</li> </ul>

At the institutional level, the Company has formulated the "Climate Change Management System". Furthermore, the Company regularly organizes training sessions on climate and carbon-related topics to enhance the professional capabilities of employees in relevant positions. This ensures their effective participation in the formulation and implementation of the Company's climate strategies. In 2025, the Company organized specialized training for all relevant departments, covering areas such as carbon emissions in the textile enterprises, product carbon footprint accounting, and carbon management system development.

### Strategy

The Company regularly identifies and assesses short-, medium-, and long-term risks and opportunities posed by climate change to its operations and finances. In alignment with national and local policy requirements and integrating its operational realities, it evaluates the probability of occurrence and degree of impact of each risk and opportunity, developing a climate risk and opportunity matrix. Simultaneously, the Company assesses the impacts of physical and transformation risks stemming from climate change in the context of business development, proactively explores growth opportunities in areas such as products and services, and resource efficiency. Climate risk and opportunity management is deeply integrated into the Company's strategic planning system, with tailored mitigation and adaptation strategies developed to address climate impacts.

Matrix of Climate-related Risks and Opportunities



Climate-related Risks and Opportunities & Responses

Types of Risk or Opportunity	Description	Period of Impact	Potential Financial Impact	Responses
Physical Risks	Acute Risks	Short term	Depreciation of fixed assets Increase in operating costs Decrease in operating income	<ul style="list-style-type: none"> <li>Formulate contingency plans for extreme weather and conduct regular emergency drills.</li> <li>Maintain constant monitoring of climate data and optimize the layout of production bases and warehouses in accordance with sea-level rise trends.</li> </ul>
	Chronic Risks	Medium-to-long term	Increase in operating costs Decrease in operating income	
Transformation Risk	Technology Risks	Short-to-medium term	Increase in operating costs Decrease in operating income	<ul style="list-style-type: none"> <li>Increase investment in new energy-saving technologies and equipment, strengthen the capacity for R&amp;D and innovation of technologies and green products.</li> </ul>
	Policy and Legal Risks	Short-to-medium-to-long term	Increase in operating costs	<ul style="list-style-type: none"> <li>Comprehensively implement various energy conservation and emission reduction measures, and strive to reduce carbon emissions.</li> </ul>
	Market Risks	Medium-to-long term	Increase in operating costs Decrease in operating income	<ul style="list-style-type: none"> <li>Persistently advance the R&amp;D and production of low-carbon products, extending low-carbon attributes to customers and all end-use scenarios across the value chain.</li> <li>Regularly compile requirements and inquiries from all stakeholders and actively respond to their concerns.</li> </ul>
	Reputational Risks	Medium-to-long term	Decrease in operating income	

Types of Risk or Opportunity	Description	Period of Impact	Potential Financial Impact	Responses
Transformation Opportunities	Resource Efficiency	Medium-to-long term	Decrease in operating costs	<ul style="list-style-type: none"> <li>Increase the proportion of renewable energy usage can lower direct energy costs, meet the green demands of downstream customers, and help the Company achieve its low-carbon development goals.</li> </ul>
	Products and Services	Short-to-medium-to-long term	Increase in operating income	<ul style="list-style-type: none"> <li>Actively identify energy-saving potential and reduce product carbon emissions through smart factory development, technological innovation, process optimization, and the application of energy-efficient equipment and technologies.</li> </ul>
	Market Opportunities	Medium-to-long term	Increase in operating income	<ul style="list-style-type: none"> <li>Expand into emerging markets and deepen collaborations, introduce more low-carbon products and services that align with market demands and expectations.</li> </ul>
	Energy Sources	Short-to-medium-to-long term	Decrease in operating costs	
	Adaptability	Medium-to-long term	Decrease in operating costs Increase in operating income	

Note: The Company defines the period of impact as short-term (0-1 year [inclusive]), medium-term (1-5 years [inclusive]), and long-term (over 5 years).

Analysis reveals that the current financial impact of climate change on the Company primarily manifest as fluctuations in production energy consumption costs and increased environmental protection expenditures. Overall, the impact remains manageable and has not materially adversely affected the Company's current operating results. Looking ahead to the next fiscal year, should persistent extreme weather conditions drive further rises in energy costs, the Company may face additional pressure on production costs and cash flow. Mitigation measures, including the advancement of photovoltaic projects and energy-saving retrofits, are expected to partially offset such cost increases, and the overall impact is projected to remain controllable. Furthermore, the Company's strategic direction and business model exhibit strong climate resilience. Ongoing initiatives such as the development of smart factories and the adoption of green, low-carbon production practices are expected to enhance the Company's capacity to effectively counter external disruptions induced by climate change.

Through the formulation of a climate transition plan, the Company continues to strengthen its climate resilience, enabling it to adequately adapt to and address the diverse impacts of climate change. Recently, the Company has implemented energy-saving upgrades for equipment such as air compressors and transformers to lower energy consumption, while also deploying photovoltaic projects to substitute conventional energy sources with cleaner alternatives, thereby increasing the share of renewable energy and optimizing the overall energy mix. Moving forward, the Company will further integrate its value chain into climate management considerations, actively promote carbon neutrality initiatives across the supply chain, and contribute to industry-wide green and low-carbon development. Concurrently, leveraging technological innovation, the Company aims to provide carbon neutrality solutions to society, aligning its business strategy with the demands of a zero-carbon societal transition and achieving synergistic progress between commercial growth and green, low-carbon objectives.

Development Strategies for Tackling Climate Change

Focused Areas	Greenhouse Gas Reduction		Climate Mitigation and Adaptation Solutions	
Climate-related Commitments	Taking 2020 as the base year, the Company has verified its GHG emissions, formulated a sustainability plan oriented toward green and low-carbon objectives, and put forward a commitment at the operational level: <b>to achieve carbon peaking before 2030 and carbon neutrality by 2050.</b>		Core: <b>Enabling Sustainable Warmth to be Shared Globally</b>	
Development Path	<ul style="list-style-type: none"> <li>Energy-saving and consumption-reducing technological upgrades</li> <li>Utilization of renewable energy sources</li> <li>Lean management practices</li> <li>Implementation of green logistics</li> <li>Reduction of product carbon footprint</li> <li>Carbon credits or offsets (VCS)</li> </ul>		<ul style="list-style-type: none"> <li>Climate mitigation solutions</li> <li>Climate adaptation products</li> </ul>	
Systematic Support	Organizational Support	Institutional Support	Talent Support	Digitalization Support

Management of Impact, Risk and Opportunity

The Company proactively addresses various challenges arising from climate change by systematically integrating the management of climate-related risks and opportunities into its comprehensive operational risk management framework. This integration has established a standardized process for managing climate-related risks and opportunities: through the implementation of a full-cycle control mechanism encompassing "identification, assessment, and supervision," the Company conducts periodic dedicated evaluations to identify climate-related risks and opportunities. It scientifically assesses their potential impact on business operations in terms of scope and duration, and formulates tailored management strategies and actionable measures accordingly. This approach ensures the systematic and regularized management of climate-related risks and opportunities.

Process for Managing Climate-Related Risks and Opportunities



Low-Carbon Manufacturing

- **Reduction of Greenhouse Gas Emissions from Operations:** Analysis of the Company's historical GHG emission structure indicates that Scope II emissions account for over **90%** of its total operational GHG emissions, with electricity consumption being the predominant contributor. Consequently, enhancing energy efficiency and optimizing the renewable energy mix have become priority initiatives for GHG emission reduction. Detailed management measures are elaborated in the "Energy Utilization" Chapter.
  - In terms of Energy Efficiency: The Company actively implements energy conservation and carbon reduction measures across all production phases to continually improve energy efficiency. In 2025, initiatives such as production process redesign, equipment upgrades, and process improvements were projected to reduce annual emissions by **3,905.16** tons of carbon dioxide equivalent.
  - In terms of Energy Mix: The Company is committed to optimizing its energy structure and increasing the proportion of clean energy usage. In 2025, through the utilization of photovoltaic power, green certificate electricity, and solar water heating systems, the Company effectively avoided the emission of approximately **13,812.88** tons of carbon dioxide equivalent. Notably, a self-invested distributed photovoltaic power generation project with an installed capacity of 736 kWp, developed by NEW CHUWA, has been commissioned, providing robust support for clean energy substitution.
- **Assessment of Product Carbon Footprint:** As an industry pioneer in carbon footprint quantification, XINAO TEX has proactively advanced life cycle assessment (LCA) projects for representative products. The Company has publicly disclosed carbon footprint data for **3** types of wool yarns, including CASH-FEEL medium-color wool yarn and Basolan worsted wool knitting yarns (top dyeing & hank dyeing), while its subsidiary XINAO CASHMERE has released such data for **6** types of cashmere yarns across two major categories: CASHQUEEN and PRESTIGE. Additionally, XINAO TEX participated as a key drafting unit in establishing the group standard "Product Carbon Footprint—Product Category Rules—Wool Yarn" (T/CNTAC 203-2024 T/CWTA 1-2024).

Low-Carbon Products

- **Zero-carbon Tencel Blends:** Blend "Tencel™ Lyocell Fiber with Climate Actions" (Zero-Carbon Tencel™) with natural fibers such as wool, cashmere, and organic cotton to create affordable luxury yarns that are smooth, drapery, resilient, and eco-friendly.
- **Low-carbon diacetate fiber blend:** Blend low-carbon diacetate fibers sourced from sustainably managed pine and eucalyptus forests and farms with natural fibers such as wool, TENCEL™, and mulberry silk to develop mid-to-high-end yarns that are lightweight, soft, and refreshing—ideal for premium summer apparel.
- **Bio-based Nylon Blends:** Leveraging cutting-edge LINCSPUN textile technology, spin bio-based nylon derived from non-petroleum sources with wool to enhance elasticity and abrasion resistance while maintaining biodegradability, making it ideal for athleisure wear.
- **Bio-based polylactic acid (PLA) blends:** Blend PLA derived from renewable plant resources with wool to create yarns that are lighter, more breathable, quick-drying, antimicrobial and anti-mite, expanding their applicability to spring-summer collections and athleisure wear segments.
- **Recycled nylon blends:** Blend recycled nylon sourced from discarded fishing nets with natural fibers, maintaining superior performance while significantly reducing energy consumption and carbon emissions during production.



## 5.2 Pollutant Discharge

The wastewater pollutants generated from the Company's production and operation primarily include chemical oxygen demand (COD<sub>Cr</sub>), five-day biochemical oxygen demand (BOD<sub>5</sub>), ammonia nitrogen (NH<sub>3</sub>-N), total phosphorus (TP), total nitrogen (TN), total zinc (TZn), dissolved chromium (DCr), suspended substances (SS), adsorbable organic halogen (AOX), etc. The Company applies for the national pollutant discharge permit in strict accordance with the requirements of the state and local governments, implements standardized sewage declaration and registration, establishes an online monitoring and early warning mechanism for water treatment, formulates a self-monitoring scheme for pollutant discharge permit and set up a supporting wastewater treatment system to make sure all treated wastewater is uniformly discharged through designated outlets in compliance with standards.

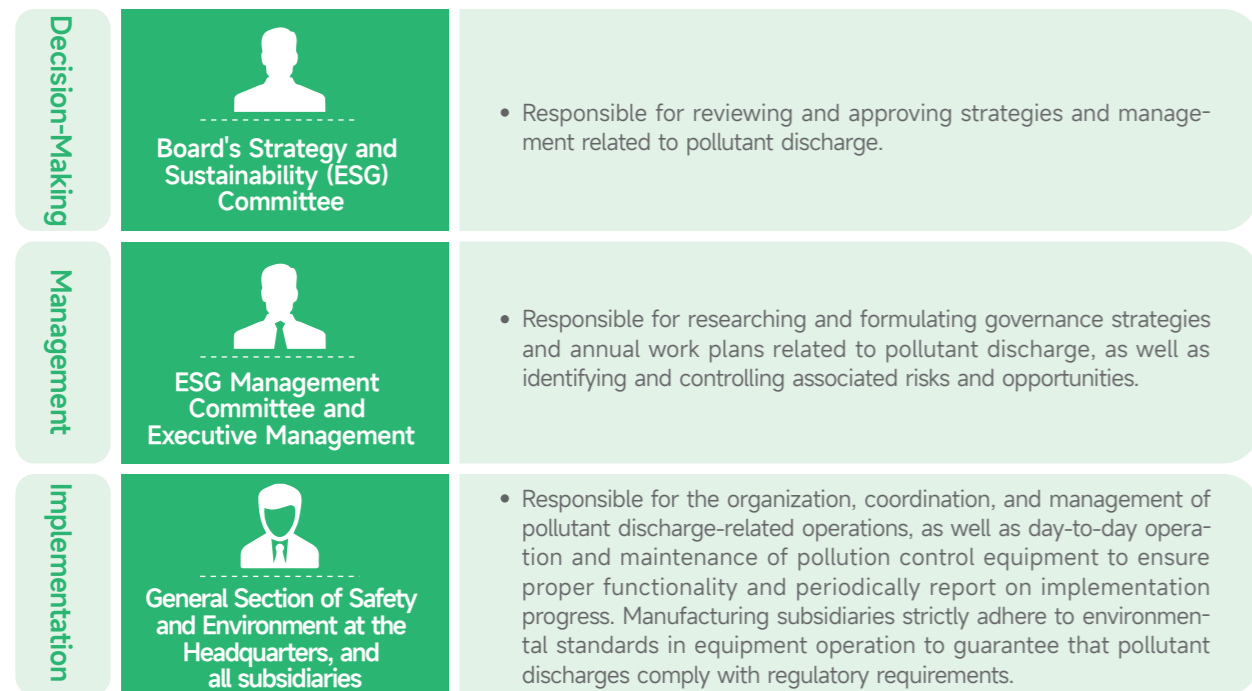
The air pollutants generated from the Company's production and operation are mainly total suspended particulates, malodors (ammonia and hydrogen sulfide), acetic acid, sulfuric acid mist, sulfur dioxide, nitrogen oxides, volatile organic compound, and canteen fumes. The Company implements comprehensive and effective oversight of exhaust emissions throughout the entire process and ensures that all emission indicators comply with local and industry emission standards through rigorous exhaust treatment technologies and routine monitoring measures.

The Company strictly abides by relevant laws, regulations and management rules such as *Water Pollution Prevention and Control Law of the People's Republic of China*, *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, and *Noise Pollution Prevention and Control Law of the People's Republic of China*. A range of measures have been implemented to mitigate the negative environmental impacts arising from production and operational activities. In 2025, the subsidiaries, NEW CHUWA and HOUYUAN TEX were designated as key entities under environmental supervision by their respective local ecological and environmental authorities. The Company disclosed accurate information regarding the pollutant discharge and ecological-environmental administrative permits of these key supervised subsidiaries in compliance with the regulations of the China Securities Regulatory Commission (CSRC), the Stock Exchange and the Ministry of Ecology and Environment (MEE).

In 2025, the Company did not incur any significant administrative penalties nor face any criminal liabilities pertaining to pollutant discharge.

### Governance

The Company has established a three-tier governance structure comprising the "Decision-making - Management - Implementation", which operate in a coordinated manner with clearly defined responsibilities and collaborative divisions of labor. This structure ensures the systematic implementation of pollution control initiatives:



The Company has formulated the "Measures for the Management of Three Wastes and Noises" as the institutional foundation for environmental operation control. It obtains the National Pollutant Discharge Permit in strict compliance with national and local regulatory requirements and standardizes mandatory procedures such as pollutant discharge reporting and registration. For wastewater discharge, an online water quality monitoring and early-warning mechanism has been established, along with a self-monitoring plan under the Pollutant Discharge Permit. A standardized wastewater treatment system has been implemented to ensure compliant discharge through a unified outlet. For waste gas and noise, comprehensive process control is applied, supported by specialized treatment facilities and routine monitoring to ensure all indicators strictly meet local and industrial emission standards.

## Strategy

The Company has established a comprehensive framework for pollutant discharge control, centering on the dynamic tracking of environmental regulations and the routine surveillance of pollutant discharges. Concurrently, it has formulated a coordinated development strategy encompassing environmental technology R&D and the dissemination of eco-friendly practices, with a core focus on achieving compliance with discharge standards and advancing green, low-carbon development. Guided by the principle of **"Compliance as the Foundation, Monitoring as Safeguard, Technology as Enabler, and Communication as Unifier,"** the Company prioritizes regulatory adherence as the cornerstone of discharge management. It ensures effective implementation through continuous monitoring, drives pollution reduction and efficiency gains alongside green product innovation via technological R&D, and highlights achievements in pollution control and sustainable operations through diversified communication channels.

## Management of Impact, Risk and Opportunity

The Company has established a closed-loop risk management process for pollutant discharge, which is specifically divided into the following four core stages, forming a full-cycle management system comprising "Identification, Assessment, Response, and Optimization."

### Risk Management Process for Pollutant Discharge



In the domain of pollutant management, the Company adopts a systematic approach to advance the comprehensive life-cycle management of pollutants, grounded in compliance, safeguarded by monitoring, driven by technology, and supported by communication. For wastewater management, efforts are deployed across dimensions such as source control, process treatment, and segregated collection. Through process optimization, reclaimed water reuse, and separate drainage systems for stormwater and sewage, the Company effectively reduces both the volume of wastewater generated and the concentration of pollutants. In terms of air emissions management, the focus is placed on source reduction and process control. By upgrading technologies and retrofitting equipment, the Company mitigates harmful gas emissions and fugitive releases, continuously enhancing its management standards. Regarding noise control, measures include the selection of low-noise equipment, installation of acoustic barriers, and regular inspection of vibration damping performance, thereby effectively minimizing the impact of noise on the surrounding environment.

◆ Wastewater Management

Wastewater Discharge Standards, Key Control Indicators and Treatments

Companies	Types	Executive Standards	Key Control Indicators	Treatments
XINAO TEX	Domestic sewage	<i>Integrated wastewater discharge standard (GB 8978 - 1996)</i>	COD, BOD <sub>5</sub> , NH <sub>3</sub> -N, TP, SS, etc.	Following treatment by grease traps and septic tanks within the plant premises, the effluent is discharged into the municipal sewage network.
NEW CHUWA	Industrial wastewater, domestic sewage	<i>Discharge standards of water pollutants for woolen textile industry (GB 28937 - 2012)</i>	COD <sub>Cr</sub> , BOD <sub>5</sub> , TP, TN, SS, NH <sub>3</sub> -N, etc.	After collection by the wastewater treatment station, the effluent undergoes physicochemical treatment and two-stage A/O process for preliminary purification. Once it meets the regulatory standards, it is discharged into the municipal sewerage network and conveyed to a centralized wastewater treatment plant for advanced treatment, where it is treated to compliance before final discharge.
HOUYUAN TEX	Industrial wastewater, domestic sewage	The indirect discharge limits in the <i>Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 - 2012)</i>	COD <sub>Cr</sub> , BOD <sub>5</sub> , SS, NH <sub>3</sub> -N, TP, TN, AOX, etc.	The high-temperature wastewater discharged from dyeing vats within the plant premises undergoes heat exchange via a thermal energy recovery unit and is subsequently cooled by a cooling tower, after which it is directed to the wastewater equalization tank. There, it mixes with low-temperature effluent from dyeing vats, floor wash water from workshops, backwash wastewater from the water purification station, and domestic sewage. The combined stream is treated in the plant's own preliminary treatment facility before being conveyed to a water reclamation system for further treatment and reuse. The surplus volume is discharged into the municipal sewer network and sent to a centralized wastewater treatment plant for advanced treatment to meet regulatory standards before final discharge.
XINAO CASHMERE	Industrial wastewater, domestic sewage	Table 2 Indirect discharge limits in <i>Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 - 2012)</i>	COD <sub>Cr</sub> , NH <sub>3</sub> -N, TP, TN, etc.	Upon conveyance through the pipeline network, the effluent undergoes treatment at the industrial park's wastewater treatment plant until compliant standards are met before discharge.
JX FEIXUN	Domestic sewage	Maximum allowable discharge concentrations of Class 3 in <i>Integrated wastewater discharge standard (GB 8978 - 1996)</i>	COD, NH <sub>3</sub> -N, etc.	Domestic sewage collected via septic tanks is first channeled into the NEW CHUWA's internal sewage pipeline network, and after preliminary treatment, it is discharged into the municipal sewage system.
T&D UK	Industrial wastewater, domestic sewage	<i>Water Environment and Water Services (Scotland) Act 2003</i> <i>Water Environment (Controlled Activities) (Scotland) Regulations 2005</i>	BOD <sub>5</sub> , NH <sub>3</sub> -N, TP, Tzn, DCr, SS, etc.	The entire volume of wastewater is directed to on-site treatment facilities for processing prior to discharge.
XINAO VN	Industrial wastewater, domestic sewage	<i>National Technical Regulation on Industrial Wastewater (QCVN40:2011/BINMT)</i>	COD, BOD <sub>5</sub> , SS, NH <sub>4</sub> <sup>+</sup> (in N), TN, TP, etc.	High-temperature effluent discharged from dyeing vats within the plant undergoes heat exchange through thermal energy recovery units and is subsequently cooled by cooling towers. It is then directed to the wastewater equalization basin, where it combines with low-temperature wastewater from dyeing vats, floor washdown water from workshops, backwash wastewater from the water purification station, and domestic sewage. The mixed wastewater undergoes primary treatment at the plant's dedicated pretreatment facility before being conveyed to a water reclamation system for further treatment and reuse. The residual volume of treated water is discharged into the industrial park's centralized wastewater treatment system for advanced treatment to meet regulatory standards prior to final discharge.

Overview of Wastewater Reduction Initiatives for 2025

### Source Control

- **Process Optimization for Shrinkage Control:** Through the refinement of anti-shrinkage treatment protocols, NEW CHUWA has reduced the application quantities of softeners and other auxiliary chemicals, thereby diminishing the concentration of chemical contaminants in wastewater at the source.
- **Design and Construction of a Proprietary Dosing System:** HOUYUAN TEX optimized its pre-treatment process via a self-designed sodium hypochlorite dosing apparatus. This reduces the burden on subsequent treatment stages and effectively lowers both the chromaticity and contaminant levels of the effluent.
- **Synergistic Water Saving and Emission Reduction:** Water conservation efforts inherently lead to a corresponding reduction in wastewater discharge. Details of the 2025 water saving initiatives are outlined in the "Water Resources Utilization" chapter.

### Enhanced Treatment

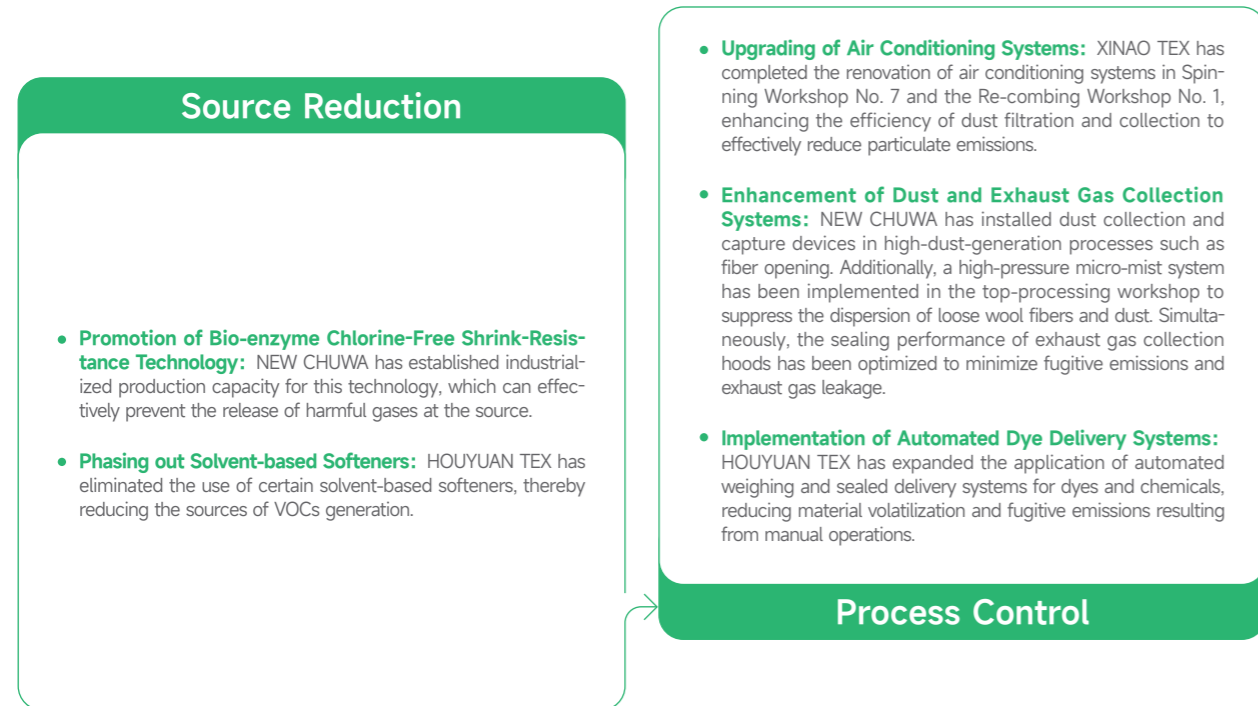
- **Design and Implementation of a Sludge Discharge and Aeration System in Hydrolysis Tanks:** The implementation of a dedicated sludge discharge and aeration system in its hydrolysis tanks by HOUYUAN TEX has enhanced the water recovery rate, resulting in a **9.7%** reduction in wastewater generation per unit of production output.
- **Initiation of a Reclaimed Water Reuse System Project:** XINAO CASHMERE has commenced the construction of a reclaimed water reuse system. Upon completion, the project is projected to reduce annual wastewater generation by **243,000** tons.

◆ Waste Gas Management

Waste Gas Emission Standards, Key Control Indicators and Treatments

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

Overview of Waste Gas Reduction Initiatives for 2025



◆ Noise Management

Noise Emission Standards and Treatments

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

Case

Routine Environmental Monitoring Strengthens the Foundation of Environmental Compliance

In response to increasingly stringent environmental regulations and intensified regulatory oversight, environmental compliance has become a crucial safeguard for stable corporate operations. As an industrial manufacturing company, XINAO TEX collaborates with specialized testing agencies to conduct systematic environmental monitoring of key factors such as wastewater discharge, exhaust emissions, and equipment noise across the entire production process, effectively fulfilling its corporate environmental responsibilities.

In 2025, XINAO TEX completed a total of **36** tests on rainwater retention pond samples and conducted **73** statistical analyses of the inflow and outflow volumes of natural water and wastewater. The Company also performed targeted testing of wastewater, exhaust gas, and noise within the plant premises. Additionally, two specialized tests were carried out on drinking water, with a focus on critical safety indicators such as microorganisms and heavy metals. By establishing a routine environmental monitoring system and implementing traceable management of test results, the Company achieved zero anomalies in all annual monitoring outcomes. All production pollutant discharge met compliance standards, and drinking water quality achieved a **100%** pass rate, successfully attaining the goal of zero environmental safety risks.



## 5.3 Waste Disposal

During its operational processes, the Company generates two main categories of waste: non-hazardous waste and hazardous waste. Non-hazardous waste includes production scraps such as waste yarn and waste fiber, reclaimed yarn and reclaimed fiber, as well as office and domestic waste such as waste packaging drums/boxes, sludge, beverage bottles, food wrappers, napkins, toilet trash, and kitchen waste. Hazardous waste comprises items such as inner packaging film bags for dyes, waste chemical packaging, waste oil drums, waste resin, and spent lubricants.

The Company strictly adheres to relevant national and local laws, regulations, and normative documents, including the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Regulations on the Safety Management of Hazardous Chemicals*, and the *Standard for Pollution Control on Hazardous Waste Storage (GB18597-2023)*, conducting full-process management of all waste types in accordance with established procedures.

In 2025, the Company did not experience any incidents of non-compliant waste disposal, nor did it face any litigation arising from waste management-related matters.

### Governance

The Company has established a three-tier waste governance structure comprising the "Decision-making - Management - Implementation". This framework clearly delineates the responsibilities and scope of authority for each tier and department throughout the waste management process, thereby achieving stratified coordination and ensuring the effective implementation of accountability in waste governance.



The Company has formulated management systems such as the "Measures for the Management of Three Wastes and Noises" to establish rigorous oversight and standardized control over the entire lifecycle of waste—spanning generation, categorization, collection, storage, and disposal.

### Strategy

The Company has established a comprehensive lifecycle planning framework for waste disposal, integrating dynamic tracking of waste-related laws and regulations along with recycling and reuse technologies into its long-term development strategy. This approach lays a solid foundation for standardized waste management and recycling upgrading. Guided by a "compliance-led, resource-driven, and employee-empowered" waste management strategy, the Company prioritizes regulatory adherence as the baseline for proper waste disposal, centers on recycling research to enhance circular economy value, and reinforces staff training to strengthen workforce-wide accountability and capabilities in waste disposal.

## Management of Impact, Risk and Opportunity

The Company has established a closed-loop management process for risks associated with waste disposal, focusing on the entire lifecycle from generation, classification, collection, storage, treatment, to recycling and reuse. Potential risk points—such as misclassification, mixing of hazardous and non-hazardous waste, non-compliant disposal practices, and delays in regulatory adaptation—are systematically identified and compiled into a risk register. These risks are subsequently categorized by level based on their probability of occurrence and the magnitude of their impact on both the environment and corporate operations. Tiered response measures are implemented according to risk ratings, and control effectiveness is periodically evaluated. Management practices are dynamically adjusted in line with regulatory updates and technological advancements to ensure continuous process improvement and closed-loop control.

For the treatment of hazardous waste, the Company entrusts all such materials to licensed third-party operators authorized for hazardous waste management. The entire process is tracked to ensure full traceability and closed-loop oversight. As for non-hazardous waste, the Company prioritizes comprehensive resource recovery through resale, with disposal serving as a supplementary option, thereby enhancing the overall recycling rate of non-hazardous waste.

### Waste Types & Disposal Measures

Types		Contents	Disposal Measures
Hazardous waste		Inner film bags of dyes, waste chemical packaging, waste oil drums, etc.	Entrust qualified units for standardized disposal
		Waste resin	Entrust qualified units for standardized disposal
		Spent lubricants	Entrust qualified units for standardized disposal
Non-hazardous waste	Industrial waste	Leftovers such as waste yarn and waste fiber, reclaimed yarn and reclaimed fiber	Sell to waste recycling entities for comprehensive and circular utilization in the development of new products
	Domestic waste	Waste packaging drum, box, etc.	Periodically collected by supplier
		Sludge	Hand over to qualified entities for incineration
		Beverage bottles, food wrappers, napkins, toilet trash, etc.	Entrust the Sanitation Department for disposal
	Kitchen waste	Entrust qualified entities for harmless disposal and resource recovery	

### Overview of Waste Reduction Initiatives for 2025

#### Source Reduction

- Implementation of Half-Portion Meal System:** The corporate cafeteria has optimized the variety and quality of its menu offerings through satisfaction surveys, introducing a half-portion meal mechanism to reduce kitchen waste at the source.
- Application of Automated Delivery Systems:** HOUYUAN TEX has expanded the use of automated weighing and sealed delivery systems for dyes and chemicals, minimizing material waste and packaging waste caused by manual operations.

#### Process Recycling

- Process recycling can effectively reduce waste generation. Specific actions for the year 2025 are detailed in the "Circular Economy" chapter.

#### Comprehensive Utilization

- Recycling of Production Leftovers:** Production leftovers such as waste yarn and waste fiber, reclaimed yarn and reclaimed fiber are collected and supplied to partner organizations for use in low-percentage carded wool and cashmere products. In 2025, the Company comprehensively utilized approximately **3,157.65** tons of production leftovers.
- Recovery and Extraction of Lanolin:** NEW CHUWA extracts crude lanolin from wool-scouring wastewater, which is then supplied to recycling entities for further refinement into premium products including refined lipid, vitamin D3, and cholesterol. A total of **1,223.6** tons of lanolin were recovered and processed in 2025.
- Sludge Incineration for Steam Generation:** NEW CHUWA collects sludge and transfers it to a local thermal power plant for incineration, generating steam for operational use. In 2025, incinerated sludge produced approximately **23,000** tons of steam.
- Recycling of Packaging Materials:** Packaging materials such as waste cartons and packaging drums are collected and sent to partner facilities for regeneration. The Company comprehensively utilized **472.45** tons of packaging materials in 2025.
- Extraction of Resources from Food Waste:** Food waste is separately collected and transferred to certified processors for oil extraction and organic fertilizer production. In 2025, XINAO TEX, NEW CHUWA and HOUYUAN TEX were projected to collectively extract approximately **7.6** tons of oil and produce **19** tons of organic fertilizer from their food waste.

## 5.4 Ecosystem and Biodiversity Conservation

The Company maintains ongoing oversight of its operational impacts on biodiversity, rigorously adhering to regulatory frameworks such as the *Law of the People's Republic of China on Prevention and Control of Soil Contamination*, the *State Council's Regulation on Groundwater Management*, and the *Opinions on Further Strengthening Biodiversity Protection* issued by the General Office of the State Council. It conducts systematic risk identification and potential hazard screening for ecological and biodiversity conservation, integrating ecological protection principles throughout the entire project lifecycle—from design and construction to operation and maintenance. Through concrete measures, the Company implements robust environmental protection practices in project locations.

Acknowledging that wastewater, exhaust gases, and waste generated during production may contribute to pollution of local water bodies, soil, and air—thereby disrupting ecological balance and impairing regional biodiversity—the Company has incorporated ecosystem and biodiversity conservation as a critical priority in its operational development. It strictly complies with national laws and regulations governing production activities, explicitly prohibiting direct discharge of industrial and domestic wastewater. Through these efforts, the Company actively upholds and protects biodiversity in areas where it operates.



### Lifecycle Ecological Conservation



#### Planning and Design Phase

- Strictly adhere to the "Ecological Conservation Red Line" to protect natural elements such as mountains and vegetation, ensuring project design harmonizes with the ecological environment;
- Prior to site selection, conduct comprehensive ecological baseline surveys to identify key local species and their habitat characteristics, assess potential impacts on biodiversity and natural resources, and formulate targeted strategies to safeguard the integrity of endemic species and their habitats.



#### Construction Phase

- Strictly comply with biodiversity conservation laws and regulations, conducting environmental impact assessments in accordance with the "Three Simultaneities" principle;
- Optimize construction plans to minimize project duration and material consumption, prioritize biodiversity-friendly materials and equipment, and rigorously control pollutant discharge during construction;
- Implement ecological restoration in affected areas and establish long-term maintenance mechanisms to facilitate ecosystem recovery.



#### Operation and Maintenance Phase

- Conduct regular environmental risk inspections to promptly identify and resolve potential issues;
- Conduct ecological conservation education activities to foster a positive atmosphere where employees actively participate in environmental protection.

As of 2025, all of the Company's production and operational facilities are situated within established industrial parks, with land use designated exclusively for industrial purposes and none falling within ecological conservation redline zones. None of the operational sites are located inside natural reserves or areas characterized by high biodiversity. There has been no identified instance of the Company's operations, products, or services causing significant adverse impacts on biodiversity.

### Animal Welfare Protection

In the realm of animal welfare protection, the Company prioritizes responsible sourcing of core raw materials such as wool and cashmere. Concurrently, it implements animal welfare requirements throughout the entire production process and actively participates in various animal protection initiatives, comprehensively eliminating any form of animal cruelty.

#### During Purchase

- **Prioritize animal-friendly raw materials:** Give purchasing preference to animal fibers obtained through humane farming, with increased sourcing of wool (tops) certified by the Responsible Wool Standard (RWS), as well as cashmere certified by Good Cashmere Standard (GCs) and Sustainable Fibre Alliance (SFA).
- **Establish a dedicated supplier evaluation system:** Conduct compliance audits for suppliers of animal-derived raw materials to assess whether their entire process of animal breeding and processing adheres to animal welfare standards, ensuring that the source materials meet the relevant requirements for animal welfare.

#### During Production

- **Stringent control the use of hazardous chemicals:** Strictly control the addition of chemical reagents during the dyeing and printing process, and prohibit the use of dyes and auxiliaries that pose direct harm to animals.
- **Continuously optimize production processes:** Refine core printing and dyeing techniques to reduce energy consumption and pollutant discharge during manufacturing, thereby minimizing adverse impacts on the surrounding wildlife habitats.

## 5.5 Environmental Compliance Management

The Company strictly adheres to applicable environmental laws and regulations in all jurisdictions where it operates, implementing environmental management activities in a standardized and systematic manner. In accordance with the provisions of the *Environmental Protection Tax Law of the People's Republic of China*, the Company fully pays its environmental protection taxes and fees. In 2025, no environmental emergencies occurred within the Company, nor were there any records of significant administrative penalties or circumstances involving environmental-related criminal liability.

Adhering to the environmental management principle of “Energy Saving and High Efficiency, Pollution Prevention and Sustainable Development”, the Company has formulated specialized management documents such as the “Procedures for Identification and Evaluation of Environmental Factors”, enabling comprehensive coverage of all environmental impact factors. These management systems are rigorously implemented throughout the entire production and operation process to ensure effective control of various environmental risks. In 2025, the Company conducted environmental protection training for all employees, with total annual investment in environmental protection reaching **26.5032 million** yuan.

In compliance with the ISO 14001:2015 Environmental Management System, the Company carries out systematic work including environmental factor identification, compliance evaluation, internal audits, and management reviews. Furthermore, the Company requires subsidiaries at all levels to be adequately staffed with full-time and part-time environmental management personnel and to establish robust, routine mechanisms for risk hazard investigation and reporting, thereby continuously strengthening the safeguards of the environmental management system. By the end of 2025, XINAO TEX, NEW CHUWA, HOUYUAN TEX, and XINAO CASHMERE had all obtained ISO 14001 Environmental Management System certification.

The Company strictly implements the “Three Simultaneities” system in environmental protection, conducting environmental impact assessments and acceptance checks for new, modified, and expansion projects to ensure environmental risks are effectively controlled from the design and construction stages. Additionally, through measures such as identification of environmental risk factors, pollutant control, environmental supervision and auditing, and environmental emergency management, the Company minimizes environmental risks during production and operation.

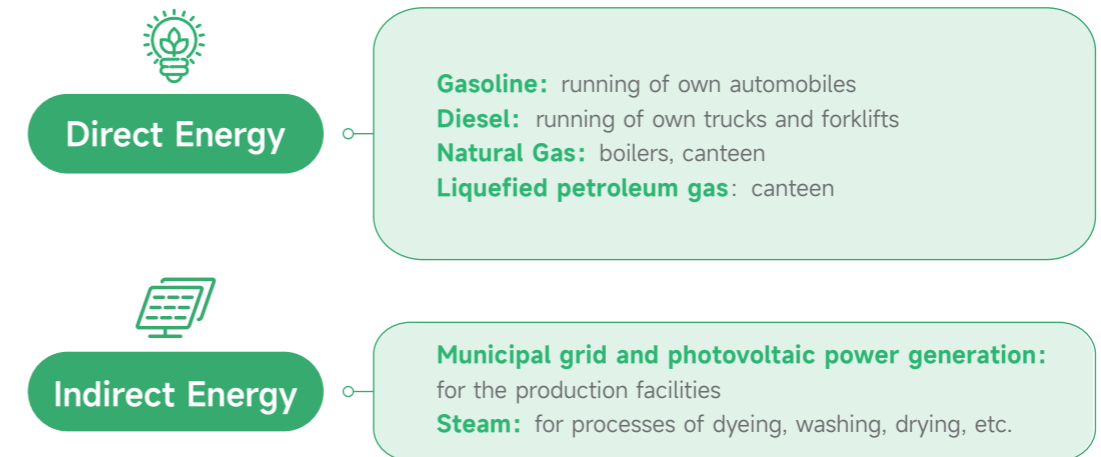
### Environmental Compliance Management Measures

Types	Management Measures
Identification of Environmental Risk Factors	<ul style="list-style-type: none"> <li>Conduct systematic environmental factor identification on an annual basis, encompassing all stages of the production and operational process, while integrating regulatory updates and operational realities into dynamic screening.</li> </ul>
Pollutant Control	<ul style="list-style-type: none"> <li>Conduct in-depth investigations and specialized remediation of various pollution sources to control contamination risks at their origin.</li> <li>Strictly implement the requirements stipulated in the Pollutant Discharge Permit and commission third-party agencies to perform annual inspections of discharge data from environmental protection facilities.</li> <li>Utilize environmental monitoring platforms to track the operational status of environmental protection facilities in real time, ensuring stable operation performance and compliant pollutant discharge.</li> <li>Regularly upload data, including Pollutant Release and Transfer Register (PRTR) data via the Institute of Public and Environmental Affairs (IPE), proactively subjecting operations to public oversight.</li> </ul>
Environmental Supervision and Audit	<ul style="list-style-type: none"> <li>Conduct annual internal audits and external reviews covering all business operations, alongside comprehensive external audits for system certification renewal every three years, ensuring the continuous validity of system certification throughout the operational period.</li> <li>Carry out regular environmental risk and hazard screening as a routine practice, and promptly implement corrective actions for identified environmental concerns to ensure closed-loop management of potential hazards.</li> </ul>
Environmental Emergency Management	<ul style="list-style-type: none"> <li>In accordance with relevant regulations, including the <i>Notice on the Issuance of Interim Measures for the Administration of Contingency Plans for Environmental Emergencies</i> and the <i>National Environmental Emergency Response Plan</i> issued by the Ministry of Ecology and Environment, an “Environmental Emergency Response Plan” has been formulated based on the production processes, pollution-generating stages, and environmental risks. This plan has been submitted to the local competent authority of environmental protection for filing as required.</li> <li>Implement enterprise accident risk management in accordance with environmental impact assessment and approval requirements. By 2025, the Company conducted 7 environmental emergency drills to train employees' emergency response capabilities, enhance skills in preventing and handling environmental emergencies, and mitigate potential environmental hazards caused by such events.</li> </ul>

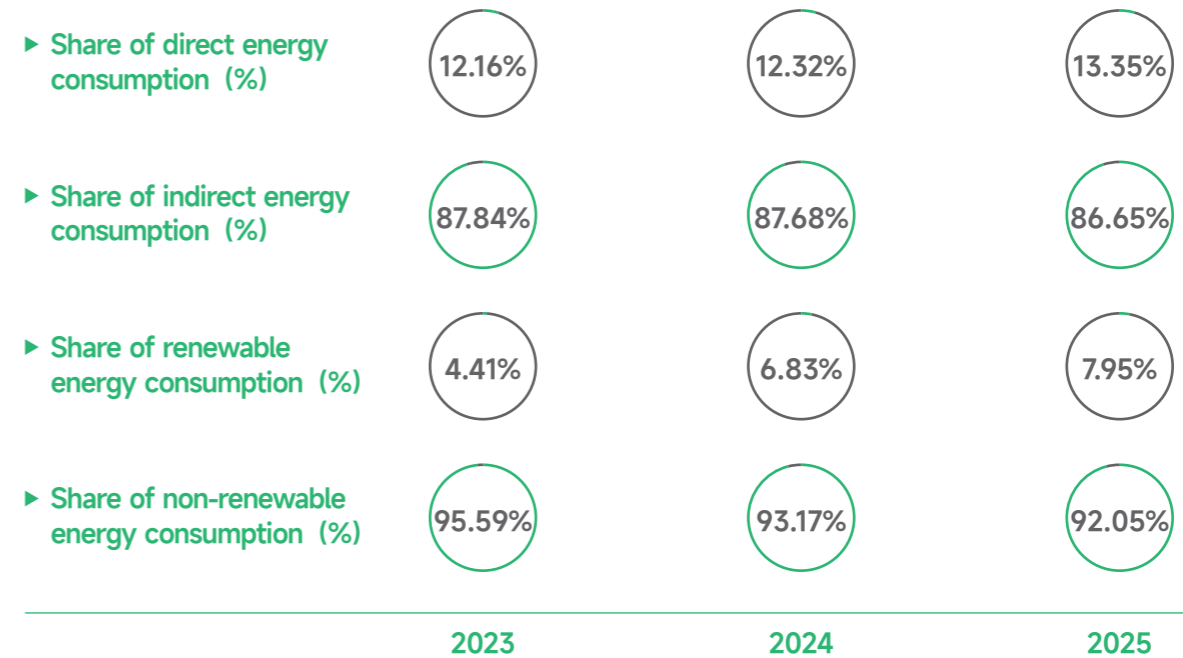
## 5.6 Energy Utilization

Energy management constitutes one of the cornerstones of green manufacturing and low-carbon development, serving as a critical lever for the Company to achieve its low-carbon transition. The primary energy sources consumed during corporate production and operational activities encompass electricity, steam, gasoline, diesel, natural gas, and liquefied petroleum gas.

### Major Types of Energy and Their Usage Scenarios



### Share Performance of Energy Utilization



Adhering to the energy management concept of “Energy Conservation and Consumption Reduction, Efficient Utilization and Sustainable Development”, the Company strictly abides by the laws and regulations as well as management provisions such as *Energy Conservation Law of the People's Republic of China*, *Measures for Industrial Energy Conservation and Supervision*, *Power Conservation Management Program*, and constantly strengthens the management of energy utilization throughout the entire process.

## Governance

The Company has established a three-tier energy utilization governance structure, comprising the "Decision-making - Management - Implementation". This structure clearly delineates the responsibilities and authorities at each tier to facilitate coordinated planning and effective execution of energy utilization management:



The Company has formulated multiple energy management regulations and established an Energy Management System in compliance with *Energy Management Systems – Requirements with guidance for use (GB/T 23331-2020)*. The accountability system for energy management is comprehensively implemented throughout the entire production and operation process, ensuring that responsibilities are clearly assigned and reinforced at every level. Additionally, the Company regularly conducts energy conservation awareness campaigns and training programs for all employees, with specialized training provided for managerial staff, to enhance overall energy-saving consciousness across the organization.

## Strategy

The Company consistently prioritizes energy utilization management throughout its entire operational lifecycle. It strategically coordinates the R&D and application of novel energy-saving technologies, alongside the construction of clean energy facilities such as solar power installations. Specialized energy management plans are formulated, with regular assessments conducted to evaluate progress in reducing energy consumption, thereby continuously enhancing the professionalism of energy management. Concurrently, the Company implements a core energy utilization strategy centered on **“Technology Empowerment, Clean Energy Transition, and Brand Enhancement”**. This approach focuses on upgrading energy-saving technologies and equipment as key drivers, optimizing the energy consumption structure through the strategic deployment of clean energy, and promoting green achievements to communicate the Company's low-carbon values and elevate its brand image.

## Management of Impact, Risk and Opportunity

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

### Overview of Energy Conservation Initiatives for 2025



## 5.7 Water Resources Utilization

The Company's water usage mainly falls into two categories: production water and domestic water. Domestic water is uniformly supplied by the municipal water system, while production water is sourced based on the specific conditions of each project location, including municipal water supply, surface water, groundwater, rainwater, purchased steam water, and recycled production water.

As a textile dyeing and printing enterprise, the Company is acutely aware of the high dependence of its production and operation on water resources. Core production processes such as pre-treatment, dyeing, and post-treatment are all closely related to water resource utilization. Therefore, it strictly adheres to laws and regulations such as the *Water Law of the People's Republic of China*, the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, attaches great importance to water resource management, continuously improves the management system, and deepens management concepts to promote efficient utilization and scientific control of water resources.

In 2025, the Company carried out water withdrawal operations in full compliance with regulatory requirements, with no incidents of non-compliance or violations recorded.

### Governance

The Company has established a three-tier governance structure for water resource utilization, comprising the "Decision-making - Management - Implementation", with clearly delineated core responsibilities and authorities at each tier. This structure enables stratified coordination and effective execution of water resource management initiatives:



The Company actively fosters a water conservation culture by displaying water-saving awareness signage in office areas and organizing employee participation in water conservation awareness training and educational activities. These efforts enhance staff awareness of water conservation and promote the rational utilization of water resources.

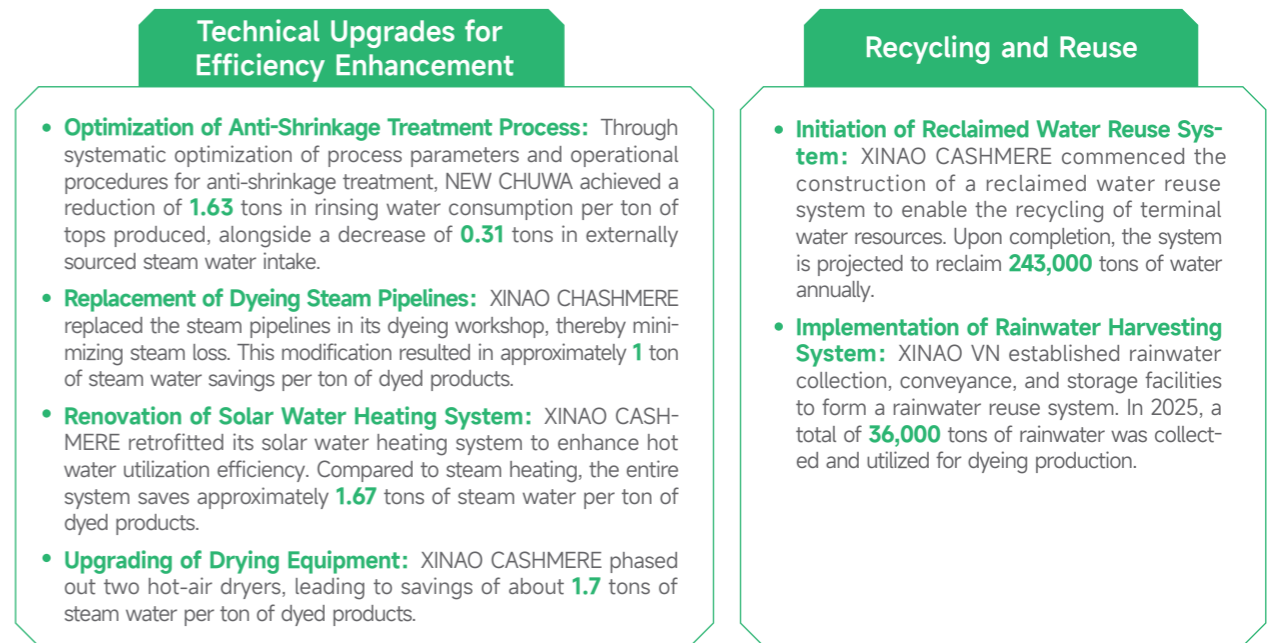
### Strategy

Guided by the overarching objective of sustainable water resource utilization, the Company has integrated the investigation and assessment of water resources at project sites, the formulation of scientifically-informed water usage plans, and the deployment of water recycling and conservation technologies into its holistic development strategy. This approach systematically incorporates the water needs of neighboring communities, thereby harmonizing corporate water consumption with regional water resource protection and aligning diverse stakeholder interests. Furthermore, the Company implements a comprehensive water resource utilization strategy characterized by **"Scientific Assessment, Technology Enablement, Ecological Stewardship, and Multi-stakeholder Collaboration"**. Informed decision-making is underpinned by precise water resource research and assessment, while the upgrading of water recycling and conservation technologies serves as the core driver for utilization efficiency. Community engagement and coordination act as pivotal conduits for balancing the water-related interests of all parties involved.

## Management of Impact, Risk and Opportunity

The Company maintains key production facilities across two countries globally and two provinces/autonomous regions in China, implementing location-specific water management measures to safeguard water security for its operations and neighboring communities. In compliance with regulatory requirements, the Company employs water metering instruments and conducts periodic water risk assessments and water balance tests. These procedures enable the analysis of current water utilization, identification and repair of leakage points, and enhancement of water efficiency through equipment upgrades, technological improvements and recycling systems, thereby achieving efficient and sustainable utilization of water resources. Concurrently, the Company evaluates the status of water resource development and utilization within the watersheds or regions where its production bases are located, assesses the impact of water withdrawal on local water bodies and surrounding stakeholders, and implements targeted control measures while continuously evaluating their rationality and effectiveness.

### Overview of Water Resources Conservation Initiatives for 2025



## 5.8 Circular Economy

The Company strictly complies with the provisions of the *Circular Economy Promotion Law of the People's Republic of China*, integrating the concept of circular utilization comprehensively into its entire production and operational processes. The range of resources currently being recycled includes both production materials generated during manufacturing, such as reclaimed yarn and fiber, and recovered process water, and condensate, as well as various packaging materials such as cartons, plastic tubes, and woven bags. Through the implementation of measures such as water recycling, packaging reduction, and the recovery and reuse of waste materials, the Company actively embodies the principles of the circular economy, thereby supporting the industry's transition towards green and low-carbon development.

### Overview of Circular Economy Initiatives for 2025



Reduce

- **Continuous Promotion of Paperless Operations:**

The Company has enhanced digital workflow efficiency through the implementation of Feishu software and optimization of the OA system, significantly reducing paper consumption.



- **Optimization of Cone Yarn Packaging Standards:**

By refining packaging specifications for cone yarn, XINAO TEX adjusted the unit weight from 1 kg per cone to 1.1 kg per cone, effectively reducing packaging material consumption per ton of product. In 2025, this initiative saved approximately **33,000** paper tubes (approx. **1.55** tons) and **1,300** cartons (approx. **2.34** tons).



- **Improvement of Anti-Shrinkage Treatment Process:**

NEW CHUWA optimized the anti-shrinkage treatment methodology, resulting in a reduction of approximately **34.8** kg of softeners and auxiliaries per ton of wool top output.



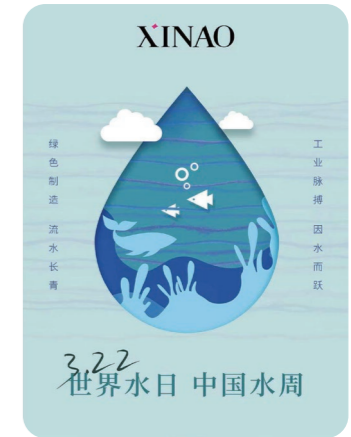
Reuse

- **Advancement of Water Recycling in Production:**

All production units have sustained efforts to reuse process water, cooling water, and recover condensate. The total volume of reused water reached **1,097,758.2** tons in 2025.

- **Enhancement of Packaging Material Circulation:**

XINAO TEX strengthened the internal circulation and reuse of packaging materials among subsidiaries. In 2025, **18,905** cartons (approx. **34** tons), **328,000** paper tubes (approx. **15.42** tons), and **29.46** tons of woven bags were recycled. HOUYUAN TEX concurrently implemented internal recycling initiatives, reusing **13.45** tons of recycled packaging bags and **4.68** tons of cartons in 2025.



Recycle

- **Development of Recycled Product Lines:**

In collaboration with partners, the Company launched product lines incorporating recycled materials. The usage of recycled polyester and nylon tops reached approximately **97.87** tons in 2025, accounting for **6.35%** of annual chemical fiber consumption.



- **Reprocessing of Production Waste:**

XINAO CASHMERE developed specialized recycled concept products based on the recyclability of waste materials such as yarn waste and fiber residues. Approximately **34** tons of waste materials were repurposed in 2025.

- **Waste Heat Recovery for Domestic Water Heating:**

XINAO TEX utilizes waste heat recovered from air compressors to heat domestic water. Following the upgrade of air compression systems in 2025, approximately **190** tons of water per day (at 50°C) are heated using recycled thermal energy.

# 06 | Social

## Sustainable Value Sharing

### Priority actions on social dimensions

- Rural Revitalization
- Social Contribution
- Innovation-Driven
- Ethics of Science and Technology
- Supply Chain Security
- Equal Treatment of SMEs
- Safety and Quality of Products and Services
- Data Security & Customer Privacy
- Employees

### The SDGs to which this chapter is dedicated



## 6.1 Rural Revitalization

In alignment with the common prosperity strategy and the policy direction of rural revitalization, the Company strictly adheres to relevant laws, regulations, and policy requirements, including the *Law of the People's Republic of China on Promotion of Rural Revitalization*, and the *Measures for Implementation of the Accountability System for Rural Revitalization*. Leveraging its own resources, the Company has initiated explorations into rural revitalization efforts. A dedicated Rural Revitalization Task Force has been established to carry out sustainable and feasible support initiatives across areas such as consumption assistance, public welfare aid, employment support, and ecological improvement, thereby contributing to the development of assisted regions.



## 6.2 Social Contribution

The Company strictly adheres to relevant laws, regulations, and policy documents, including the *Law of the People's Republic of China on Donation for Public Welfare*, the *Charity Law of the People's Republic of China*, to conduct charitable activities and volunteer services in a regulated manner. It has formulated the "Management System for External Donation" to further clarify the decision-making procedures, implementation standards, and oversight mechanisms for external donations, thereby ensuring compliance, transparency, and effectiveness in all donation activities. Furthermore, upholding the social responsibility philosophy of "Common Prosperity and Benevolent Wealth Management", the Company actively explores pathways for in-depth integration of public welfare initiatives with its core business operations. This has led to the development of a distinctive public welfare model characterized by "engaging employees in charitable endeavors and aligning philanthropy with business activities."

### Key Initiatives for Social Contribution in 2025

**Public Welfare Donations**

- A donation of **100,000** yuan was made to the Shanghai Donghua University Education Development Foundation for student scholarships and teaching grants.
- A charitable donation of **180,000** yuan was made to the Ningxia Youth Development Foundation, the Ningxia Charity Promotion Association, and Lingwu Charity Association.
- Yarns valued at approximately **87,800** yuan were sponsored to industry partners and academic institutions for research and design purposes.
- XINAO CASHMERE conducted a caring outreach initiative, providing grain and oil supplies worth around **31,600** yuan to underprivileged residents and party members in financial hardship in neighboring villages.
- XINAO EU donated **700** euros to support cancer research.
- T&D UK contributed **1,350** pounds to external charitable causes.

**Desert Ecological Restoration**

- Joining the Ten-Year Plan of "Tree Planting and Heart-Nurturing" initiated by the China Green Foundation, the Company collaborated with base partners to undertake a systematic afforestation project within the Tengger Desert Edge-locking Ecological Zone in Alxa, Inner Mongolia. Through the annual planting of desert shrub forests over a decade, it will complete the construction of the "**XINAO Forest**" ecological barrier.
- Actively participated in the establishment of the "China Textile and Apparel Edge-Locking Eco-Forest", translating ecological sustainability principles into concrete actions. In 2025, **50** employee volunteers engaged in tree-planting initiatives and completed a 28-kilometer desert trek, demonstrating their commitment to green development through practical endeavors and contributing to the harmonious coexistence between humanity and nature.

**Mountain Cleanup and Green Conservation**

- The Company organized staff to participate in public welfare mountain-cleaning volunteer services, clearing forest litter and maintaining the ecological environment through practical actions to practice the concept of green environmental protection. Through regular ecological conservation activities, the initiative reinforces employees' environmental awareness and social responsibility, thereby supporting the construction of ecological civilization. In 2025, a total of **67** employees participated in the activities and successfully completed a 25-kilometer mountain trail cleanup.

**Collaborative Volunteer Empowerment**

- Under the guidance of Party building, a volunteer team led by Party members has been established to deepen the integration of Party leadership with mass organizations, consistently enhancing the cohesion, combat effectiveness, and leadership of the Party organization. By the end of 2025, **6** Party branches had been set up, with a total of **177** Party members, **2** probationary members, and **6** activists seeking Party membership. Leveraging this solid foundation in Party building, the Company encourages employees to actively participate in social welfare initiatives. Party organizations at all levels collaborate to provide comprehensive support—including funding, resources, and platforms—for volunteer activities, thereby facilitating their efficient service delivery.

Party Branches	Party Members	Probationary Party Members	Activists of Party Application
6	177	2	6

- In 2025, the XINAO "Party-Mass Home" officially commenced operations. Featuring the themes of "Forging Unity Through Shared Purpose" and the "Five-Heart Project", it carried out external publicity and Party-mass activities. Through these initiatives, a cohort of volunteers has been cultivated to serve both the community and employees, accumulating over **160** hours of service.

## 6.3 Innovation-Driven

As a leading enterprise in the wool textile industry and a national high-tech enterprise, the Company strictly adheres to relevant laws, regulations, and policy documents such as the *Law of the People's Republic of China on Scientific and Technological Progress* and the *Outline of the National Strategy for Innovation-Driven Development*. This ensures the compliant execution and high-standard implementation of the Company's technological R&D and product innovation initiatives.

### Governance

The Company has established an innovation-driven governance structure comprising the "Decision-making - Management - Implementation" to ensure the systematic advancement and standardized implementation of innovation-driven initiatives:



At the institutional level, the Company has developed regulatory documents such as the "Procedures for Product Design and Development Control", "Management System for Technological Innovation", and "Management Regulations for Information System", continuously advancing scientific research and digital-intelligent innovation.

### Strategy

Guided by national strategy, the Company adheres to innovation-driven development, anchoring its direction within the wool textile industry. It proactively advances foundational research and cutting-edge technology exploration, concentrating on three core domains: functional yarns, eco-friendly processes, and circular materials. This systematic approach builds a robust technological reserve, laying a solid foundation for the enterprise's sustained innovation and growth. The Company deepens its dual-drive strategy of "industry-university-research collaboration" and "market demand orientation". On one hand, it establishes long-term, stable industry-university-research cooperation mechanisms to facilitate the transition of innovations from laboratory to industrialization. On the other, it anchors innovation to market needs, precisely aligning with consumption upgrade trends and exploring multi-scenario application potential to achieve efficient synergy between R&D and market demands.

Furthermore, the Company will establish a routine mechanism for tracking industry technology developments, promptly identifying cutting-edge trends and incorporating them into its technology reserve system. Through multi-dimensional market research—including consumer insights, competitor product analysis, and application scenario assessment—it will refine R&D directions. Management processes for the technology repository will be optimized to enable categorized storage, dynamic updates, and efficient deployment of technological achievements.

Looking ahead, the Company will continue to steer product development toward greening, differentiation, and multi-scenario applicability:

 <p><b>Low-Carbon Fashion • Greening</b></p>	<ul style="list-style-type: none"> <li>• Establish a technology platform centered on 'wool/cashmere + novel functional fibers', focusing on cutting-edge green materials such as recycled nylon and zero-carbon Lyocell, while integrating green technologies to forge sustainable core competitiveness.</li> </ul> 
 <p><b>Premium Market • Differentiation</b></p>	<ul style="list-style-type: none"> <li>• Transcend category boundaries, expand product portfolio through internal and external synergies to include premium cashmere and fancy yarns, thereby establishing a high-value-added technical brand.</li> </ul> 
 <p><b>Broadband Strategy • Multi-scenario</b></p>	<ul style="list-style-type: none"> <li>• Align with the consumption trends for wool and cashmere materials, strategically expand yarn applications beyond traditional apparel into outdoor sports, home textiles, and industrial yarns. Simultaneously, leverage AI and trend simulation databases to precisely match end-user demands, thereby cultivating a diversified growth trajectory.</li> </ul> 

## Management of Impact, Risk and Opportunity

The Company has established an innovation network centered on a multi-tiered R&D platform, combining "internal consolidation with external collaboration". Focusing on tackling technical challenges within the wool textile industry, it has overcome numerous bottlenecks in blended fiber processing technologies. Through strategic intellectual property deployment, it accelerates the commercialization of innovations, achieving deep integration between technological innovation and industrial upgrading, thereby cementing its leading position within the sector.

### Innovation Platform Development

#### Global Deployment · Development of High-Standard R&D System

Leveraging an experienced core R&D team and a deep international cooperation network, the Company has established innovation R&D centers in locations such as **Jiaxing (Zhejiang Province), Yinchuan (Ningxia Province), Italy, and Scotland**. By integrating regional technological and resource advantages according to local conditions, a standardized, efficient, and sustainable R&D management system has been constructed, laying a solid foundation for cross-regional technological collaboration and the practical application of innovation outcomes.

Actively integrating premium internal and external innovation resources, the Company has successfully developed a multi-tier R&D innovation platform system. It has established five core innovation entities: **the National Development Base of Woolen Yarns Product, Enterprise Technology Center of Zhejiang Province, Enterprise Research Institute of Zhejiang Province, Enterprise Technology Center of the Ningxia Hui Autonomous Region, Ningxia Research Center of Cashmere Engineering Technology**. These platforms provide end-to-end support for technology R&D, product innovation, and process upgrading. By the end of 2025, XINAO TEX, HOUYUAN TEX, and XINAO CASHMERE had all obtained recognition as National High-Tech Enterprises, forming a synergistic high-tech enterprise matrix.

#### Multi-level Empowerment · Creation of Innovation Platforms and High-Tech Enterprise Matrix

#### Digital-Intelligent Upgrade · Strengthening End-to-End Operational Efficiency

Centered on end-to-end digital and intelligent transformation, the Company has completed the transition of its core business systems from a standalone ERP to an integrated "ERP+MES+WMS" framework. The initiative incorporates specialized applications such as automated warehouses, intelligent spinning machinery, AGV dispatching, and pilot energy consumption management solutions. It also accelerates the R&D and deployment of 5G and AI technologies to enable seamless end-to-end data flow. The establishment of digital platforms including OA, CRM, BI, and ESB supports group-level management control and cross-domain process coordination, streamlines the entire sales chain, implements centralized customer management, and unifies archives and credit administration. Future efforts will focus on integrating wool and cashmere customer management via an MDM system. Furthermore, emphasis on R&D and production has led to the introduction of a specialized intelligent equipment management system. Building upon existing MES functionalities, this system enables comprehensive digital management covering equipment ledgers, maintenance schedules, fault logs, and spare parts inventory, thereby enhancing equipment management efficiency and operational precision.

### Innovation Network Construction

#### Internal Core Support

The Company fosters a culture of research and innovation, maintaining a commitment to high-level R&D investment as the primary driver for technological breakthroughs. It continues to enhance the construction of scientific research platforms, thereby comprehensively strengthening independent R&D capabilities. In 2025, the Company's R&D expenditure reached **114.6381 million** yuan, accounting for **2.27%** of its operating revenue, thereby providing substantial financial support for technological innovation and process upgrades. By the end of 2025, the Company employed **444** R&D personnel, constituting **9.97%** of the total workforce. The R&D team included **5** professionals with mid-to-senior titles, **69** with intermediate titles, **6** master's degree holders, and **85** bachelor's degree holders, positioning the Company among the industry leaders in terms of overall scale and professional expertise.

#### External Resource Collaboration

The Company deepens its integrated industry-university-research-application strategy, establishing extensive cooperative relationships with enterprises in downstream sectors such as worsted fabrics, home textile fabrics, warp-knitted fabrics, and apparel yarns to precisely align with market application needs. Concurrently, it engages in joint development projects with premium international fiber suppliers, promptly introducing and assimilating novel materials from Europe, America, Japan, and other regions. Through innovative integration of these materials with wool, the Company has developed a range of yarn products with distinctive functionalities, thereby effectively enhancing product added value and market competitiveness.



Innovation Outcomes Transformation

**Process Breakthroughs · Overcoming Blending Bottlenecks**

The Company focuses on addressing key technical challenges in the wool spinning industry, successfully resolving difficulties in the worsted blending process of wool/long-staple cotton and breaking through technical barriers in high-proportion superfine denier Lyocell-wool blended spinning. The innovative **LINCSPUN** technology is introduced, which employs a composite modification design combining wool and filament to effectively overcome industry-wide issues such as insufficient strength and pilling propensity in conventional wool yarns. Furthermore, the Company actively expands the application boundaries of natural fibers by developing worsted composite products blending wool with cotton, linen, and spun silk. Through iterative process optimization, key technical hurdles in dyeing, top-making, and spinning of multi-fiber blends are successfully overcome.

**New Product Incubation · Expanding Diversified Portfolio**

Leveraging its core technology platform, the Company incubates innovative products including high-end cashmere yarns, outdoor functional yarns, and fancy yarns, driving product diversification and value-added upgrades. Concurrently, the Company provides customized yarn solutions tailored to specific client requirements and diverse application scenarios. In 2025, the Company successfully launched **15** core worsted fancy yarn products, which have received positive market feedback.

**Patent Portfolio · Strengthening Technical Barriers**

Throughout 2025, the Company intensified its intellectual property planning and management, filing **6** invention patent applications. The cumulative number of valid patents has reached **104**, among which **25** invention patents have been deeply integrated into core business operations, providing essential technical support for product upgrades and process optimization. As of the end of 2025, the Company has been recognized with **7** provincial-level high-tech product awards, undertaken **85** provincial new product trial projects, and completed **47** provincial scientific and technological achievement appraisals, demonstrating remarkable efficacy in the industrialization of innovation outcomes.

Case

**R&D of Domestic Wool-Cotton Blended Worsted Yarn and Breakthrough in Localized Raw Material Substitution**

Confronted with industry challenges including China's high reliance on imported wool, low utilization of domestic fine-count wool, and quality shortcomings in domestic wool-cotton yarns—such as insufficient strength, excessive hairiness, and poor color fastness—which hinder their suitability for lightweight, multifunctional fabric requirements, XINAO TEX initiated a specialized R&D project for domestic wool-cotton blended worsted yarn.

The project targeted core technical bottlenecks in blending domestic wool with cotton, specifically addressing quality challenges such as yarn evenness and strength stability. Ultimately, the finished yarn met all specifications for police uniforms, achieving quality comparable to imported materials of the same grade and successfully substituting imported wool with domestic alternatives. Approved for China's new standardized uniforms in 2025, this product has effectively strengthened the self-reliance and global competitiveness of the domestic textile raw material supply chain.



## 6.4 Ethics of Science and Technology

The Company's core operations do not involve scientific research or technological development activities in ethically sensitive fields such as life sciences or artificial intelligence. In strict compliance with relevant regulations, including the *Opinions on Strengthening the Governance of Science and Technology Ethics* and the *Measures for Scientific and Technological Ethics Review (for Trial Implementation)*, the Company integrates ethical principles into key phases of its operations—such as R&D project initiation, process optimization, and commercialization of results—tailored to the specific characteristics of technological R&D and product innovation in the wool textile industry. This approach mitigates potential social and environmental risks and upholds a responsible innovation ecosystem within the sector.

## 6.5 Supply Chain Security

The Company implements a four-tier classification system for procured materials based on their impact on finished product quality. These categories are defined as Class I (raw materials), Class II (outsourced processing), Class III (accessories), and Class IV (others), enabling refined and precise control over procurement materials.

The Company has established a comprehensive supply chain governance structure, with the Purchasing and Outsourcing Section overseeing core functions including procurement planning, supplier evaluation, and end-to-end process management. Institutional documents such as the "Supplier Management Procedures" and "Procedures for the Control of Purchasing and Outsourcing Process" have been formulated, which clarify standards for supplier classification, admittance, assessment, and day-to-day management. Through these measures, differentiated tiered control is applied to various supplier categories, ensuring the standardized and regulated advancement of supply chain management.



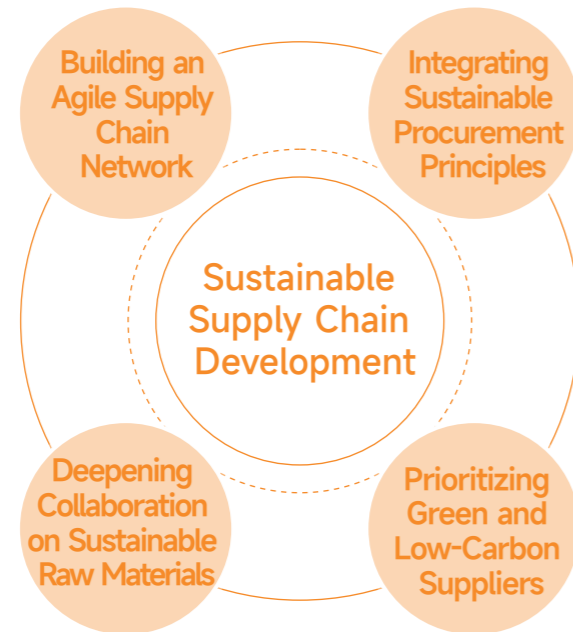
### Supplier Management Process

Management Process		Description
Supplier Admission Management	Application	<ul style="list-style-type: none"> <li>Request for new supplier addition when existing qualified suppliers are unable to meet requirements pertaining to cost, delivery or quality.</li> </ul>
	Qualification survey of potential suppliers	<ul style="list-style-type: none"> <li>Suppliers are required to have a certain production scale, as well as competitiveness in terms of capacity, quality, price, transportation, service and brand. Provide relevant certificates such as their product quality certificates, quality and environmental system certificates, as well as environmental protection commitment letters.</li> <li>Fill out the "Supplier Information Registration Form".</li> </ul>
	Approval of sample from suppliers	<ul style="list-style-type: none"> <li>Upon successful qualification of samples provided by a potential supplier, they will be included as a newly added supplier.</li> </ul>
	On-site assessment	<ul style="list-style-type: none"> <li>Verify the qualification of suppliers, review the implementation and operation of their quality management (raw materials, process, outgoing quality control, etc.) and environmental system.</li> <li>Fill in the "Supplier On-site Survey Form" and "Supplier Social Responsibility Assessment Form", and those not reaching 80 scores won't be included in the qualified suppliers until their rectifications are completed.</li> </ul>
	Inclusion of new qualified suppliers	<ul style="list-style-type: none"> <li>Sign documents such as the "Supplier Commitment on Social Responsibility" and the "Supplier Commitment on Anti-Bribery/Anti-Corruption" with new suppliers to mitigate potential social responsibility risks.</li> </ul>
Daily Management of Qualified Suppliers	Assessment management	<ul style="list-style-type: none"> <li>Compile monthly statistics for Class I and Class II suppliers on their quality indicators, cost indicators related to delivery times, and environmental information. Class I suppliers are assessed on a semi-annual cycle, while Class II suppliers are evaluated on an annual cycle.</li> <li>Include supply quality, contract fulfillment, service provision and support capability, price competitiveness, self-improvement ability, quality system, environmental protection, safety, etc., in supplier evaluation, evaluate suppliers regularly and fill in "Supplier Assessment Form" to reduce supply chain risks.</li> </ul>
	Review	<ul style="list-style-type: none"> <li>If a Class I supplier is rated C in the assessment cycle, relevant departments shall organize on-site review, propose rectification items, and track the rectification results.</li> <li>If a Class I supplier is rated A in the assessment cycle, it will be rewarded with an increase in the procurement ratio and a reduction in the payment cycle.</li> </ul>
Supplier Exit Management		<ul style="list-style-type: none"> <li>Any supplier whose materials or services have major quality accidents or whose supplies have been continuously unqualified shall be disqualified.</li> <li>A supplier who has not provided goods for a consecutive one-year period shall have their qualified status revoked. Should a need for resupply arise, the supplier shall be treated as a new supplier and undergo a reassessment process.</li> </ul>

Sustainable Supply Chain Development

With supply chain collaboration and procurement optimization as the core focus, the Company aims to establish an agile supply chain network and deepen the implementation of the Group's integrated procurement strategy. Concurrently, the safety stock management system is optimized through collaborative engagement with supply chain stakeholders to define safety stock standards for material categories. This strengthens control over the continuity and stability of material supply, mitigates potential risks such as supply disruptions, and continuously improve the overall risk resilience of the supply chain. In 2025, the Company conducted comprehensive procurement tenders for dyes and bulk chemicals to ensure timely and accurate delivery of materials, laying a solid foundation for orderly production and operations.

Key raw materials, including raw wool, wool top, loose cashmere, and cashmere top, are 100% biodegradable and renewable natural active fibers. The Company also engages in sustainable project collaborations with suppliers. In 2025, the proportion of traceable materials certified under RWS, NATIVA, GRS, GOTS, and GCS accounted for **24.22%** of total raw material consumption at XINAO TEX, **15.68%** at XINAO CASHMERE, and **52.96%** at T&D UK. These efforts reinforce the foundation of a green supply chain through the certification and application of sustainable source materials.



The Company deeply embeds the concept of sustainable procurement throughout the entire procurement lifecycle, promoting the adoption of green development practices across the upstream and downstream segments of the supply chain. Simultaneously, it closely links sustainable supply chain management with core business functions such as R&D, production, and sales. Through supply chain optimization, the Company achieves cost reduction, quality enhancement, and improved outsourcing efficiency, while fulfilling environmental protection and social responsibility objectives to bolster long-term competitiveness. Additionally, the Company is establishing a fair, transparent, and accountable supply chain system, incorporating sustainability criteria into new supplier admission reviews, and implementing environmental and social risk management to ensure sustainable compliance of products and services from the outset.

A preferential selection mechanism for green suppliers has been established, emphasizing partners with outstanding performance in environmental protection, energy conservation, and carbon reduction. This initiative continuously drives the greening upgrade of raw and packaging materials. In procurement processes related to project construction, IT equipment, office furniture, and computers, suppliers are required to comply with national and industry standards as well as green procurement specifications. Priority is given to energy-efficient and environmentally friendly products, reinforcing the Company's commitment to ecological protection and efficient resource utilization throughout the entire process.

Supplier Empowerment

Deep Technical Empowerment to Strengthen Supply Capabilities

Guided by the principle of growing alongside key suppliers, the Company focuses on in-depth engagement to continuously enhance the overall quality and operational efficiency of the supply chain. Technical and quality management professionals are deployed on-site at supplier facilities to provide tailored guidance, helping suppliers strengthen production management, quality control, and stable supply capabilities. Leveraging long-term and stable partnerships, the Company and its suppliers have established an experience-sharing mechanism to collaboratively study industry best practices, optimize production processes, and ensure the quality consistency of raw materials and supplies from the source.

Collaborative Engagement for Industry Advancement

The Company organizes seminars and technical exchange sessions to share cutting-edge industry practices and technological achievements, promoting synergistic development and mutual growth across the supply chain. In 2025, the Company engaged in deep dialogue with key partners such as The Woolmark Company and Australian woolgrowers to explore pathways for industrial innovation and sustainable development. Through the empowerment of new quality productive forces, the Company aims to enhance the natural qualities of wool and contribute to reshaping the global high-end wool market landscape.

Strengthen Compliance Management to Solidify Collaboration Foundations

The Company has drafted and implemented the "Supplier Audit Management Measures", conducting audits and providing audit support for core suppliers and subcontractors. By sharing compliance management experience and remediation strategies for common issues, the Company drives the establishment of a robust compliance system within the supply chain, ensuring healthy and sustainable cooperative relationships.

6.6 Equal Treatment of SMEs

The Company strictly complies with relevant laws and regulations, including the *Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises* and the *Regulation on Ensuring Payments to Small and Medium-sized Enterprises*. It implements refined management of financial ledgers, establishes and monitors each payment milestone to ensure the transparency and timeliness of capital flow, thereby effectively preventing payment delays and fully safeguarding the legitimate rights and interests of small and medium-sized enterprises, as well as maintaining a favorable business environment.

In 2025, the Company's accounts payable (including notes payable) balance remained below RMB 30 billion, accounting for no more than 50% of total assets. There were no instances requiring public disclosure of overdue payments to small and medium-sized enterprises via the National Enterprise Credit Information Publicity System.

In terms of tax transparency, the Company rigorously adheres to national tax laws and regulations, completing the declaration and payment of various taxes, such as value-added tax and corporate income tax, on schedule. It also implements relevant tax policy requirements to effectively mitigate tax-related risks. The Company diligently fulfills its statutory obligations for tax information disclosure and ensures the transparency, accuracy, and standardization of tax filing through the establishment of a standardized tax management system. During the expansion of overseas operations, the Company strictly complies with the tax and regulations where it operates, upholds the principle of tax fairness, and continuously enhances the tax compliance management for its international business.



## 6.7 Safety and Quality of Products and Services

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

In 2025, the Company did not experience any major liability incidents involving penalties imposed by regulatory authorities due to violations of laws and regulations concerning safety or quality of product and service, nor were there any instances requiring product recalls.

### Governance

The Company has established a three-tier governance structure for safety and quality of products and services, comprising the "Decision-making - Management - Implementation". This structure clarifies the scope of authority and responsibility at each tier, thereby achieving stratified control and coordinated advancement of quality-related initiatives:



### Strategy

The Company has established a dynamic tracking mechanism for quality-related laws and regulations to monitor updates, amendments, and revisions in real time. By integrating safety and quality assurance for products and services into its long-term development strategy, the Company has defined the core direction for quality advancement, thereby laying a solid foundation for top-level design in safety and quality governance. Guided by the "Quality Leadership" strategy, the Company regards safety and quality of Products and Services as a core competitive advantage, embedding stringent safety and quality control requirements throughout the entire operational process—from production and operations to customer service and management. This approach facilitates the establishment of a comprehensive, end-to-end safety and quality management system. Moreover, the Company prioritizes the continuous improvement of product quality and service standards through refined process control and multi-dimensional capability enhancements. These efforts contribute to building a premium brand image and reinforce its commitment to a quality-driven development path in both domestic and international markets. As a result, the Company consistently earns long-term customer trust and achieves sustained growth in market share with enhanced quality and expanded reach.

## Management of Impact, Risk and Opportunity

In the realm of product quality and safety, the Company has proactively implemented a series of targeted initiatives, centered on Total Quality Management and guided by customer service management, with the responsible use of chemicals serving as a critical safeguard. These measures are specifically designed to address various potential risks, such as oversights in key quality inspections, improper handling of non-conforming products, insufficient reliability of test results, and inadequate implementation of quality management protocols.

### ◆ Total Quality Management

The Company has established and rigorously implements standardized quality control procedures, embedding continuous improvement initiatives throughout the entire operational workflow to effectively meet customer quality expectations and strictly adhere to international quality management standards. In parallel, the Company advances its quality management system certification efforts, with entities including XINAO TEX, NEW CHUWA, HOUYUAN TEX, and XINAO CASHMERE having obtained ISO 9001 Quality Management System certification by the end of 2025.

A comprehensive quality management framework has been implemented, covering critical stages from product development to post-sales support, thereby ensuring consistently high standards in both products and services.

#### Quality Management Procedure



Enhancing Quality Management through Multi-Pronged Measures

**Systematic Foundation · Implementing Closed-Loop Management of Nonconformity Across the Entire Process**

The Company standardizes procedures for managing nonconformity from both business process and field process perspectives, establishing a closed-loop management system that covers identification, marking, segregation, evaluation, disposal, and improvement. Clear accountability is assigned to respective departments at each stage, thereby strengthening quality control throughout the entire process. Furthermore, the Company, in strict accordance with the relevant laws and regulations of its own country or exporting countries, formulates specialized policies such as "Procedures for the Control of Marking, Traceability and Recall" and carries out product recall drills on a regular basis to reinforce product quality compliance. In 2025, the Company recorded zero product recall incidents due to potential safety risks or quality issues.

**Data-Driven Approach · Building a Closed-Loop Data System for Raw Materials and Production**

At the raw material stage, integration of ERP, QMS, and OA systems enables a digital closed-loop from "purchasing and receiving" to "incoming inspection" and "quality assessment," ensuring controllable quality at the source. At the production stage, inspection data is fully integrated into the MES system, enabling real-time data collection, analysis, and early warning to achieve dynamic monitoring of process quality.

**Digital Intelligence Empowerment · Upgrading the Intelligent Analysis Platform and IoT Applications**

The quality analysis platform is upgraded to support automatic comparison and trend analysis of key indicators for all yarn varieties, providing precise, visual data support for quality improvement. Digitalization is being extended to the equipment level through pilot projects for Internet of Machines / Internet of Things (IoT), accelerating comprehensive intelligent empowerment in production.

**Capability Assurance · Strengthening Testing Technology and Professional Expertise**

Comprehensive product testing and inspection capabilities are in place, preventive testing and inspections are conducted to address potential quality issues across all production stages. Error-proofing, fool-proofing, and equipment automation solutions are prioritized for control. A triple-assurance mechanism involving "personnel comparison, equipment calibration, and third-party benchmarking" ensures the accuracy and reliability of test data. Through pre-job training and specialized upskilling programs, a series of trainings on quality control knowledge, quality analysis, and improvement tools are conducted to enhance frontline quality execution.

**Cultural Development · Reinforcing Company-Wide Quality Risk Control Awareness**

Efforts to cultivate a quality culture are underway, leveraging continuous improvement and innovative practices to holistically elevate overall quality management standards. In 2025, the Company implemented a series of targeted quality management initiatives to strengthen company-wide quality awareness and risk control capabilities. Regular quality supervision inspections, product spot checks, and periodic quality meetings are institutionalized to facilitate in-depth analysis and drive corrective actions, ensuring effective management of quality risks.

**Technical Breakthroughs to Strengthen Quality Control of Woolen Yarn**

Case

The CV value for yarn evenness and the -30% Thin Place index are key parameters for measuring the core quality and performance of woolen yarn. They directly impact customer experience and satisfaction, and are central to product and service quality control. With the improvement of product quality as its core objective, XINAO CASHMERE established a dedicated technical task force focused on two main directions: "precise control of quality indicators" and "optimization of production processes." After two years of continuous effort, through technological R&D, precise equipment calibration, and iterative optimization of production processes—with a particular focus on ring spinning and mule spinning production stages—the company achieved precise control and steady improvement of quality indicators, thereby fortifying the product quality control system from the source of production.

By 2025, this initiative yielded marked improvements in product quality, significantly boosting core product attributes and market competitiveness. Moreover, it enabled end-to-end quality control empowerment through technological innovation.

◆ Customer Service Management

Establishing enduring and stable trust-based relationships with clients constitutes a fundamental pillar for the Company's sustainable development. Adhering to a "customer demand-centered" service philosophy, the Company continuously refines its end-to-end customer service system across pre-sales, in-sales, and after-sales stages. This is achieved through the implementation of institutional documents such as the "Management Measures for Measurement of Customer Satisfaction" and the "Procedures for the Control of Handling Customer Complaint", which standardize service delivery and enhance managerial efficiency. The Company remains committed to providing professional and reliable product service guarantees to its clients.

Product Sales and After-Sales Services

**Dedicated Service Network**

Establish an independent trend forecasting system to enable swift and precise responses to client requirements.

- **Analysis and Release of Trend Forecasts.** Every year, Italian color experts are invited to analyze and forecast the domestic and international trends of woolen knitwear in the next 1-2 years, and the theme colors of the seasons spring/summer and autumn/winter are released in March and August every year. Leveraging the leadership of fashion trends and digital analysis of customer demands, precise stocking service is launched to provide rapid response to customer demands.
- **Cutting-Edge Design Services.** Internationally renowned British fashion designers are engaged to provide avant-garde patterns and sample garment designs, offering clients inspiration and references. Additionally, customized brand services are extended to key clients, including bespoke pattern development and exclusive trend reports.
- **Targeted Development of Differentiated Products.** In alignment with market development trends and client-specific individualized requirements, targeted development of differentiated products is conducted to systematically enhance product accessibility.
- **Value Extension of Sustainable Trends.** In alignment with global sustainable fashion movements, the Company undertook a comprehensive upgrade of its product hangtags by 2025. The initiative included transitioning entirely to FSC-certified eco-friendly paper while reinforcing anti-counterfeiting measures and implementing an end-to-end traceability system. By transforming premium origin credentials and refined quality into visible trust verification throughout the product journey, this upgrade supported brand partners in enhancing their image and collectively advancing a sustainable future.

**Dedicated Professional Service Team**

A fully staffed contingent of business and technical professionals is allocated to deliver exclusive one-on-one support for premium clients.

- By the end of 2025, the Company has established offices and localized marketing teams in key markets, including the United States, the United Kingdom, France, Germany, Japan, South Korea, and Nordic countries. Its marketing footprint covered most domestic provinces as well as nearly 30 overseas countries and regions. Through coordinated efforts between local marketing personnel and headquarters, the Company has achieved precise and localized customer engagement.
- The Company maintains a dedicated technical service team that works in close collaboration with the sales department to provide customers with on-site technical consultation and rapid-response support throughout the entire process—from pre-sales to in-sales and after-sales. By 2025, this service model has been progressively implemented with notable results, demonstrating marked improvements in both the on-site responsiveness of the technical service team and their ability to deliver professional solutions.

Customer Engagement and Satisfaction Management

Multifaceted Communication Channels and Dissemination Matrix

Through the development of both offline and online platforms, the Company enhances information exchange, showcases its cutting-edge innovation outcomes, and systematically disseminates a wide range of operational information and brand initiatives.

- **Actively participate in prominent international industry exhibitions.** In 2025, the Company made notable appearances at globally recognized events such as SPINEXPO for international fashion yarns and knitwear, PERFORMANCE DAYS, FUNCTIONAL FABRIC FAIR, and ISPO MUNICH, comprehensively showcasing its core competencies and innovative product achievements.



- **Leverage New Media Platforms.** The Company has established a comprehensive communication framework comprising four core platforms—WeChat Official Accounts, Tik Tok, Xiaohongshu (the red note), and WeChat Video Channel. This integrated approach enables precise promotion of diverse yarn products and sustainability initiatives among business partners and end consumers. As of the end of 2025, the WeChat Official Accounts have garnered over **27,000** followers, while Tik Tok followers exceeded **7,900**, reflecting a consistent enhancement in brand reach and communication efficacy.



- **Develop International Corporate Website.** The official corporate website has undergone a comprehensive upgrade. The redesigned websites adopt an upgraded brand visual identity to strengthen brand distinctiveness. Additionally, navigation logic and interactive features have been optimized to ensure seamless multi-device compatibility, thereby significantly improving user browsing experience.
- **Systematic Upgrade Showroom.** In 2025, XINAO TEX completed a comprehensive upgrade of its concept showroom, transforming intangible brand concepts and technical terms into a tangible spatial experience.



Routine Customer Visits

Assign internal personnel to conduct regular customer visits to comprehensively gather their evaluations and feedback on the Company's products and services.

- The Company proactively orchestrates specialized interactive visits targeting key accounts, systematically collecting both routine and personalized requirements from customers regarding service, quality, and product offerings. These needs are promptly relayed to corresponding responsible departments to facilitate their resolution. In 2025, the Company deepened its focused customer engagement initiatives, with XINAO TEX completing specialized interactive visits for **57** core key accounts, achieving a **100%** resolution rate for all identified client requirements.

Standardized Customer Satisfaction Survey

A unified "Customer Satisfaction Questionnaire" is distributed to both domestic and international clients to systematically and comprehensively collect customer satisfaction evaluation data.

- Specialized surveys were conducted to evaluate the user experience and product experience across the entire pre-sale, in-sale, and after-sale processes. In 2025, XINAO TEX, NEW CHUWA, and HOUYUAN TEX carried out customer satisfaction surveys among their respective cooperative clients. The results indicated that customer satisfaction scores for all entities exceeded 90 points.

Customer Complaint Closed-Loop Management

Establish an efficient and seamless customer complaint handling mechanism, designate dedicated personnel to manage complaint resolution, and standardize core operational requirements such as response efficiency for customer appeals.

- The Company has established a customer complaint management module within its OA system to systematize and standardize the recording and efficient handling of customer complaints, thereby enhancing the operational efficiency of the entire complaint resolution process. In addition, a multi-dimensional customer complaint handling system has been developed through channels such as the customer feedback hotline (0573-88455805) and the corporate website. All complaints are categorized, assigned to dedicated personnel for follow-up, and managed in a closed-loop manner to strictly fulfill the requirement that "every complaint must be resolved." In 2025, the operational effectiveness of the complaint management system continued to improve, achieving a **100%** resolution rate for all reported issues.

Customer Complaints Handling Procedure



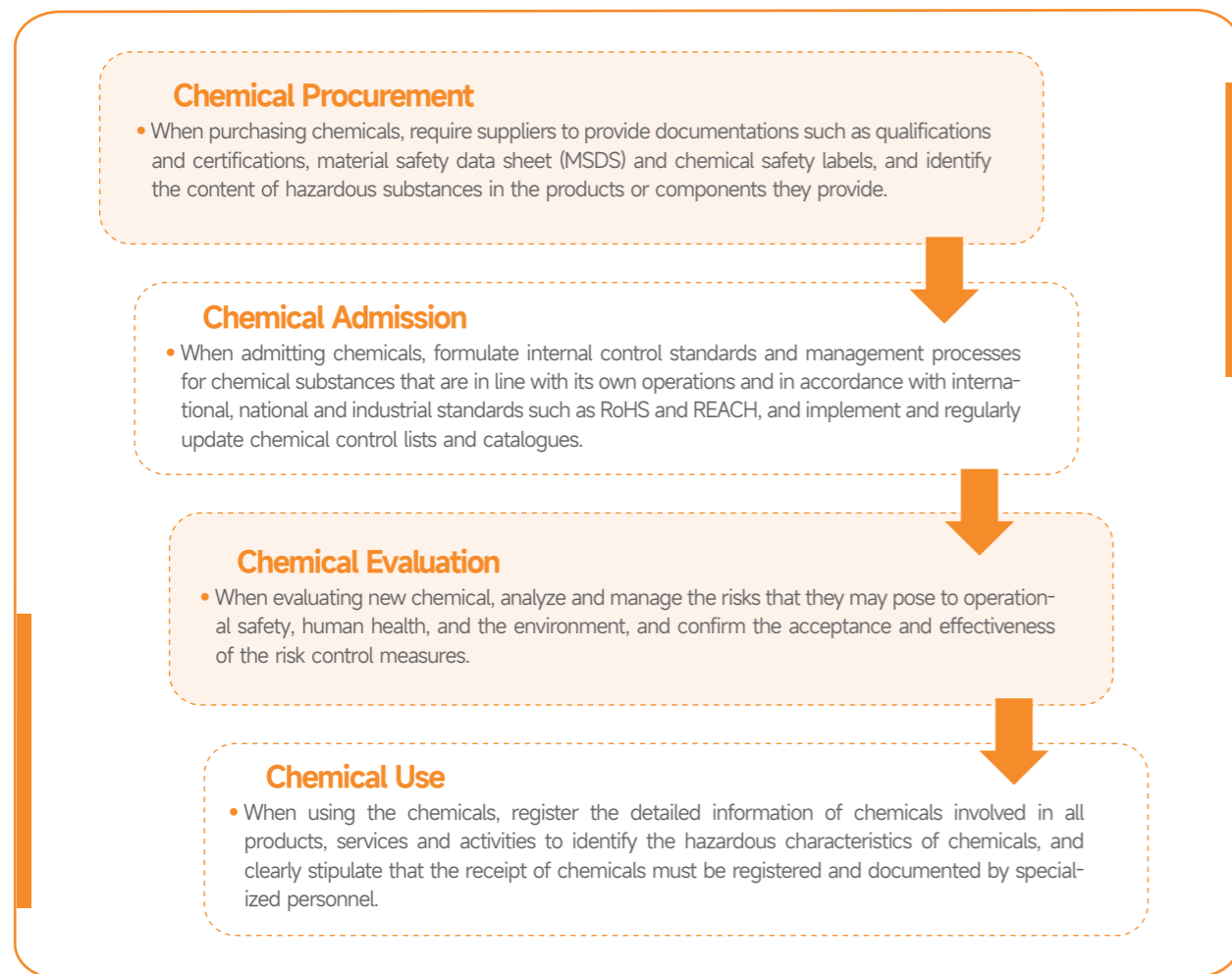
### ◆ Responsible Use of Chemicals

In the field of chemical management, the Company has established a Chemical Management Committee to construct a well-defined organizational framework with clear hierarchies and accountability. The Chair of the Committee provides overarching guidance for the formulation and implementation of chemical management policies; while heads of functional departments and subsidiaries lead the overseeing of advancement and execution of management objectives; and dedicated chemical management specialists are responsible for the comprehensive implementation of the Chemical Management Manual.

The Company strictly adheres to laws, regulations, and client requirements related to chemical registration, usage, disclosure, and management. Upholding the principle of **“minimizing chemical use to the greatest extent possible,”** it focuses on mitigating the potential impacts of chemicals on human health and the ecological environment. Leveraging its internally developed chemical management policies and the aforementioned dedicated management structure, the Company implements a full lifecycle management approach covering key stages such as procurement, access control, evaluation, and use. Through comprehensive and systematic control measures, the compliant and safe use of chemicals is rigorously ensured. In 2025, the Company achieved a **100%** compliance rate in chemical procurement access and on-site usage, with zero chemical-related safety incidents recorded.



#### Life Cycle Management of Chemicals



## 6.8 Data Security & Customer Privacy

The Company places paramount importance on data security and customer privacy protection, strictly adhering to relevant laws, regulations, and normative documents such as the *Data Security Law of the People's Republic of China*, the *Sybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Regulations for the Protection of Personal Information of Telecommunications and Internet Users*, and the *Regulations of the Peoples Republic of China for Safety Protection of Computer Information Systems*, etc. Data security and privacy protection policies are comprehensively integrated across all business lines and throughout the entire data management lifecycle. In 2025, the Company did not experience any data security incidents or customer privacy breaches, nor were there any lawsuits arising from such matters.

The Company establishes a comprehensive data security and customer privacy management framework, implementing a three-tier governance structure comprising the “Data Security and Customer Privacy Leadership Group”, the “Data Security and Customer Privacy Prevention and Control Group”, and the “Data Security and Customer Privacy Emergency Response Group”. This structure clearly delineates the responsibilities and operational divisions at each level, enabling end-to-end oversight of data security and customer privacy. The Data Security and Customer Privacy Leadership Group, chaired by the General Manager who serves as the primary responsible person for data security and customer privacy, is tasked with overall supervision, strategic planning, and decision-making on critical matters related to the Company's data security and privacy initiatives. The Data Security and Customer Privacy Prevention and Control Group, led by the Information Section with collaboration from various business units, conducts routine development and maintenance of the data security and privacy system, along with daily governance activities. The Data Security and Customer Privacy Emergency Response Group, composed of deputy general managers overseeing respective functions and heads of core business departments, is responsible for handling emergency incidents related to data security and privacy. This group also conducts periodic drills to mitigate potential risks effectively, thereby continuously enhancing the Company's data disaster recovery capabilities and advancing the overall level of security risk prevention and control.

Concurrently, the corporation implements a comprehensive, full-lifecycle data protection mechanism for client information, ensuring that all customer data and documentation are uniformly stored within a dedicated data management system. This system enforces standardized control over access and extraction through a hierarchical authorization framework, thereby effectively mitigating the risk of malicious data breaches from the source. With regard to critical operational data generated during production—including capacity metrics, raw material specifications, and process parameters—the Company has instituted rigorous end-to-end governance procedures, explicitly prohibiting arbitrary export activities. Additionally, by leveraging the ERP system, the organization has allocated refined access privileges to sales personnel at various levels, thereby strengthening the safeguarding of proprietary data such as product specifications and color-matching schemes tailored to specific clients. The Company strictly prohibits the transfer or repurposing of customized product parameters and color design data for one client to any other customer order, thereby ensuring both the uniqueness and confidentiality of bespoke information.

#### Data Security Measures

<p><b>Login Log Analysis</b></p>	<ul style="list-style-type: none"> <li>Perform routine login of log analysis on critical information systems to identify potential cyberattacks and malicious access.</li> </ul>
<p><b>Dynamic Verification Code</b></p>	<ul style="list-style-type: none"> <li>Set dynamic verification code for systems such as collaborative platforms that are universal, mobile, and highly applicable to different places to increase the cost and difficulty of malicious accesses and attacks.</li> </ul>
<p><b>Terminal Security Control</b></p>	<ul style="list-style-type: none"> <li>Install firewalls and network antivirus software on front-end hardware for cyber security.</li> </ul>
<p><b>Cyber Attack Defense Drill</b></p>	<ul style="list-style-type: none"> <li>Participate in the cyberattack and defense drill coordinated by the cyber security supervision brigade of the public security bureau, and make response, rectification and security improvement according to the report of the cyber security attack and defense drill.</li> </ul>

## 6.9 Employees

The Company, building upon its practical operations in the high-end green wool textile industry, strictly adheres to the stipulations of a series of relevant laws, regulations, and policy requirements, including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Regulations on the Implementation of the Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Work Safety Law of the People's Republic of China*, and the *Regulations on Work-Related Injury Insurances*, etc. This ensures comprehensive protection of employees' legitimate rights and interests as well as their occupational health and safety.

In 2025, the Company recorded zero labor disputes or significant employee turnover incidents, with no instances of unlawful or non-compliant practices such as child labor or forced labor. Occupational health and safety management achieved notable outcomes, with zero fatal workplace accidents and no administrative penalties imposed by regulatory authorities for violations of occupational health and safety laws and regulations.

### Governance

The Company has established a tiered, interconnected employee management framework comprising the "Decision-making—Management—Implementation," with clearly defined responsibilities and authorities at each level to ensure the orderly advancement of initiatives related to employee rights protection, occupational health and safety, and employee training and development:



### Overview of Employee-Related Management Policies

- **Recruitment Management:** Develop the "Measures for the Management of Recruitment and Employment of Production Line Employees" and the "Measures for the Management of Recruitment and Employment of Non-Production Line Employees". Guided by the fundamental principles of legality and compliance, and adhering to the recruitment tenets of equality, fairness, and non-discrimination, the Company standardizes the recruitment process for all positions, ensuring transparency and procedural rigor throughout the recruitment workflow.
- **Separation Management:** Establish the "Measures for the Management of Employee Separation" which standardize the exit formalities according to different types of separation, such as resignation, dismissal, and contract expiration. The procedures define the standard requirements for critical stages, including salary settlement, social security transfer, and job handover, thereby comprehensively safeguarding employees' lawful rights and interests during the separation process.
- **Retirement Management:** Develop the "Measures for the Management of Retirement and Re-employment", clearly define the procedures for employee retirement, the eligibility criteria for post-retirement re-engagement, and the corresponding regulatory framework. This ensures a balance between safeguarding the rights and interests of retirees and addressing the talent needs of corporate operations.

#### Recruitment and Separation

- **Working Hour Management:** Develop the "Attendance Management Measures", fully implement the standard working hours system, rationally plan employee work duration, and safeguard employees' right to rest.
- **Holiday Management:** Establish the "Measures for the Management of Leave and Vacation" under which employees are entitled to national statutory holidays in accordance with the law. Concurrently, employees may apply for various types of leave—including personal leave, sick leave, work-related injury leave, marriage leave, maternity leave, birthday leave, and bereavement leave—in accordance with company regulations, thereby comprehensively safeguarding employees' entitlement to holidays.

- **Remuneration Management:** Develop the "Compensation Management Measures" to establish a multi-dimensional remuneration framework comprising base salary, performance-based pay, etc., and standardize the approval procedures for new hires and salary adjustments, as well as the requirements for payroll distribution and confidentiality management.
- **Benefits Management:** Develop the "Measures for the Management of Welfare Subsidies" to establish six major categories of benefits, including social insurance, paid leave, cash allowances, and position-based subsidies, thereby standardizing the allocation criteria and scope of application for each type of subsidy.

#### Remuneration and Benefits

- Establish multiple institutional frameworks including the "Management System for Production Safety Objectives", "Management System for Production Safety Responsibility", "Management Measures for Labor Protective Articles", "Emergency Preparedness and Response Control Procedures", "Procedure for Hazard Identification, Assessment and Control", and "Regulations on Employee Health Examinations", providing comprehensive and systematic institutional support for occupational health and safety management.

- Formulate the "Employee Training Management Measures" to establish a comprehensive training system that covers all staff, standardizing the entire process from training planning and implementation to evaluation and records management. Through tiered contracting, post-training assessment, and follow-up monitoring, the effectiveness of training outcomes is ensured.
- Develop the "Measures for the Management of Employee Selection, Appointment, and Career Development", establish four distinct career development tracks: management, technical, skilled, and functional. This framework facilitates both lateral mobility across tracks and vertical progression within each track, while standardizing the entire process of employee selection, competitive appointment, deployment, and internal transfers.

#### Training and Development

## Strategy

### Legal and Compliant Employment Strategy

The Company strictly adheres to labor and employment laws and regulations, upholding the principles of compliant employment practices, and resolutely prohibits any form of illegal activities, including the employment or support of child labor, forced labor, and other unlawful practices. The explicit prohibition includes requiring employees to pay deposits or surrender identity documents upon hiring, and strictly eliminating prison labor, bonded labor, debt bondage labor, servitude, and all forms of punitive or compulsory labor. Through the establishment of robust employment management processes, the Company strengthens compliance oversight across all stages, reinforces the baseline for lawful employment, standardizes the management order of corporate labor practices, and safeguards the fundamental labor rights and interests of employees.

### Equal and Inclusive Development Strategy

The Company upholds the principle of “fairness, impartiality, and transparency” in employment, ensuring equal opportunities for employees across all processes, including recruitment, compensation, training, promotion, and termination, while strictly prohibiting discrimination based on race, gender, religion, and other factors. A special committee for female employees has been established to address their practical needs through platforms such as the “Tongxin” council room and the “Sisterhood Mutual Support” initiative. The Company maintains a zero-tolerance policy against workplace harassment and has implemented a comprehensive mechanism for preventing and addressing sexual harassment in the workplace. These efforts are dedicated to fostering a safe, equitable, harmonious, and inclusive work environment that safeguards employees’ physical and mental well-being as well as their lawful rights.

### Labor Union Rights Protection Strategy

The Company establishes trade unions in accordance with the law, utilizing employee representative assemblies as a platform to build a communication bridge between staff and the enterprise, thereby effectively safeguarding the legitimate rights and interests of employees. Trade unions, representing the employees, enter into the “Collective Contract” with the Company, engaging in equal consultations on matters such as labor contracts, wages and benefits, occupational safety, and the protection of female employees. Serving as the foundation for formulating labor rules and regulations, the “Collective Contract” ensures that all systems and major decisions affecting the vital interests of employees are communicated through public notifications, thereby protecting employees’ rights to information and participation.

### Occupational Health and Safety Strategy

The Company adopts the “Safety First, Prevention Foremost, and Comprehensive Management” as its core principle, establishing a management system centered on the Work Safety Responsibility System. By implementing risk identification, assessment, and process-wide control, the Company strengthens the enforcement of safety management measures. It actively promotes the development of a safety culture, integrates safety concepts into daily operations, and conducts comprehensive safety training for all employees. These efforts enhance employees’ safety awareness and emergency response capabilities, thereby reinforcing production safety safeguards in all aspects and ensuring occupational health and workplace safety.

### Talent Development Empowerment Strategy

The Company has established a “People-Centric” talent development platform, adhering to the principles of positioning individuals in roles that best match their competencies and aligning responsibilities with appropriate talent. This approach attracts and retains exceptional professionals, fostering a cohesive and high-performing team dynamic. By supporting personalized career progression and enhancing employees’ comprehensive capabilities, the Company empowers talent cultivation across the entire industrial ecosystem. By implementing open, fair, and equitable promotion principles, the Company refines and optimizes scientific advancement procedures, precisely identifies exceptional individuals, and constructs clear career development pathways for them. This approach facilitates the synchronization of employee value creation and enterprise growth, achieving a harmonious resonance between individual and organizational success.

## Management of Impact, Risk and Opportunity

Focusing on the core of risk prevention and control throughout the employee lifecycle, the Company has established an integrated management process that synergistically coordinates “Employment & Employee Rights, Employee Benefits & Care, Occupational Health & Safety, and Employee Training & Development.” This framework ensures that employee risk management is embedded across all stages, with the four modules functioning as interconnected and mutually reinforcing components in a closed-loop system. Risk control requirements are deeply integrated at each phase: during recruitment and onboarding, safety training and rights awareness activities are conducted simultaneously to mitigate risks related to safety cognition and rights understanding from the outset; the employee training and development system prioritizes workplace safety and risk prevention as core components, enhancing employees’ ability to identify and respond to risks through specialized training; furthermore, the implementation of employee risk management is linked to rights protection and incentive mechanisms, which in turn drive participation in training and reinforce safety management compliance. Through the coordinated implementation of these four modules, the Company not only safeguards employee rights and enhances competencies but also establishes a comprehensive risk prevention framework that spans the entire employee lifecycle.

### ◆ Employment & Employee Rights



**Diversified Recruitment**

- The Company develops targeted recruitment plans for various positions based on operational needs, conducting hiring activities through multiple channels such as online recruitment platforms, live-streamed interactions, and in-person interviews. This approach ensures equal employment opportunities for job seekers while offering competitive market-based compensation packages. Additionally, the Company continues to intensify its efforts in recruiting overseas talent, with a strategic focus on staffing for its Vietnam-based international projects. By leveraging brand promotion initiatives to attract local community residents, the Company aims to build highly localized management teams, thereby ensuring the efficient operation of its overseas projects.



**Workplace Inclusivity**

- While maintaining normal business operations, the Company provides equal development opportunities and corresponding welfare benefits for women, middle-aged and older individuals, ethnic minorities, and flexible employment personnel. In 2025, the Company employed a total of **2,672** female employees, **1,028** employees aged 50 and above, **837** domestic ethnic minority employees, and **435** overseas employees.



**Democratic Communication**

- The Company establishes diversified platforms for democratic communication and appeals, encompassing various channels such as a care hotline, official WeChat account, employee representative forums, staff feedback surveys, dedicated email addresses, bulletin boards, and consultation rooms (Employee Mediation Committee), thereby safeguarding employees’ rights to voice their concerns and requests.

**Employee Communication and Grievance Channels**



**Care Hotline**

**0573-88455800**





**Dedicated Email**

**xagh@xinaotex.com**

## Employee Benefits & Care

The Company adheres to a people-oriented approach and establishes a comprehensive employee care system encompassing “Welfare Protection and Life Support” by integrating local site conditions, traditional cultures, and employee preferences in host countries. Concurrently, it actively develops an “Employee Care Platform” through diverse initiatives such as recreational and sports activities, housing and employment support, and mutual assistance and support programs, thereby holistically enhancing employee satisfaction, sense of belonging, and overall well-being.

### Employee Benefits System

 <p><b>Daily Benefits</b></p>	<ul style="list-style-type: none"> <li>Employee benefits include shuttle services on select routes, complimentary accommodation, social security insurance (including pension, medical, unemployment, work-related injury, and maternity insurances) and housing provident fund, commercial insurance, regular health check-ups, paid annual leave, holiday gifts and care packages, team-building activities, corporate outings, and other routine perks.</li> </ul>
 <p><b>Cash Allowance</b></p>	<ul style="list-style-type: none"> <li><b>Monetary benefits and subsidies:</b> Social security allowances, transportation (long-distance) subsidies, housing allowances, communication subsidies, birthday benefits, holiday benefits, referral bonuses, retirement benefits, and family planning subsidies</li> <li><b>Job position-related subsidies:</b> Perfect attendance awards, year-end bonuses, professional title allowances, high-temperature subsidies, on-duty allowances, and company-mandated leave compensation</li> <li><b>Special rewards for excellence:</b> outstanding civilized employee awards, operational skill competition awards, exemplary work team awards, various sales achievement awards, QC circle excellence evaluation awards</li> </ul>



### Employee Care Platform

#### Recreational and sports activities

- Internal Activities:** the 3rd women’s Excellence Showcase and female employees’ Garden Party themed “Blooming with Grace, Growing Toward the Sun”; Rice Dumpling Competition on the Dragon Boat Festival themed “Sharing the Fragrance of Zongzi”; College Student Character Development Program themed “Setting Sail for New Dreams, Soaring with Youth”; Philanthropic mountain cleanup trailwalk to the Moganshan Mountain themed “The Power of Youth and Aspiration”.
- External Activities:** Tongxiang Basketball Match, Esports Tournament, and Employee Fun Sports Meeting.

#### Housing and Employment Support

- Complimentary accommodation:** Dormitories are provided at no cost to non-local employees, with shared accommodations available for dual-career couples. Utility charges are waived within specified usage limits.
- Family service center:** equipped with dance room, gym, leisure bar, consultation room, reading room, etc.
- Schooling and care for children:** assist non-local employees in addressing their children’s educational needs; In 2025, the Company organized summer camp themed “Little Migratory Birds”, benefiting 106 employees’ children.
- Establishing dedicated lactation rooms:** provide comfortable and secure feeding and milk expression facilities for breastfeeding employees.

#### Mutual Assistance and Support

- Medical Subsidy Fund:** On top of social insurance reimbursements, employees can claim an additional 70% reimbursement from the Company for out-of-pocket expenses. In 2025, the Company allocated 453,800 yuan in subsidies for employees.
- Participation in the Employee Medical Mutual Aid Program of Tongxiang Federation of Trade Union:** The full cost of the medical mutual aid scheme is covered by the Company’s union funds. In 2025, the Company contributed 144,300 yuan in premiums for employees.
- Assistance to Employees in Financial Hardship:** In 2025, 20 employees facing financial difficulties received support, with a total of 100,000 yuan distributed as aid funds.



## ◆ Occupational Health & Safety

The Company places great emphasis on the identification, assessment, and control of safety risks throughout the entire production process. Following a comprehensive assessment, the risks associated with the Company's work safety operations include safety risks during the construction phase of projects, workplace safety risks during the production and operation phase, and risks related to chemical management. At the same time, occupational hazard factors identified within the scope of operations primarily include noise, fur dust, formic acid, acetic acid, sulfur dioxide, hydrogen peroxide, sodium hydroxide, sodium carbonate and other dusts, laying the foundation for precise prevention and control.

To strengthen the systematic management of work safety risks, the Company has established and implemented a dual prevention mechanism combining internal and external controls. Through multifaceted efforts—including system optimization, compliance audits, on-site investigations, accident reviews, and hazard identification—the Company employs a multi-pronged approach to mitigate various potential safety risks and enhance the professionalism and effectiveness of its work safety risk management.

The Company continues to advance the standardization of work safety, strictly adhering to the "Three Simultaneities" principle—where safety facilities are designed, constructed, and put into operation concurrently with main projects—to fortify safety defenses at the source. At the same time, the Company consistently improves its comprehensive safety monitoring system, which covers critical areas such as major hazard source control, fire alarm systems, and fire control, with the objective of preventing and reducing industrial accidents and safeguarding the lives and assets of both the enterprise and its employees. Companies including XINAO TEX, NEW CHUWA, and HOUYUAN TEX have successfully passed reassessments for work safety standardization and were awarded Enterprise (Textile) of Work Safety Standardization Class 2, demonstrating the Company's ongoing compliance and improvement in work safety management standards. In 2025, the Company invested **11,985,900** yuan in workplace safety.

### Multidimensional Management of Occupational Health and Safety

#### Establish a Standardized Management System

- The Company establishes and continuously enhances its Occupational Health and Safety Management System across three key dimensions: institutional safeguards, risk management, and daily protection. Efforts to certify the system are concurrently advanced to strengthen management standardization. By the end of 2025, entities including XINAO TEX, NEW CHUWA, HOUYUAN TEX, and XINAO CASHMERE had all successfully obtained ISO 45001 Occupational Health and Safety Management System certification.

- Adhering to the principle of "zero tolerance for hidden risks," the system establishes "100% completion rate of hazard rectification and 100% coverage of workplace safety training" as its occupational health and safety management objectives. It constructs a comprehensive three-dimensional hazard identification and remediation framework comprising "daily inspections + specialized checks + systematic platforms + inspection readiness." Concurrently, a "Permit Module for Safety Production and Operation" is developed within the OA system, enabling high-risk operations to be managed through a standardized, closed-loop online process.

#### Strengthen Routine Protective Control

- The Company coordinates efforts across its subsidiaries to ensure the routine monitoring of occupational hazard factors and the identification of occupational health risks, establishing a comprehensive management mechanism encompassing "monitoring-identification-correction-supervision" control mechanism to effectively mitigate occupational disease risks. In 2025, the Company achieved **100%** coverage in the monitoring of occupational hazard factors.

- The Company provides regular occupational health examinations and distributes personal protective equipment (PPE) tailored to identified hazard factors, thereby ensuring comprehensive protection of employees' occupational safety. Additionally, the Company maintains a systematic occupational health record system, which centrally archives documentation such as the inventory of protective facilities and equipment, maintenance and inspection logs, and employee health examination reports. In 2025, the Company achieved 100% compliance rate for complete and standardized occupational health records.

- In strict compliance with the "Implementation Measures of Liability Insurance of Safe Production", HOUYUAN TEX and NEW CHUWA purchase liability insurance of work safety for key personnel, including those involved in hazardous chemical operations and management, sewage treatment and special operations.

#### Enhance Overall Safety Competency

- To comprehensively enhance employees' emergency response capabilities and safety awareness, the Company positions prevention as the primary line of defense in risk management. It provides subsidiaries with health and safety management requirements and guidance, while also implementing "Mobile Red Flag" evaluation activities in production workshops. Through diversified measures such as emergency drills, awareness campaigns, and incentive-based assessments, the Company systematically strengthens employees' emergency response and practical safety skills. In 2025, the Company routinely organized various emergency drills, including safety evacuations, hazardous chemical leaks, and electrical shock accidents. It also participated in the large-scale emergency firefighting drill organized by the Chongfu Town Trade Union Federation. Concurrently, the Company conducted specialized training on topics such as first aid, anti-fraud, and occupational disease prevention. Throughout the year, the Company completed safety education and training for a total of **23,953** employee participations.

### Case

#### Stay vigilant on safety awareness, strengthen the protective shield for development

At this critical juncture—marking the conclusion of 2025 and the beginning of 2026—the Company organized a comprehensive safety inspection across all facilities and invited experts from the Tongxiang Municipal Bureau of Emergency Management to conduct specialized safety training. Participants included team leaders, managers at or above that level, and personnel in key positions. To consolidate the achievements of previous efforts and effectively translate training principles into practical applications, XINAO TEX, NEW CHUWA, and HOUYUAN TEX simultaneously launched a two-week special campaign for self-inspection and self-correction in work safety. The campaign mandated a thorough, full-coverage screening of potential safety hazards across all areas, with the establishment of a registry for identified issues, and the implementation of closed-loop rectification measures. At the same time, the Company clarified the work safety responsibilities of all employees, requiring managers to strictly fulfill their "Dual Responsibilities in Each Role", and all employees to diligently fulfill their job-specific safety duties. The Company will continue to improve its safety management system and vigorously advance the "Safety through Technology" initiative, ensuring high-quality corporate development through a high level of safety.



## Employee Training & Development

The Company consistently maintains the conviction that talent is the fundamental force driving sustained corporate development. In the realm of talent cultivation, it deepens efforts in nurturing talent and constructing a robust talent pipeline, focusing on three core competencies: General Competency, Professional Expertise, and Leadership Capability. By comprehensively reviewing training curriculum and thoroughly integrating training resources, the Company has established an all-encompassing, multi-tiered development system. Tailored professional empowerment frameworks are designed for employees at various levels and across different occupational categories.

Annually, the Company conducts systematic business needs surveys to precisely identify training priorities. Concurrently, it meticulously develops diversified training initiatives, including leadership enhancement, onboarding and integration for new employees, and professional skill refinement. These programs holistically empower employees in their career growth, supporting them in realizing their professional aspirations and fostering harmonious, synchronized development with the enterprise to collectively scale new heights of achievement.

### Employee Development System

Types	Contents	Key Initiatives
<b>General Competency Empowerment</b>	<p><b>New Employee Onboarding:</b> Campus Recruitment Orientation and Social Recruitment Training Programs</p> <p><b>Overseas Talent Empowerment:</b> Country-Specific Cultural Adaptation, Business Etiquette, and Cross-Border Security Management</p> <p><b>Fundamental Knowledge:</b> corporate open courses, online classrooms, labor emulation, knowledge contest of little wool master, QCC group activity</p>	<ul style="list-style-type: none"> <li>In 2025, a comprehensive onboarding training program and general competency courses were successfully delivered for <b>243</b> new employees recruited from both social channels and campus recruitment initiatives.</li> <li>In 2025, <b>1</b> cross-cultural exchange activity were organized for international talents, including overseas staff and expatriates, capacity-building training programs reached <b>246</b> participants.</li> </ul>
<b>Professional Expertise Empowerment</b>	<p><b>Engineer Training:</b> continuing education training for engineers</p> <p><b>Technician Training:</b> specialized skills training course, skill levels certification, independent appraisal of junior and intermediate professional and technical qualifications, technical seminar, dual-mentorship + project-based training model</p> <p><b>Induction Training:</b> sales onboarding bootcamp, one-on-one on-the-job training through a mentor-apprentice system, practical simulation in customer development and sales</p>	<ul style="list-style-type: none"> <li>In 2025, a cumulative total of <b>3</b> continuing education and training sessions were organized for engineers, covering professionals from various fields with a total attendance of <b>13</b> participants.</li> <li>In 2025, <b>26</b> specialized skill training programs were conducted, cultivating <b>26</b> technicians through a "dual-mentor + project-based" training model.</li> <li>In 2025, <b>1</b> sales boot camp for new hires were held, providing pre-job training for <b>13</b> sales trainees. Through a mentorship system, one-on-one on-the-job guidance was delivered to <b>7</b> new employees, alongside <b>2</b> practical customer development and sales simulation exercises.</li> </ul>
<b>Leadership Capability Empowerment</b>	<p><b>Leadership Development for Senior Executives:</b> advanced training program for comprehensive competency enhancement of senior management</p> <p><b>Leadership Development for Mid-Level Managers:</b> master skills studio</p> <p><b>Leadership Development for Frontline Managers:</b> leadership bootcamp for newly appointed team supervisors</p>	<ul style="list-style-type: none"> <li>In 2025, <b>5</b> sessions of leadership empowerment training programs had been executed cumulatively, covering an aggregate of <b>69</b> participants.</li> </ul>

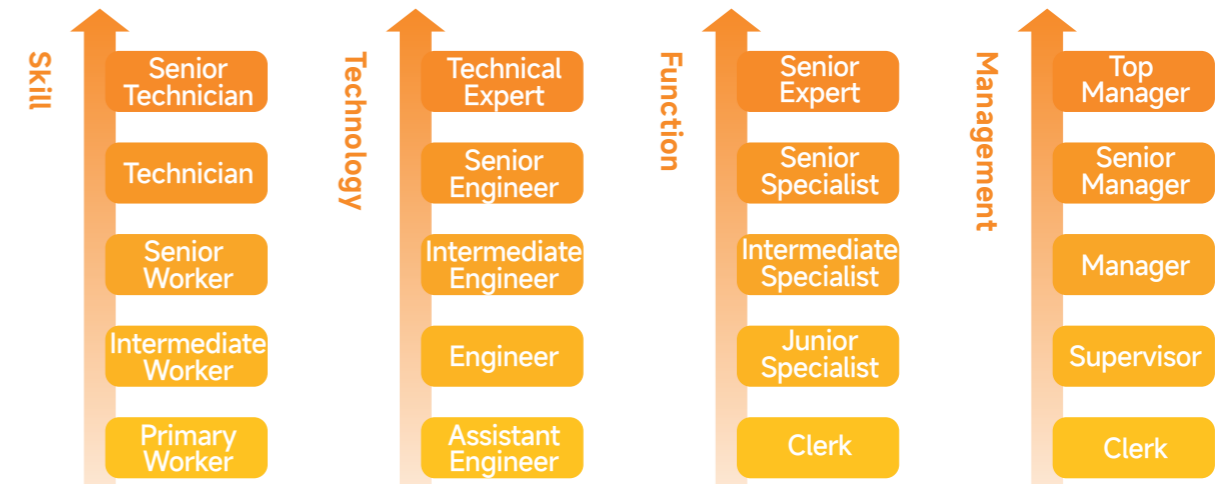
### Multidimensional Empowerment for Talent Development

#### Establish a Systematic Training Platform

- Leveraging its existing team of in-house trainer team, the Company has established a dedicated "Training Academy" platform to systematically conduct various training programs. In 2025, the training programs reached **62,862** participants, with cumulative training expenses amounting to **296,000** yuan and a total training duration of **104,959.5** hours.
- The Company continues to innovate talent cultivation models by implementing specialized training programs such as the Sales Onboarding Bootcamp, the "Dual-Mentor" Cultivation and Role-Competition Reporting & Launch Ceremony for textile university students, and the Empowerment Program for New-Generation Management Cadres. Adopting an innovative "2+1" progressive cultivation approach—comprising cognitive learning, job rotation, and mentorship across three developmental phases—the Company establishes a comprehensive talent development system for versatile professionals. This initiative provides robust human capital support for the Company's sustainable growth and the implementation of its broadband development strategy.

#### Facilitate Diversified Career Advancement Pathways

- With a core focus on enhancing employee competencies and fostering value creation, a four-tier professional advancement framework has been established, encompassing "technical skills, technological expertise, functional specialization, and managerial leadership". This framework facilitates the planning of diversified professional development trajectories for employees.



- The Company has institutionalized the regular practice of competitive recruitment for managerial positions and autonomous assessment of technical and skilled personnel. This market-oriented and scientifically grounded approach to talent selection effectively guides employees' career development and ensures precise person-position alignment. As of the end of 2025, the Company had conducted a cumulative total of **107** competitive selections for management positions, among which **57** candidates were successfully appointed and assigned to management roles across various divisions. Additionally, **1,032** employees had obtained vocational skill level certifications (as of the end of the period), with **9** individuals achieving technician-level certification (spinning operatives) through the Company's inaugural self-organized skills training and assessment program conducted in 2025. Furthermore, **330** employees had acquired professional technical qualifications via accreditation (as of the end of the period), **78** of whom obtained certification through the Company's internal evaluation process. These initiatives have yielded marked achievements in strengthening the talent pipeline.

#### Strengthen a Multi-tiered Incentive System

- In the short term, the Company conducts annual across-the-board salary adjustments and performance-based pay reviews, while establishing internal honorary awards alongside selection and recognition mechanisms. These initiatives aim to motivate employees through both material and spiritual dimensions, thereby fostering long-term retention and professional growth. In 2025, through equitable and impartial evaluation processes, the Company recognized **6** benchmark units, **6** outstanding managers, **4** innovation elites, **6** top sales performers, **3** technical champions, **8** XINAO craftsmen, **6** exemplary coaches, **16** rising stars, **36** model citizens, and **165** advanced contributors.
- In the medium to long term, the Company is committed to refining its long-term incentive mechanisms by implementing measures such as equity-based incentives, thereby establishing a benefit-sharing mechanism between employees and enterprise owners. This approach effectively attracts and retains outstanding managerial talent and core business backbone personnel, consolidating the Company's key talent base. In 2025, the Company steadily advanced its equity incentive initiatives and completed the unlocking of shares for the second restricted period of the 2023 Restricted Stock Incentive Plan, with a total of **4,062,300** shares being released from restrictions.

# 07 | Governance

## Sustainable Mode of Operation

### Priority actions on governance dimensions

- Anti-Commercial Bribery and Anti-Corruption
- Anti-Unfair Competition

The SDGs to which this chapter is dedicated

16 和平、正义与  
强大机构



## 7.1 Anti-Commercial Bribery and Anti-Corruption

The Company is committed to upholding professional, trustworthy, and ethical business standards in all commercial transactions and collaborations. It conducts its operations in strict compliance with the *United Nations Convention Against Corruption* as well as relevant laws and regulations such as the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Civil Procedure Law of the People's Republic of China*, the *Criminal Procedure Law of the People's Republic of China*, etc. With the objective of fostering a fair, transparent, and integrity-based operational environment, the Company has integrated probity and ethical conduct into its corporate culture, firmly opposing all forms of corrupt practices that undermine corporate credibility and reputation, thereby establishing a solid compliance foundation for the implementation of its sustainability strategy.

In 2025, the Company experienced no incidents or litigation cases related to commercial bribery or corruption.

### Governance

Upholding business ethics as a fundamental principle, the Company anchors its governance objectives to responsible practices, with a primary focus on establishing robust anti-corruption systems and fostering a culture of integrity. This has led to the creation of a multi-tiered, interconnected anti-commercial bribery and anti-corruption governance structure encompassing the "Decision-making—Management—Implementation" levels:



At the institutional safeguard level, the Company has established the "Administrative Procedures for Anti-Commercial Bribery" which explicitly defines acts of commercial bribery and corruption such as improper benefits, kickbacks, and bribe-inducing gifts. Corresponding tiered disciplinary measures—ranging from warnings and fines to termination of employment contracts and pursuit of legal liability—have been implemented. Additionally, the Company has implemented a two-pronged constraint mechanism: on one hand, suppliers are required to sign the "Anti-Commercial Bribery Agreement" or enter into procurement and service contracts that include integrity clauses; on the other hand, senior management and procurement personnel are encouraged to sign the "Clean Practice Agreement" to strengthen internal staffs' commitment to integrity and self-discipline.

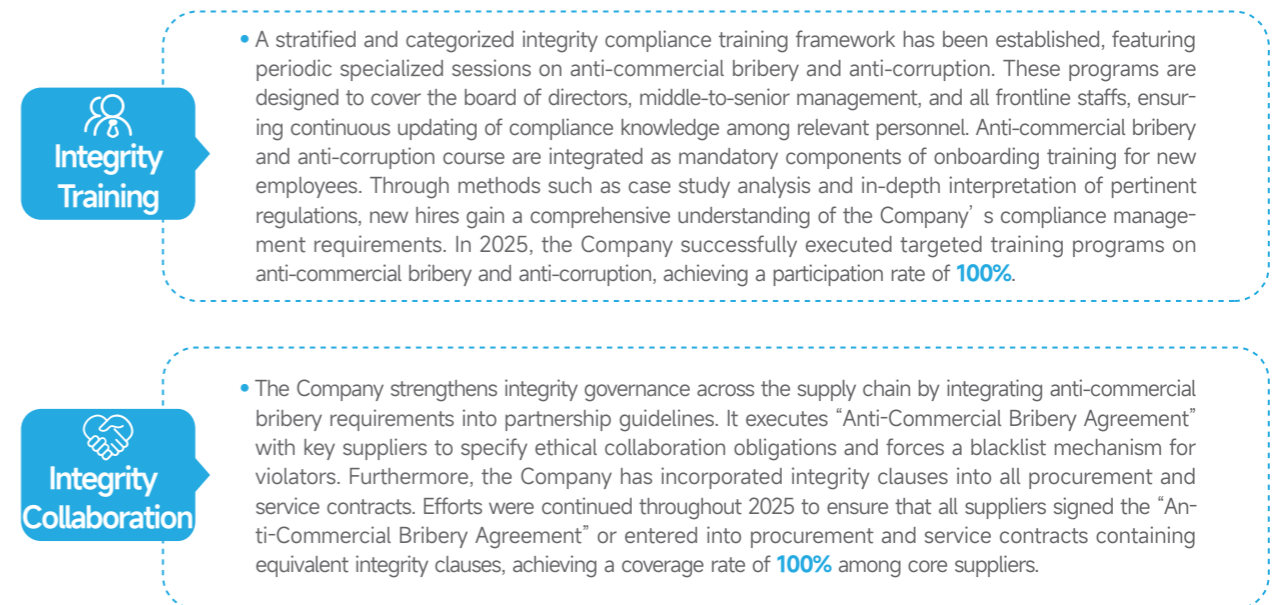
### Strategy

The Company, grounded in its commitment to compliant operations and brand reputation development, has integrated anti-commercial bribery and anti-corruption principles into its core corporate values and overall framework of organizational culture. It establishes comprehensive compliance control requirements across all business processes and builds a robust anti-bribery and anti-corruption compliance management system covering key operations such as procurement and sales. This ensures that anti-corruption and anti-bribery standards are embedded into all dimensions of corporate management. Centered on the core strategies of "full lifecycle business process transparency control, compliance-based counterparty onboarding, and organization-wide compliance awareness cultivation", the Company has established a three-tier compliance defense mechanism against bribery and corruption. This system enables holistic and integrated oversight at the levels of business transactions, partner interactions, and employee awareness, thereby mitigating the risks of commercial bribery, corruption, and other violations at the source and ensuring the compliance and integrity of the Company's business activities.

## Management of Impact, Risk and Opportunity

Throughout the entire operational chain, the Company proactively identifies and assesses the impacts, risks, and opportunities related to anti-commercial bribery and anti-corruption, conducting detailed analyses of their likelihood of occurrence, severity of impact, and scope of coverage. For identified risks, the Company employs a dynamic and regularly updated risk register to ensure accuracy and comprehensiveness in risk identification. Simultaneously, the Company holds its partners within the wool textile industry chain to the same stringent standards, integrating integrity and compliance into every phase of business collaboration. Together, they cultivate a corporate culture of clean and sound governance, jointly building a responsible commercial ecosystem across the wool textile value chain. This effort lays a solid compliance foundation for value-chain synergy under the "WARMTEX2030" sustainability broadband strategy.

### Promoting a Culture of Clean and Honest



### Complaint & Report Mechanism



### Fostering Integrity Through Learning and Driving Development Through Party-League Collaboration

Case

On April 11, 2025, the Party Committee of XINAO, in collaboration with its Youth League Committee, organized a joint Party-League building activity alongside an integrity education session involving over 100 Party and League members. During the event, all participants visited the XINAO Party-Mass Home, where they gained insights into the Company's developmental history and the achievements of Party building, reflecting on the practical implementation and evolution of integrity-driven management under the guidance of Party leadership. Subsequently, a special Party lecture was delivered by an instructor from the Tongxiang Municipal Party School. Centered on the theme "Deeply Understanding the Central Committee's Eight-Point Decision and Striving to Be Exemplary Cadres in the New Era," the lecture focused on the core principles of the Eight-Point Decision. Through analysis of typical cases, it highlighted the profound consequences of disciplinary violations and misconduct, with particular emphasis on anti-commercial bribery and anti-corruption. The session aimed to reinforce Party members and cadres' awareness of discipline, compliance, and integrity in professional conduct, urging them to strictly abide by disciplinary boundaries, standardize the exercise of authority, and solidly fortify their ideological and ethical defenses against corruption. By integrating integrity education deeply into Party-League collaboration, this activity promoted a culture of learning and integrity, uniting Party and League members in a concerted effort to safeguard high-quality enterprise development.



## 7.2 Anti-Unfair Competition

Grounded in the developmental requirements of its green and high-end wool textile business, the Company strictly adheres to relevant laws and regulations, including the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, etc. Taking as core guiding documents such as the "Implementing Regulations of the Patent Law of the People's Republic of China," the "Patent Examination Guidelines," the "Implementing Regulations of the Trademark Law of the People's Republic of China," and the "Trademark Examination and Review Guidelines," the Company standardizes the management of anti-unfair competition practices and solidifies the foundation for compliant operations. In 2025, the Company did not encounter any litigation or significant administrative penalties resulting from unfair competition activities.

Departments including the Technical Section, Product Development Section, Marketing Section, International Trade Section, Domestic Sales Section at the corporate headquarters, together with all subsidiaries, collaborate to implement and are specifically responsible for organizing, executing, and managing daily tasks related to anti-unfair competition efforts, including intellectual property protection and responsible marketing, and submit regular progress reports to the management. In terms of institutional safeguards, the Company has formulated specific management systems, such as the "Administrative Procedures against Unfair Competition", which clarify review processes, judgment criteria, and accountability entities for marketing and promotional content. Strict requirements are imposed to ensure that all promotional data is authentic, accurate, and compliant, expressly prohibiting false statements, exaggerated claims, and other improper content. This provides a clear institutional framework for anti-unfair competition initiatives. In 2025, the Company rigorously advanced the implementation and performance enhancement of anti-unfair competition measures, conducting specialized risk control initiatives and training.

By aligning with market demands in the wool textile industry and leveraging its own strengths in green, high-end products, the Company fosters a healthy cooperative ecosystem with industry peers as well as upstream and downstream partners across the value chain, proactively seizing market opportunities under the framework of compliant development.

### Intellectual Property Protection

- Training and Compliance Awareness Enhancement:** Specialized intellectual property training sessions are delivered to core business departments to comprehensively elevate staff awareness of intellectual property protection and compliance management. It is explicitly mandated that all personnel must adhere to the principle of respecting intellectual property rights of others, and are strictly prohibited from acquiring, disclosing, using, or disposing of intellectual property assets belonging to others through improper means or in any unauthorized form.
- Patent Strategy and R&D Roadmap:** During the development of high-end green woolen textiles, patent applications are filed concurrently for core technological innovations, establishing a comprehensive intellectual property protection framework. Furthermore, through in-depth analysis of proprietary and industry-wide patent data, critical gaps in core technology protection are accurately identified, thereby providing evidence-based guidance for optimizing R&D directions and formulating operational strategies. In 2025, **23** new patent applications were filed for core technologies related to novel woolen textiles products, forming an end-to-end intellectual property protection network spanning raw materials, manufacturing processes, and finished products.
- Novelty Search and Infringement Risk Mitigation:** Prior to key intellectual property-related activities such as technological innovation, new product launches, or external exhibitions, rigorous novelty searches are conducted by designated departments to identify and address potential infringement risks proactively. During the development of new technologies, processes, and technical transformations, evidence-based IP literature analysis shall guide the establishment of scientific research directions and technical pathways. This approach elevates the baseline for R&D initiatives while effectively circumventing redundant development and intellectual property disputes. By 2025, a total of **4** IP novelty searches were completed for activities such as technological innovation and product exhibitions, with zero infringement incidents recorded throughout the year.



### Responsible Marketing

- Compliance Management:** Aligning with its strategic positioning in the high-end green woolen textile sector, the Company strictly conducts responsible marketing in strict compliance with national laws, regulations, and industry standards. Through diverse channels such as the corporate website, industry exhibitions, product launches, and new media platforms, the Company delivers truthful, accurate, and intelligible compliance data—covering product features, performance, potential risks, safety precautions, and maintenance procedures—to clients and consumers. No complaints regarding inaccurate marketing data were recorded in 2025.
- Compliance Review:** The Company establishes a full-process review mechanism for marketing materials of new products. Thorough reviews are conducted on planned releases, including detailed product specification sheets and user manuals, with a focus on identifying intellectual property infringement risks and non-compliant expressions that violate the Advertising Law of the People's Republic of China, thereby ensuring that all marketing materials are legal and compliant. In 2025, the approval rate for new product materials reached **100%**, with no instances of non-compliant marketing materials being released.

## 8. EGS Data Sheets and Notes

Adhering to the principle of “comparability,” the Company discloses data performance that reflects the effectiveness of its ESG management and, to the extent possible, retroactively provides corresponding figures for historical years. Starting from 2024, the Company has further refined the data collection process, optimized the scope of certain data statistics and disclosure standards, and implemented retrospective adjustments to some previously disclosed data from earlier years.

Unless otherwise stated, the scope of statistical data presented in the reporting period aligns with the scope of the Company's consolidated financial statements.

### Data Sheet on Environmental Dimensions

#### Data Sheet on Tackling Climate Change

Indicators		Unit	2023	2024	2025
Total greenhouse gas emissions		tCO <sub>2</sub> e	115,016.13	128,693.85	133,053.39
Scope I Total greenhouse gas emissions <sup>1</sup>		tCO <sub>2</sub> e	7,053.79	8,017.38	8,159.69
Scope II Total greenhouse gas emissions <sup>2</sup>		tCO <sub>2</sub> e	107,962.34	120,676.47	124,893.70
Greenhouse gas emissions per unit of product <sup>3</sup>		tCO <sub>2</sub> e/t	4.25	4.16	4.42
Greenhouse gas emissions per unit of revenue <sup>4</sup>		tCO <sub>2</sub> e/million yuan	25.91	26.59	26.34
Direct greenhouse gas emission reductions attributable to mitigation measures <sup>5, 6</sup>		tCO <sub>2</sub> e	-	15,600.91	29,211.97
By scope	Scope I	tCO <sub>2</sub> e	-	2,089.71	4,130.03
	Scope II <sup>6</sup>	tCO <sub>2</sub> e	-	13,511.20	25,081.94
By emission reduction measures	Re-engineer the production process	tCO <sub>2</sub> e	-	1,318.80	1,937.93
	Retrofit equipment	tCO <sub>2</sub> e	-	4,202.73	7,967.40
	Improve technique	tCO <sub>2</sub> e	-	48.16	476.51
	Replace fuel	tCO <sub>2</sub> e	-	694.82	1,780.80
	Others <sup>7</sup>	tCO <sub>2</sub> e	-	9,336.40	17,049.33

#### Data Sheet on Pollutant Discharge

Indicators	Unit	2023	2024	2025
Total wastewater discharge	m <sup>3</sup>	1,273,986.83	1,434,805.87	1,537,897.99
Industrial wastewater discharge	m <sup>3</sup>	1,189,010.83	1,315,409.87	1,291,217.49
Domestic wastewater discharge <sup>8</sup>	m <sup>3</sup>	84,976.00	119,396.00	246,680.50
Wastewater discharge per unit of product <sup>9</sup>	m <sup>3</sup> /t	47.05	46.43	51.11
Wastewater discharge per unit of revenue <sup>10</sup>	m <sup>3</sup> /million yuan	287.04	296.40	304.40
Chemical Oxygen Demand (COD) discharge in wastewater <sup>11</sup>	t	-	-	352.11
Biochemical Oxygen Demand (BOD) discharge in wastewater <sup>11</sup>	t	-	-	68.72
Ammonia Nitrogen (NH <sub>3</sub> -N) discharge in wastewater <sup>11</sup>	t	-	-	23.63
Total Nitrogen (TN) discharge in wastewater <sup>11</sup>	t	-	-	49.00
Total Phosphorus (TP) discharge in wastewater <sup>11</sup>	t	-	-	2.11
Total waste gas emission	m <sup>3</sup>	-	1,961,619,705.40	2,710,873,312.00
Waste gas emission per unit of product <sup>12</sup>	m <sup>3</sup> /t	-	63,477.87	90,088.84
Waste gas emission per unit of revenue <sup>13</sup>	m <sup>3</sup> /million yuan	-	405,227.71	536,571.85
Particulate Matter (PM) emission in waste gas <sup>14</sup>	t	-	-	7.42
Sulfur Oxide (SO <sub>x</sub> ) emission in waste gas <sup>14</sup>	t	-	-	0.24
Nitrogen Oxide (NO <sub>x</sub> ) emission in waste gas <sup>14</sup>	t	-	-	1.43
Volatile Organic Compounds (VOCs) emission in waste gas <sup>14</sup>	t	-	-	0.34

Data Sheet on Waste Disposal

Indicators	Unit	2023	2024	2025
Total waste generation	t	14,032.96	16,874.59	16,705.21
Total hazardous waste generation	t	15.62	15.31	19.25
Total non-hazardous waste generation	t	14,017.34	16,859.28	16,685.96
Total non-hazardous industrial waste generation	t	13,653.26	16,469.04	16,278.63
Total non-hazardous domestic waste generation	t	364.08	390.24	407.33
Hazardous waste generation per unit of product <sup>15</sup>	kg/t	0.58	0.50	0.64
Hazardous waste generation per unit of revenue <sup>16</sup>	kg/million yuan	3.52	3.16	3.81
Non-hazardous waste generation per unit of product <sup>17</sup>	kg/t	517.71	545.57	554.51
Non-hazardous waste generation per unit of revenue <sup>18</sup>	kg/million yuan	3.16	3.48	3.30

Data Sheet on Environmental Compliance Management

Indicators	Unit	2023	2024	2025
Annual environmental expenditure <sup>19</sup>	10,000 CNY	1,279.78	1,512.56	2,650.32
Penalties for major administrative punishment or criminal liability imposed by relevant ecological and environmental authorities for environmental incidents during the reporting period	10,000 CNY	0	0	0

Data Sheet on Energy Utilization

Indicators	Unit	2023	2024	2025	
Direct energy consumption <sup>20</sup>	Natural gas	m <sup>3</sup>	2,703,272.92	3,010,358.96	3,195,069.27
	Gasoline	l	121,067.37	111,943.04	108,647.11
	Diesel	l	103,763.96	102,556.37	104,961.62
	Liquefied petroleum gas	m <sup>3</sup>	51.26	43.32	52.86
	Self-generated solar power <sup>21</sup>	MWh	0	0	812.56
	Solar water heating <sup>22</sup>	MWh	-	1,661.20	3,027.88

Indicators	Unit	2023	2024	2025	
Indirect energy consumption <sup>20</sup>	Purchased electric power	MWh	121,236.47	143,127.09	156,377.50
	Consumption of purchased conventional power	MWh	109,761.11	124,556.26	135,969.12
	Consumption of purchased green-certified power <sup>23</sup>	MWh	800.00	7,799.60	9,126.00
	Consumption of purchased photovoltaic power	MWh	10,675.36	10,771.23	11,282.38
	Total consumption of purchased steam	t	139,585.95	151,686.16	140,420.10
Total energy consumption	tce	31,995.05	36,425.74	37,508.12	
By energy consumption correlation	Consumption of direct energy	tce	3,891.17	4,486.90	5,006.53
	Consumption of indirect energy	tce	28,103.88	31,938.84	32,501.59
By renewable energy attributes	Consumption of renewable energy <sup>24</sup>	tce	1,410.33	2,486.54	2,980.17
	Share of renewable energy consumption <sup>25</sup>	%	4.41	6.83	7.95
	Consumption of non-renewable energy <sup>26</sup>	tce	30,584.72	33,939.20	34,527.96
	Share of non-renewable energy consumption <sup>27</sup>	%	95.59	93.17	92.05
Energy consumption per unit of product <sup>28</sup>	tce/t	1.18	1.18	1.25	
Energy consumption per unit of revenue <sup>29</sup>	tce/million yuan	7.21	7.52	7.42	
Clean energy consumption	tce	5,005.67	6,490.29	7,229.62	
Natural gas	tce	3,595.35	4,003.78	4,249.44	
Share of natural gas <sup>30</sup>	%	71.83	61.69	58.78	
Solar energy	tce	1,312.00	1,527.94	1,858.59	
Share of solar energy <sup>31</sup>	%	26.21	23.54	25.71	
Others (green-certified) <sup>32</sup>	tce	98.32	958.57	1,121.59	
Share of others <sup>32</sup>	%	1.96	14.77	15.51	

Data Sheet on Water Resources Utilization

Indicators	Unit	2023	2024	2025
Water withdrawal	t	1,693,988.95	1,823,490.16	1,914,423.62
Municipal water supply	t	907,959.00	1,050,674.00	1,218,613.30
Surface water	t	501,587.00	481,019.00	412,492.00
Ground water	t	83,953.00	61,520.00	41,900.00
Rain water	t	60,904.00	78,591.00	102,525.00
Purchased steam water	t	139,585.95	151,686.16	138,893.32
Water withdrawal per unit of product <sup>33</sup>	t/t	62.56	59.01	63.62
Water withdrawal per unit of revenue <sup>34</sup>	t/million yuan	381.67	376.69	378.93
Reused water consumption	t	1,220,207.24	1,120,967.29	1,097,758.22
Cooling reused water consumption	t	10,450.00	37,529.67	44,522.00
Reclaimed reused water consumption	t	1,076,746.00	910,192.00	899,315.00
Steam condensate consumption	t	49,912.90	67,532.80	45,271.50
Other reused water consumption	t	83,098.34	105,712.82	108,649.72
Water reuse rate <sup>35</sup>	%	41.87	38.07	36.44
Total water consumption <sup>36</sup>	t	420,002.12	388,684.29	376,525.63

Data Sheet on Circular Economy

Indicators	Unit	2023	2024	2025
Waste cyclic utilization	t	-	187.07	149.44
Share of recycled waste <sup>37</sup>	%	-	1.11	0.89
Total resource consumption	t	-	46,556.38	48,392.16
Renewable resource consumption	t	-	27,278.37	28,868.52
Proportion of renewable resource consumption to total resource consumption <sup>38</sup>	%	-	58.59	59.66

Note 1: [Calculation method] Scope I greenhouse gas emissions originate from the combustion of natural gas, gasoline, diesel, and liquefied petroleum gas by the Company, fugitive emissions from refrigerants and fire extinguishers, and process emissions from carbon-containing chemicals. The accounting method for fugitive refrigerant emissions is based on the *AR6 WGI Chapter 7 Supplementary Material* officially released by the IPCC in 2021, while the accounting method for emissions from other categories refer to the *Accounting methods and reporting guidelines of greenhouse gas emissions for industrial enterprises in other sectors* officially issued by the National Development and Reform Commission in 2015.

Note 2: [Calculation method] Scope II greenhouse gas emissions arise from the Company's procurement of conventional power and steam. These emissions are accounted for using a market-based approach. Specifically, for T&D UK, the emission factors for purchased conventional power are derived from the 2023-2025 factors published in Greenhouse gas reporting: conversion factors, which are 0.20707, 0.20705, and 0.17700 tCO<sub>2</sub>/MWh respectively; for XINAO VN, the emission factor is based on the 2011 value of 0.6766 tCO<sub>2</sub>/MWh from *Quy đổi Năng lượng sang TOE (Bảng tính hệ số phát thải CO<sub>2</sub> theo các dạng năng lượng)*; for XINAO EU, factors are sourced from *Efficiency and decarbonization indicators in Italy and in the biggest European Countries* —using the 2023 factor of 0.4138 tCO<sub>2</sub>/MWh from the 2024 edition, and the 2024 factor of 0.3711 tCO<sub>2</sub>/MWh from the 2025 edition (the 2024 value is applied for 2025); for domestic power procurement in China, the emission factor of 0.6096 tCO<sub>2</sub>/MWh is adopted from the *Announcement on the Release of the CO<sub>2</sub> Emission Factor of Power in 2023 (December 2025)* jointly issued by the Ministry of Ecology and Environment and the National Bureau of Statistics. The emission factor for purchased heat adopts 0.11 tCO<sub>2</sub>/GJ with reference to the *Accounting methods and reporting guidelines of greenhouse gas emissions for industrial enterprises in other sectors*.

Note 3: [Calculation method] Greenhouse gas emissions per unit of product = Total greenhouse gas emissions / Output  
[Note of scope] Output refers to the total output of each manufacturing enterprise within the scope of the consolidated statements presented in the form of final products for sale after internal consolidation and offset, the same applies hereinafter.

Note 4: [Calculation method] Greenhouse gas emissions per unit of revenue = Total greenhouse gas emissions / Revenue

Note 5: [Calculation method] The reduction in greenhouse gas emissions directly attributable to mitigation measures is calculated as the cumulative total emission reductions achieved by respective companies through implemented abatement initiatives (incomplete statistics) by the end of the reporting period, with 2020 serving as the baseline year.

Note 6: [Note of change] In 2025, the Company commissioned its self-generated photovoltaic power generation project while simultaneously increasing the procurement of green certified electricity and photovoltaic power. These initiatives have continuously expanded the replacement of conventional grid power with renewable energy sources for the Company's operational sites, leading to a substantial enhancement in emission reduction benefits.

Note 7: [Note of scope] Other emission reduction measures are greenhouse gas emissions reduced by the use of photovoltaic power and green-certified power.

Note 8: [Note of change] The Company's domestic wastewater discharge volume in 2025 shows a significant deviation from the 2024 figures due to adjustments in the statistical policies governing domestic wastewater discharge.

Note 9: [Calculation method] Wastewater discharge per unit of product = Total wastewater discharges / Output

Note 10: [Calculation method] Wastewater discharge per unit of revenue = Total wastewater discharges / Revenue

Note 11: [Note of Scope] The statistical scope comprises NEW CHUWA and HOUYUAN TEX, both listed in the environmental information disclosure roster, alongside significant manufacturing subsidiaries including XINAO CASHMERE, XINAO VN, and T&D UK. The remaining manufacturing subsidiaries, whose effluent solely originates from domestic wastewater, have not been included in the accounting of pollutant discharge volumes.

Note 12: [Calculation method] Waste gas emission per unit of product = Total waste gas emissions / Output

Note 13: [Calculation method] Waste gas emission per unit of revenue = Total waste gas emissions / Revenue

Note 14: [Note of scope] The statistical coverage includes the significant manufacturing subsidiaries, namely NEW CHUWA and XINAO CASHMERE; other manufacturing subsidiaries solely generate fugitive emissions of atmospheric pollutants, for which pollutant emissions have not been accounted.

Note 15: [Calculation method] Hazardous waste generation per unit of product = Total hazardous waste generation / Output

Note 16: [Calculation method] Hazardous waste generation per unit of revenue = Total hazardous waste generation / Revenue

Note 17: [Calculation method] Non-hazardous waste generation per unit of product = Total non-hazardous waste generation / Output

Note 18: [Calculation method] Non-hazardous waste generation per unit of revenue = Total non-hazardous waste generation / Revenue

Note 19: [Note of change] In 2025, additional investments in environmental protection facilities were made for the newly constructed projects of HOUYUAN TEX, resulting in an annual increase in environmental expenditure compared to 2024.

- Note 20: [Calculation method] Direct energy consumption encompasses natural gas, gasoline, diesel, liquefied petroleum gas (LPG), self-generated photovoltaic power, and solar water heating. Indirect energy consumption includes procured conventional power, green certified power, photovoltaic power, and purchased steam. The conversion factors for standard coal equivalent of each energy type are based on the *General rules for calculation of the comprehensive energy consumption (GB/T 2589-2020)*.
- Note 21: [Note of change] The Company's self-generated photovoltaic project commenced operation in 2025, which represents a new energy consumption source not present in previous reporting periods.
- Note 22: [Note of change] In 2025, the Company continued to advance the substitution of renewable energy sources by expanding the application scope of solar water heating systems, resulting in a significant increase in solar thermal consumption compared to 2024.
- Note 23: [Note of change] Commencing in 2024, the Company has increased its consumption of Green Certified power, resulting in a rise in indirect renewable energy consumption compared to the previous year.
- Note 24: [Note of change] Renewable energy consumption comprises self-generated photovoltaic power, solar water heating, purchased green certified power, and purchased photovoltaic power. Commencing in 2024, the Company has increased its utilization of solar water heating and green-certified power, resulting in a higher renewable energy consumption compared to the previous year.
- Note 25: [Calculation method] Share of renewable energy consumption = Renewable energy consumption / Total energy consumption x 100%
- Note 26: [Calculation method] Non-renewable energy consumption encompasses natural gas, gasoline, diesel fuel, liquefied petroleum gas (LPG), as well as conventionally procured electric power and steam.
- Note 27: [Calculation method] Share of non-renewable energy consumption = Non-renewable energy consumption / Total energy consumption x 100%
- Note 28: [Calculation method] Total energy consumption per unit of product = Total energy consumption / Output
- Note 29: [Calculation method] Total energy consumption per unit of revenue = Total energy consumption / Revenue
- Note 30: [Calculation method] Share of natural gas = Natural gas consumption / Clean energy consumption x 100%
- Note 31: [Calculation method] Share of solar energy = Solar energy consumption / Clean energy consumption x 100%
- Note 32: [Note of scope] Within clean energy sources, the "Others" refers to green certified power.  
[Calculation method] Share of others = Other (green-certified) energy consumption / Clean energy consumption x 100%
- Note 33: [Calculation method] Water withdrawal per unit of product = Water withdrawal / Output
- Note 34: [Calculation method] Water withdrawal per unit of revenue = Water withdrawal / Revenue
- Note 35: [Calculation method] Water reuse rate = Reused water consumption / ( Water withdrawal + Reused water consumption ) x 100%
- Note 36: [Calculation method] Total water consumption = Water withdrawal - Total wastewater discharge
- Note 37: [Calculation method] Share of recycled waste = Waste cyclic utilization / Total waste generation x 100%
- Note 38: [Calculation method] Proportion of renewable resource consumption to total resource consumption = Renewable resource consumption / Total resource consumption x 100%

## Data Sheet on Social Dimensions

### Data Sheet on Employment and Employee Rights

Indicators		Unit	2023	2024	2025
Total number of employees (end of period)		people	3,979	4,265	4,455
By gender	Male	people	1,577	1,703	1,783
	Proportion of male <sup>1</sup>	%	39.63	39.93	40.02
	Female	people	2,402	2,562	2,672
	Proportion of female <sup>2</sup>	%	60.37	60.07	59.98
By form of employment	Full-time employment contracting	people	3,502	3,785	3,984
	Part-time	people	12	11	8
	Labor dispatching	people	0	0	0
	Other forms of employment <sup>3</sup>	people	465	469	463
By age	30 and under	people	588	814	811
	30 to 50	people	2,478	2,494	2,616
	50 and above	people	913	957	1,028
Number of employees from ethnic minorities		people	-	-	837
Proportion of ethnic minority employees <sup>4</sup>		%	-	-	18.79
Number of employee turnover		people	745	798	971
Employee turnover rate <sup>5</sup>		%	15.77	15.76	17.90
Labor contract signing rate <sup>6</sup>		%	100	100	100
Social insurance coverage rate <sup>7</sup>		%	100	100	100
Number of employees included in collective negotiation agreement (end of period) <sup>8</sup>		people	3,474	3,675	3,923
Number of employees subject to periodic performance or career development appraisal (end of period)		people	1,001	1,004	1,056
Proportion of employees subject to periodic performance or career development appraisal in all employees <sup>9</sup>		%	25.21	23.54	23.70
Remuneration per capita <sup>10</sup>		10,000 CNY	9.67	9.70	9.72
Revenue generation per capita <sup>11</sup>		10,000 CNY	106.52	106.74	108.45

Data Sheet on Occupational Health & Safety

Indicators	Unit	2023	2024	2025
Number of employees in occupational disease risk positions	people	1,958	2,121	2,258
Morbidity rate of occupational diseases	%	0	0	0
Position transfer rate due to occupational contraindications <sup>12</sup>	%	100	100	100
Amount invested in work-related injury insurance for employees	10,000 CNY	-	149.91	213.41
Coverage rate of work-related injury insurance for employees <sup>13</sup>	%	-	100	100
Amount invested in workplace safety liability insurance for employees	10,000 CNY	-	3.25	3.28
Coverage rate of workplace safety liability insurance <sup>14</sup>	%	-	100	100
Investment in workplace safety	10,000 CNY	-	-	1,206.81
Proportion of workplace safety investment to revenue <sup>15</sup>	%	-	-	0.24
Number of general work-related accidents among employees <sup>16</sup>	accident(s)	64	73	37
Number of other safety accidents	accident(s)	0	0	0
Number of work-related fatalities	people	0	0	0

Data Sheet on Employee Training & Development

Indicators	Unit	2023	2024	2025
Total number of employees trained (end of period)	people	3,966	4,096	4,455
Total number of participations of employee trainings	person-time(s)	-	55,319	62,862
Coverage rate of employee training <sup>17</sup>	%	99.67	96.04	100
Amount of expenditure on employee training <sup>18</sup>	10,000 CNY	37.28	218.38	29.60

Data Sheet on Safety and Quality of Products and Services

Indicators	Unit	2023	2024	2025
Total number of complaints received on products and services	case(s)	518	619	319
Handling rate of complaints on products and services <sup>19</sup>	%	100	100	100
Product recall rate <sup>20</sup>	%	0	0	0
Proportion of products recalled due to safety and health concerns to all products sold <sup>21</sup>	%	0	0	0
Amount involved in major liability accident damages related to safety and quality of products and services that occurred during the reporting period	10,000 CNY	0	0	0

Data Sheet on Data Security & Customer Privacy

Indicators	Unit	2023	2024	2025
Specific amount involved in data security incidents	10,000 CNY	0	0	0
Specific amount involved in customer privacy breaches	10,000 CNY	0	0	0

Data Sheet on Innovation-Driven

Indicators	Unit	2023	2024	2025
Amount of investment in R&D	10,000 CNY	11,120.66	11,069.89	11,463.81
Proportion of R&D investment to revenue <sup>22</sup>	%	2.51	2.29	2.27
Number of R&D personnel (end of period)	people	405	483	444
Proportion of R&D personnel <sup>23</sup>	%	10.18	11.32	9.97
Number of patents applied during the reporting period	patent(s)	22	19	23
Of which number of invention patents applied	patent(s)	2	6	6
Number of patents authorized during the reporting period	patent(s)	17	9	6
Of which number of invention patents authorized	patent(s)	5	2	0
Accumulated number of valid patents	patent(s)	156	144	104
Number of invention patents applied to the main business	patent(s)	22	24	25

Data Sheet on Supply Chain Security

Indicators	Unit	2023	2024	2025
Total number of suppliers	supplier(s)	762	818	732
Total number of suppliers in Chinese Mainland	supplier(s)	585	638	616
Total number of suppliers in Hong Kong, Macau, Taiwan, and overseas	supplier(s)	177	180	116
Number of suppliers certified by quality management system	supplier(s)	-	170	195
Proportion of suppliers certified by quality management system <sup>24</sup>	%	-	20.78	26.64
Number of suppliers certified by environmental management system	supplier(s)	-	133	176
Proportion of suppliers certified by environmental management system <sup>25</sup>	%	-	16.26	24.04
Number of suppliers certified by occupational health and safety management system	supplier(s)	-	130	188
Proportion of suppliers certified by occupational health and safety management system <sup>26</sup>	%	-	15.89	25.68
Number of suppliers assessed on environment, labor, ethics, etc. <sup>27</sup>	supplier(s)	34	94	220
Number of qualified suppliers assessed on environment, labor, ethics, etc. <sup>27</sup>	supplier(s)	34	85	179
Proportion of qualified suppliers assessed on environment, labor and ethics, etc. <sup>28</sup>	%	100	90.43	81.36
Number of suppliers that have signed anti-commercial bribery agreements <sup>29</sup>	supplier(s)	224	268	598

Data Sheet on Equal Treatment of SMEs

Indicators	Unit	2023	2024	2025
Balance of accounts payable (including notes payable) at the end of the reporting period	10,000 CNY	-	45,378.22	41,242.68
Proportion of balance of accounts payable (including notes payable) to total assets at the end of the reporting period <sup>30</sup>	%	-	7.98	6.46
Amount overdue at the end of the reporting period	10,000 CNY	-	0	0
Amount overdue to SMEs at the end of the reporting period	10,000 CNY	-	0	0

Data Sheet on Rural Revitalization and Social Contribution

Indicators	Unit	2023	2024	2025
Cash expenditures for projects of poverty alleviation and rural revitalization <sup>31</sup>	10,000 CNY	202.84	249.74	0
Value of expenditure on commodities for projects of poverty alleviation and rural revitalization	10,000 CNY	1.60	3.50	3.16
Number of people benefiting from projects of poverty alleviation and rural revitalization	people	-	18,601	500
Cash expenditure for projects of external donations and public benefits <sup>31</sup>	10,000 CNY	326.84	367.62	28.72
Value of expenditure on commodities for projects of external donations and public benefits	10,000 CNY	10.60	4.54	13.07
Number of employee participations in volunteer activities	person-time(s)	50	20	210
Total hours of employee volunteer services <sup>32</sup>	hour(s)	100	40	428

Note 1: [Calculation method] Proportion of male = Number of male employees / Total number of employees (end of period) x 100%

Note 2: [Calculation method] Proportion of female = Number of female employees / Total number of employees (end of period) x 100%

Note 3: [Note of scope] Other forms of employment encompass retired retainers, temporary workers, etc.

Note 4: [Calculation method] Proportion of ethnic minority employees = Number of employees from ethnic minorities / Total number of employees (end of period) x 100%

Note 5: [Calculation method] Employee turnover rate = Total number of employee turnover (excluding age-eligible retirements) / (Total number of employee turnover + Total number of employees) x 100%

Note 6: [Calculation method] Labor contract signing rate = Number of employees who have signed labor contracts / Number of employees who should have signed labor contracts x 100%

Note 7: [Note of scope] The Company buys accident insurance for employees in other forms of employment than full-time employment contracts.

[Calculation method] Social insurance coverage rate = Number of employees covered by social insurance (end of period) / Number of full-time employment contract employees (end of period) x 100%

Note 8: [Note of scope] 100% coverage of collective negotiation agreement in companies and subsidiaries that are unionized.

Note 9: [Calculation method] Proportion of employees subjects to periodic performance or career development appraisal in all employees = Number of employees subjects to periodic performance or career development appraisal (end of period) / Total number of employees (end of period) x 100%

Note 10: [Calculation method] Remuneration per capita = Total employee remuneration expenditure / Total number of employees (adjusted based on attendance)

Note 11: [Calculation method] Revenue generation per capita = Revenue / Total number of employees (adjusted based on attendance)

Note 12: [Calculation method] Position transfer rate due to occupational contraindications = Number of employees transferred due to occupational contraindications / Total number of employees with occupational contraindications x 100%

Note 13: [Calculation method] Coverage rate of work-related injury insurance = Number of employees insured against work-related injuries / Total number of employees who should be insured against work-related injuries x 100%

Note 14: [Calculation method] Coverage rate of workplace safety liability insurance = Number of employees covered by workplace safety liability insurance / Total number of employees required to be covered by workplace safety liability insurance by the local Emergency Management Agency x 100%

Note 15: [Calculation method] Proportion of workplace safety investment to revenue = Investment in workplace safety / Revenue x 100%

Note 16: [Note of change] The Company attaches great importance to workplace safety management. In 2025, the Company further improved the workplace safety management system, comprehensively conducted specialized workplace safety training for all employees, and as a result, the number of general work-related injuries decreased compared to 2024.

Note 17: [Calculation method] Coverage rate of employee training = Total number of employees trained (end of period) / Total number of employees (end of period) x 100%

Note 18: [Note of change] Data shows significant variation as expenditures for renovation of training venues and procurement of supporting equipment and facilities were incurred in 2024, whereas no such expenses were recorded in 2023 or 2025.

Note 19: [Calculation method] Handling rate of complaints on products and services = Total number of complaints on products and services handled / Total number of complaints on products and services x 100%

Note 20: [Calculation method] Product recall rate = Number of products recalled / Total number of products sold and distributed x 100%

Note 21: [Calculation method] Proportion of products recalled due to safety and health concerns to all products sold = Number of products recalled due to safety and health concerns / Total number of products sold x 100%

Note 22: [Calculation method] Proportion of R&D investment to revenue = Amount of investment in R&D / Revenue x 100%

Note 23: [Calculation method] Proportion of R&D personnel = Number of R&D personnel (end of period) / Total number of employees (end of period) x 100%

Note 24: [Calculation method] Proportion of suppliers certified by quality management system = Number of suppliers certified by quality management system / Total number of suppliers x 100%

Note 25: [Calculation method] Proportion of suppliers certified by environmental management system = Number of suppliers certified by environmental management system / Total number of suppliers x 100%

Note 26: [Calculation method] Proportion of suppliers certified by occupational health and safety management system = Number of suppliers certified by occupational health and safety management system / Total number of suppliers x 100%

Note 27: [Note of change] Throughout 2025, the Company continued to strengthen ESG management within its supply chain by further expanding the scope of supplier ESG assessments. This resulted in an increase in both the number of suppliers evaluated on environmental, labor, and ethical criteria and the number of qualified suppliers.

Note 28: [Calculation method] Proportion of qualified suppliers assessed on environment, labor and ethics, etc. = Number of qualified suppliers assessed on environment, labor and ethics, etc. / Number of suppliers assessed on environment, labor and ethics, etc.

Note 29: [Note of change] For the 2023–2024 period, the statistical scope covered only those suppliers that had signed the “Anti-Commercial Bribery Agreement.” In 2025, the scope was expanded to include suppliers that had either signed the “Anti-Commercial Bribery Agreement” or whose procurement and service contracts incorporated integrity-related clauses. This adjustment accounts for the notable variation observed between 2024 and 2025.

Note 30: [Calculation method] Proportion of balance of accounts payable (including notes payable) to total assets at the end of the reporting period = Balance of accounts payable (including notes payable) at the end of the reporting period / Total assets x 100%

Note 31: [Note of change] Commencing in 2025, the Company has adjusted the donors of its title endowment charity common prosperity funds. Consequently, philanthropic expenditures previously allocated directly by the Company have been correspondingly reduced, leading to a decline in cash outlays for poverty alleviation and rural revitalization initiatives, as well as external donations and public welfare projects, compared to 2024.

Note 32: [Note of change] The Company intensified its employee volunteer services program in 2025 by organizing a range of initiatives including ecological conservation activities such as mountain cleanup and green preservation, public awareness campaigns for social welfare, as well as joint Party-masses development programs. These expanded engagements resulted in an increase in total volunteer service hours compared to 2024.

## Data Sheet on Governance Dimensions

### Data Sheet on Corporate Governance

Indicators	Unit	2023	2024	2025
Number of board of directors	people	9	9	9
Number of female directors on the board	people	2	2	2
Proportion of female directors on the board <sup>1</sup>	%	22.22	22.22	22.22
Number of independent directors on the board	people	3	3	3
Proportion of independent directors on the board <sup>2</sup>	%	33.33	33.33	33.33
Number of shareholders' meetings held	time(s)	4	3	3
Number of board meetings held	time(s)	8	10	8
Board member attendance rate <sup>3</sup>	%	-	-	100
Total number of senior executives	people	-	-	6
Proportion of female senior executives <sup>4</sup>	%	-	-	50

### Data Sheet on Anti-commercial Bribery and Anti-corruption

Indicators	Unit	2023	2024	2025
Total number of directors covered by anti-commercial bribery and anti-corruption training	people	-	9	9
Percentage of directors covered by anti-commercial bribery and anti-corruption training	%	-	100	100
Total number of management personnel covered by anti-commercial bribery and anti-corruption training	people	-	67	77
Percentage of management personnel covered by anti-commercial bribery and anti-corruption training	%	-	100	100
Total number of frontline employees covered by anti-commercial bribery and anti-corruption training <sup>5</sup>	people	-	3,873	4,378
Percentage of frontline employees covered by anti-commercial bribery and anti-corruption training	%	-	92.26	100
Number of corruption cases proposed and concluded against the issuer or its employees during the reporting period	case(s)	-	0	0

Data Sheet on Anti-unfair Competition

Indicators	Unit	2023	2024	2025
Amount involved in litigation or significant administrative penalties due to the Company's unfair competition behavior during the reporting period	10,000 CNY	0	0	0

- Note 1: [Calculation method] Proportion of female directors on the board = Number of female directors on the board / Number of board of directors x 100%
- Note 2: [Calculation method] Proportion of independent directors on the board = Number of independent directors on the board / Number of board of directors x 100%
- Note 3: [Calculation method] Board member attendance rate = Number of board meetings actually attended by directors / Total number of board meetings requiring director attendance) x 100%
- Note 4: [Calculation method] Proportion of female senior executives = Number of female senior executives / Total number of senior executives x 100%
- Note 5: [Note of scope] The management tier encompasses departmental heads or equivalent positions and above within the Company and its subsidiaries, while all employees not belonging to the management tier are categorized as frontline staff.

## 9. Guide Index

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

Dimension	No.	Topic	Corresponding Article	Corresponding Chapter
Environmental	1	Tackle climate change	Article 21 to 28	Tackle Climate Change
	2	Pollutant discharge	Article 30	Pollutant Discharge
	3	Waste disposal	Article 31	Waste Disposal
	4	Ecosystem and biodiversity conservation	Article 32	Ecosystem and Biodiversity Conservation
	5	Environmental compliance management	Article 33	Environmental Compliance Management
	6	Energy utilization	Article 35	Energy Utilization
	7	Water resources utilization	Article 36	Water Resources Utilization
	8	Circular economy	Article 37	Circular Economy
Social	9	Rural revitalization	Article 39	Rural Revitalization
	10	Social contribution	Article 40	Social Contribution
	11	Innovation-driven	Article 42	Innovation-Driven
	12	Ethics of science and technology	Article 43	Ethics of Science and Technology Note: The Company does not engage in scientific research or technological development activities in ethically sensitive fields such as life sciences or artificial intelligence; therefore, this topic is not material.
	13	Supply chain security	Article 45	Supply Chain Security
	14	Equal treatment of SMEs	Article 46	Equal Treatment of SMEs Note: The Company's accounts payable balance (including notes payable) does not exceed RMB 30 billion, accounting for no more than 50% of its total assets. There are no overdue payments to SMEs that require disclosure via the National Enterprise Credit Information Publicity System. Consequently, this topic is not material.
	15	Safety and quality of products and services	Article 47	Safety and Quality of Products and Services
16	Data security & customer privacy	Article 48	Data Security & Customer Privacy	
17	Employees	Article 50	Employees	
Governance	18	Due diligence	Article 52	Due Diligence, Stakeholder Communication
	19	Stakeholder communication	Article 53	Due Diligence, Stakeholder Communication
	20	Anti-Commercial bribery and anti-Corruption	Article 55	Anti-Commercial Bribery and Anti-Corruption
	21	Anti-unfair competition	Article 56	Anti-Unfair Competition