



2022 ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

A Professional Service Provider And Manufacturer
Devoted To Offering Integrated Engineering Solutions



About This Report

This is the 2022 Environmental, Social, and Governance Report ("this report") released by Fujian South Highway Machinery Co., Ltd. ("NFLG" or "We"). This report presents stakeholders with an overview of NFLG's ESG initiatives and achievements for fiscal year 2022.

Reference Guidelines

We prepare this report in accordance with the "Global Reporting Initiative Standards" (GRI Standards), the "Sustainability Accounting Standards Board Standards" (SASB Standards), and also refer to the Guidelines No. 1 of the Shanghai Stock Exchange for Self-regulation of Listed Companies — Standardized Operation, the Climate-related Financial Disclosure Framework published by the Task Force on Climate-related Financial Disclosures(TCFD), and the United Nations Sustainable Development Goals (SDGs).

Reporting Scope

The reporting period is between January 1, 2022, and December 31, 2022, and some parts of the report are beyond the scope mentioned above. Unless otherwise specified, the environmental, economic, and social data disclosed in this report covers all enterprises within the NFLG's scope of consolidation.

Feedback

We released this report in electronic format in both Simplified Chinese and English. In case of any inconsistencies between the Chinese and English versions, the Chinese version shall prevail. The electronic version of the report is available on our official website (www.nflg.com) and Shanghai Stock Exchange website (www.sse.com.cn) . If you have any comments or suggestions on our economic, environmental and social performance, please email us at dong_office@nflg.com.

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Message from the Chairman

The Chairman of NFLG




2022 was a year of dramatic changes in the external environment, with the ongoing impact of extreme weather due to global climate change and prolonged adverse effect on overall global economic activities caused by geopolitical instability. In the context of this century's major changes, NFLG has witnessed a history of intense struggles between division and integration, turbulence and stability, decline and rejuvenation. Simultaneously, we have navigated through stacked and intertwined crises, adapting and progressing. When confronted with the new global environment, market dynamics, and international politics, we remain committed to our core values of "specialization, excellence, quality, and longevity." We focus on green development, promote in-depth innovative research and

development of new products and technologies, and strive to become a leader providing overall solutions for green recycling building materials. We aim to facilitate the construction of a sustainable circular ecosystem in the industry chain, driving industrial services towards increased efficiency, intelligence, and value .

In the past year, we continued to integrate the concepts of green and low-carbon into our products and services. We consistently worked on creating safer, more environmentally friendly, efficient, and intelligent comprehensive solutions for green recycling building materials, assisting clients in establishing sound circular ecology for building material production and resource recycling. From the initial crushing

of raw minerals to the refinement of high-quality aggregates and then the diverse mixing of mortars, all these processes can be realized within the green and circular building materials industrial park developed by NFLG. We have optimized environmentally friendly equipment such as concrete mixing plants, precast concrete batching plant, and foamed warm mix asphalt equipment. Through advantages such as automatic feeding, efficient dust removal, and energy-saving during production and operation, we assist our clients in achieving the green production. We also provide solutions for resource utilization of construction waste and recycling of residual sludge in the construction industry, contributing to circular resource utilization and addressing the social challenge of "A City Besieged by Construction Waste" , thereby supporting the sustainable development of cities.

In the past year, we were dedicated to fulfilling our social responsibility. We established the "NFLG Education Fund" specifically for Quanzhou Chengdong Middle School, continuously donating to reward outstanding educators, aiming to encourage the cultivation of more social talents. We have also persistently donated to the Quanzhou Fengze District Education Development Foundation over the years, supporting the construction of educational facilities in Fengze District, encouraging exceptional teachers and students, and assisting those in need. We have been engaged in education, disaster relief, poverty alleviation, and healthcare through initiatives like public welfare donations, committed to supporting the development of community cultural and educational endeavors, giving back to society, and working alongside society for a harmonious development.

In the past year, we upheld the "people-oriented" philosophy, emphasizing human rights protection and talent development. We provided employees with shared platforms for both material and spiritual satisfaction, achieving mutual development and value creation between

employees and NFLG. We respect and safeguard employees' human rights, aiming to create a harmonious, inclusive, fair, competitive, safe, and healthy working environment. A comprehensive employee training and development system has been established, offering diversified career development paths to help employees tap into their potential and realize their individual value.

In the past year, we insisted on the principle "Equal emphasis on product and service." We provided proactive and advanced stewardship-style full-lifecycle services for our products, wholeheartedly winning customer recognition. With a strategic focus on product-service integration, digitization, intelligence, environmental protection, and internationalization, we continued to strengthen our business pattern driven by three major sectors: engineering mixing equipment, aggregate treatment equipment, and aggregate recycling equipment. We promoted the transformation and upgrade of product digitization and intelligence, continuously enhancing product international competitiveness. Currently, our products have been sold overseas in regions including Europe, Asia, and Africa, achieving overseas sales revenue of 142 million RMB, a significant year-on-year increase of 138.91%. Notably, mobile crushing equipment achieved breakthrough sales overseas, with sales orders exceeding 69 million RMB, creating new possibilities for income growth.

Looking forward, green building materials with features of low carbon, energy efficiency, safety flexibility, and recyclability will become a new development trend. We will integrate the concept of sustainable development into our business management, adhering to specialized operation and international development strategies. We will keep enhancing the comprehensive solutions for green recycling building materials, commit to contributing NFLG's strength by supporting the nation's carbon peaking and carbon neutrality goals, and the development of a circular economy.

A Glimpse into the NFLG

About Us



NFLG (Stock Code: 603280.SH) was founded in 1997, with headquarters located in Quanzhou, Fujian Province. Centering around the trends of intelligence, environmental protection, energy efficiency, recycling, and promoting green manufacturing in the construction machinery industry, we adopt a strategic positioning of product-service integration, digitization, intelligence, environmental friendliness, and internationalization. Guided by market orientation and driven by technological innovation as core competitiveness, we are committed to in-depth research and development, as well as manufacturing in the fields of engineering mixing, material treatment, and construction waste processing. We proactively lay out our groundwork for future key development directions in industries such as construction waste recycling, smart automated

mixing industrial parks, high-quality asphalt mixture production, and efficient environmental-friendly material processing. This aims to meet the industry's demands for product intelligence, environmental protection, energy efficiency, and more. Simultaneously, we strive to enhance design and manufacturing capabilities through the establishment of an industrial Internet of Things (IoT) big data platform, aspiring to become a leader providing overall solutions for green recycling building materials. We aim to offer customers with better products and services, garner trust from customers, and earn respect from peers as a world-class enterprise.

Having delved into the field of construction mixing for over 25 years, we have gained an insightful understanding and specialized expertise in the construction sand and aggregate industry. We have

gradually developed a complete industry chain and multi-level product system that encompasses "primary aggregate processing- engineering mixing - aggregate resource recycling and processing." We offer a one-stop solution, including custom design, research and development, production, and sales, covering areas such as quarry crushing and screening, aggregate processing, construction and road material mixing, and construction waste recycling. We creatively provide the market with integrated design, manufacturing, and service for green and circular building materials, fulfilling customer demands for a comprehensive range of green building material equipment. NFLG's products include equipment for primary aggregate processing, engineering mixing, and aggregate resource recycling and processing, which are widely utilized in downstream markets

such as infrastructure construction (e.g., buildings, roads, bridges, tunnels, water conservancy) and real estate development. Relying on our robust technological research and development capabilities, a strong

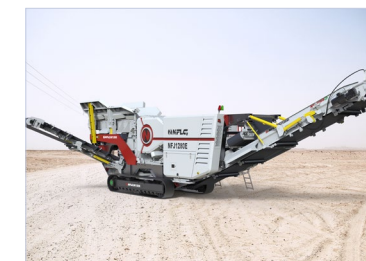
professional distribution network, a positive brand reputation, stable product quality, and comprehensive and integrated services, we have positioned ourselves as an overall solutions provider for green recycling

building materials . We are dedicated to assisting customers in establishing a positive cycle of production and resource utilization in the construction materials sector.

Aggregate Treatment Equipment



Aggregate Shaping and Sand Making Plant



Tracked Mobile Crusher and Screen



Stationary Crusher

Mixing Plants



Concrete Mixing Plant

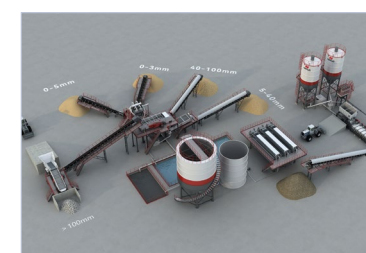


Asphalt Mixing Plant



Dry Mortar Mixing Plant

Aggregate Resource Recycling And Processing Equipment



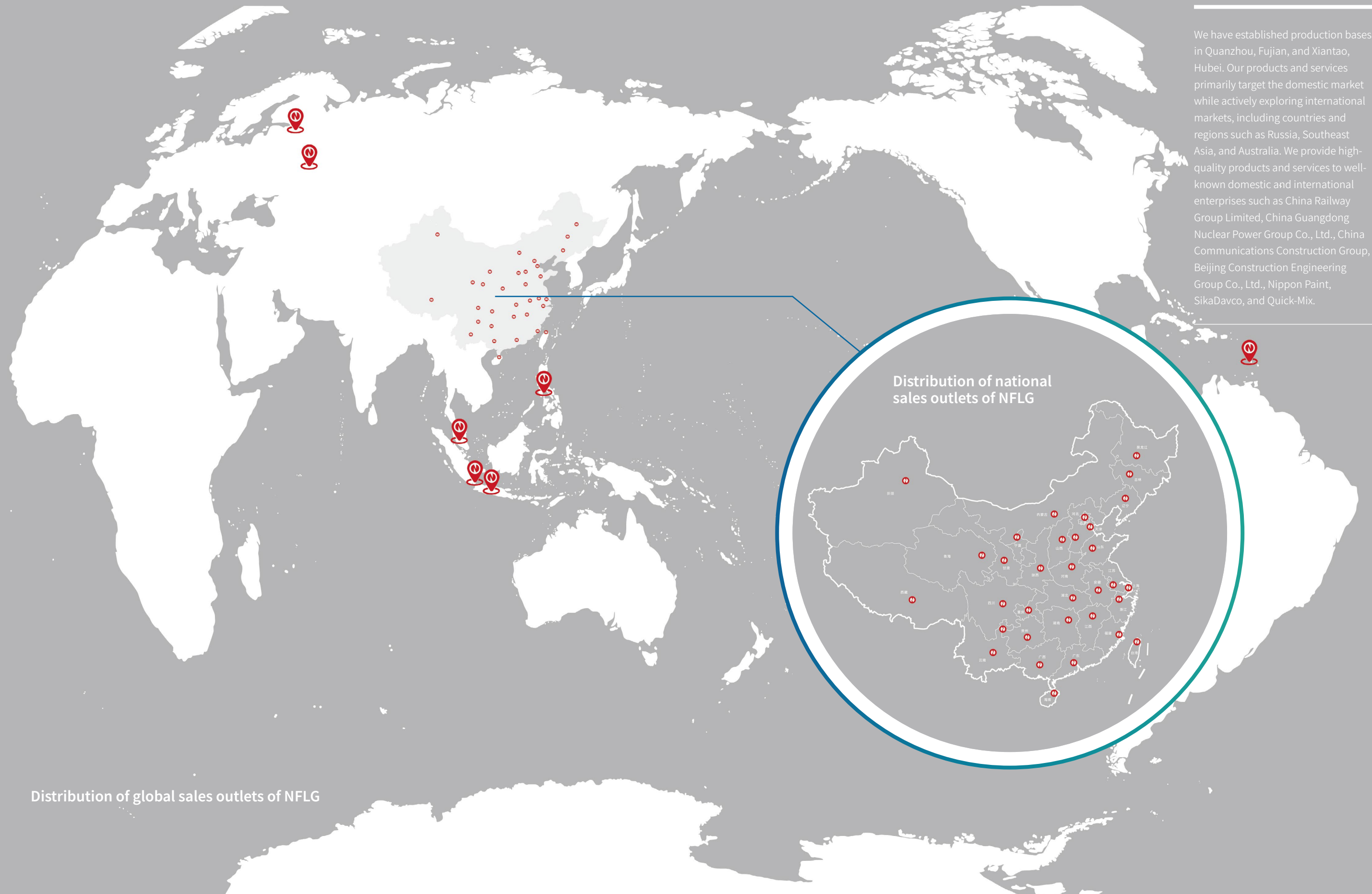
Sludge Washing Processing Line



Renovation Waste Processing Line



Mobile Demolition Waste Processing Line



We have established production bases in Quanzhou, Fujian, and Xiantao, Hubei. Our products and services primarily target the domestic market while actively exploring international markets, including countries and regions such as Russia, Southeast Asia, and Australia. We provide high-quality products and services to well-known domestic and international enterprises such as China Railway Group Limited, China Guangdong Nuclear Power Group Co., Ltd., China Communications Construction Group, Beijing Construction Engineering Group Co., Ltd., Nippon Paint, SikaDavco, and Quick-Mix.

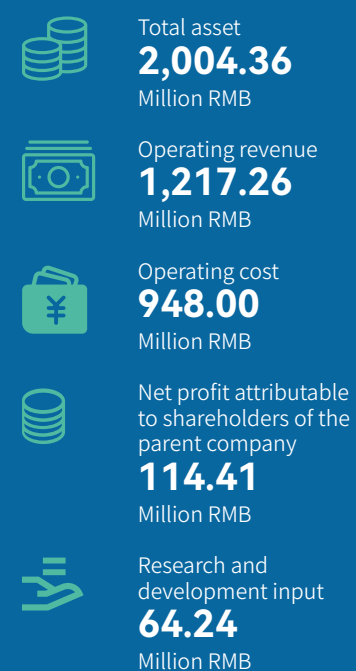
Distribution of global sales outlets of NFLG



NFLG in 2022

01 2022 At a Glance

Economic Performance

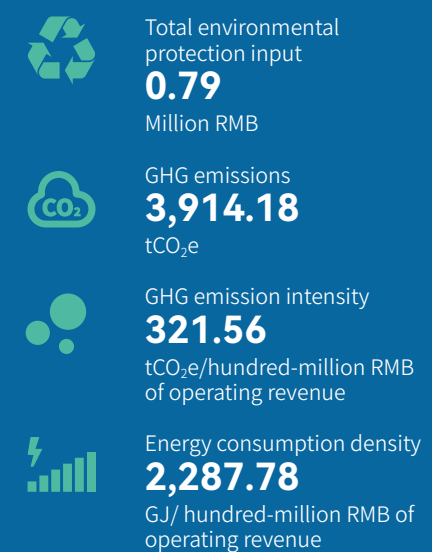


Social Performance



Note: The total training hours for employees in the year 2022 only include the training organized by the Human Resources Department and the Safety and Environmental Department. We have not yet compiled the total training hours for employees conducted by other departments.

Environmental Performance



02 2022 Honors and Awards



2022 China Top10 Specialized Construction Machinery Manufactures

6th Place

T50 Summit of World Construction Machinery Industry





2022 National Advanced Enterprise in Green Industry of Ready-mixed Mortar

Jointly awarded by China Bulk Cement Association Of Popularization & Development (CBCA), Ready-mixed mortar professional committee of CBCA, Equipment & Technology Professional Committee of CBCA, and Mechanized construction Professional Committee of Ready-mixed Mortar of CBCA.



2022 Best Application Award

Application of 300-ton-per-hour Mobile Crushing Production Line in the Nanning-Zhanjiang Expressway Project in Guangxi

GRANTED

T50 Summit of World Construction Machinery Industry



2022 China Top 10 User Brand Awareness of Concrete Machinery

China Road Machinery Online



福建南方路面机械股份有限公司

2022年中国混凝土机械用户品牌关注度排行榜



Honor of 20 Years Dedicated Service in the Ready-mixed Mortar Industry

China Building Materials Federation Ready-mixed Mortar Branch



第十届中国国际预拌砂浆生产应用技术研讨会

预拌砂浆行业20年深耕者荣誉

福建南方路面机械股份有限公司



2022 China Top 10 User Brand Awareness of Concrete Mixing Plant

China Road Machinery Online



福建南方路面机械股份有限公司

2022年中国混凝土搅拌站用户品牌关注度排行榜



















2021 Fujian Top 100 Environmental Protection Enterprises













18th place

Fujian Environmental Protection Industry

03SDGs Contributions





We take the United Nations' 17 Sustainable Development Goals (SDGs) outlined in the "2030 Agenda for Sustainable Development" as our action guidelines and is committed to contributing to the achievement of the UN's Sustainable Development Goals.

	SDGs	Our Practices
Environment	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>	<ul style="list-style-type: none">We adhere to the development concept of innovation, coordination, green, openness and sharing and advocate for green, low-carbon, circular, and sustainable production methods. Through measures such as technological innovation, enhancement and transformation, we contribute to the establishment of a positive cycle ecological system for green production and resource recycling within the industry chain.We actively respond to the national carbon peaking and carbon neutrality strategy and conduct annual GHG inventories in accordance with the ISO 14064 standard. We continue to promote carbon reduction efforts within our own operations and throughout the industry chain.We integrate the principles of greenness and low carbon into various stages of production and operation. Through processes such as technological equipment upgrades, intelligent solutions, and digitization, a series of energy-saving and emission reduction measures are adopted to enhance the efficiency of resource and energy utilization while reducing unit energy consumption of products.We place importance on water resource protection and undertake "water-saving enterprise" initiatives. We actively improve water resource utilization through measures such as water recycling, application of water-saving facilities, and promotion of water conservation.We abide by relevant laws and regulations and emphasize the protection of biodiversity. We strive to minimize the negative impact of emissions and pollutants on the environment. We continuously optimize and enhance our environmental management practices in production and manufacturing processes to ensure the achievement of environmental management goals.
Society	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	<ul style="list-style-type: none">We respect the specifications and requirements related to human rights protection outlined in documents such as the "International Bill of Human Rights," "United Nations Guiding Principles on Business and Human Rights," "Universal Declaration of Human Rights," "OECD Guidelines for Multinational Enterprises," and the "Convention on the Elimination of all Forms of Discrimination Against Women." We are committed to eliminating all forms of discrimination, harassment, and violence, aiming to provide a fair and harmonious working environment and atmosphere for all employees.We view talent as our primary resource for development. We continuously improve our training system to enhance employees' skills and capabilities. Diverse career development paths are provided, ensuring open, fair, just, competitive, and motivating career development opportunities.Competitive compensation packages and comprehensive welfare benefits are offered to employees. The establishment of equity incentive mechanisms helps align individual interests with our company's interests. Various employee activities are conducted to continually enhance employee well-being.We place high importance on the occupational health and safety of employees, distributors, and installation service providers. We continually strengthen occupational health and safety management to ensure the health and safety of all employees, effectively fulfilling the corporate responsibility for production safety.

	SDGs	Our Practices
Society	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	<ul style="list-style-type: none">Supplier qualifications, product quality, quality management, after-sales service, and specialization are incorporated into supplier admission and evaluation standards. Clear requirements are set for distributor services, equipment handover and acceptance, station guarding, routine inspections, follow-ups, and warranty services. We also provide guidance and training to suppliers/ distributors, working together with industry partners to promote responsible supply chain construction.We established a Mixing Institution to deliver personalized training programs for distributors and customers, nurturing practical and skillful talents for high-quality and sustainable development in the industry.Guided by the core value of "Customer First," we strictly enforce a quality management system. We enhance customer service management mechanisms, including after-sales training services, customer complaint management, and customer satisfaction surveys. We are dedicated to providing high-quality products and excellent services, ensuring customer rights are safeguarded.We consistently support local community education and care for the growth of youth and children. We establish long-term cooperative relationships with various universities and schools such as Fujian Agriculture and Forestry University, and Fujian University of Technology through student aid and donations, demonstrating genuine concern and support for community development.We actively engage in public health, disaster relief, poverty alleviation, and low-carbon environmental protection initiatives to bring positive impact to our community. We strive to build harmonious community relations, achieving mutual success between corporate development and community prosperity.
Governance	<div><div></div><div></div></div>	<ul style="list-style-type: none">We integrate ESG principles into our business operations and management through the establishment of a comprehensive and effective ESG governance framework. We continuously enhance our ESG management level to strengthen our resilience in addressing sustainable development risks and opportunities during business development, ensuring our sustainable growth.Through the establishment of diverse communication channels, we maintain close communication and exchanges with stakeholders. We incorporate stakeholders' expectations and suggestions into sustainable development governance.We establish a risk-oriented internal control system. By continuously improving internal control systems and processes, we strengthen risk controls at critical points, enforce internal control supervision and inspection, effectively preventing risks.We uphold principles of compliance, fairness, and integrity, conducting business activities with high ethical standards. We strongly oppose any form of corruption, bribery, fraud, and other unethical behavior, actively advocating and upholding an environment of integrity, fairness, and freedom in business.Information technology development is highly valued by NFLG. We gradually integrate information technology into various aspects of our business operations, from production to supply and sales. We continually improve information security management mechanisms to enhance information security management and safeguard enterprise information security.We adhere to an independent innovation strategy that emphasizes both original innovation and the introduction, digestion, absorption, and re-innovation. We consistently invest in research and development, enhance research systems, increase technological development and independent innovation efforts, benchmark against international leading technologies, actively engage in industry-university-research cooperation and international collaborations, and continuously enhance our independent innovation capabilities.

04 Stakeholders Engagement

We maintain close communication and engagement with stakeholders through the establishment of diverse communication channels. We actively incorporate the expectations and suggestions of stakeholders into the governance of our company's sustainable development.

Stakeholders	 <p>Employees</p>	 <p>Customers</p>	 <p>Suppliers</p>	 <p>Distributors</p>
Issues	<p>Equal Employment</p> <p>Risk Management</p> <p>Occupational Health and Safety</p> <p>Operation Compliance</p>	<p>Occupational Health and Safety</p> <p>Responsible Supply Chain</p> <p>Operation Compliance</p> <p>Anti-Corruption and Anti-Bribery</p>	<p>Responsible Supply Chain</p> <p>Responsible Marketing</p> <p>Customer Rights Protection</p> <p>Anti-unfair Competition and Anti-Monopoly</p>	<p>Resources Recycling</p> <p>Responsible Marketing</p> <p>Operation Compliance</p> <p>Tax Compliance</p>
Channels	<p>Employee Meetings and One-on-One Interviews</p> <p>Employee Training and Activities</p> <p>Employee Care and Wellbeing</p> <p>Employee Complaints</p>	<p>Customer Service and Complaints</p> <p>Customer Satisfaction Surveys</p> <p>Specialized Training</p>	<p>Online Communication and On-Site Visits</p> <p>Quality Management Coaching</p> <p>Industry Exhibitions</p>	<p>Distributors Training</p> <p>On-Site Guidance</p> <p>Online Communication</p>

Investors	Banks	Media	Governments and Supervision Departments	NGOs
<p>Environmental Compliance</p> <p>Energy Conservation and Emission Reduction</p> <p>Operation Compliance</p> <p>Risk Management</p>	<p>Operation Compliance</p> <p>Risk Management</p> <p>Information Security</p> <p>Tax Compliance</p>	<p>Environmental Compliance</p> <p>Operation Compliance</p> <p>Anti-unfair Competition and Anti-Monopoly</p> <p>Tax Compliance</p>	<p>Waste Air Management</p> <p>Resources Recycling</p> <p>Community Investment</p> <p>Anti-unfair Competition and Anti-Monopoly</p>	<p>Human Rights Protection</p> <p>Responsible Supply Chain</p> <p>Anti-unfair Competition and Anti-Monopoly</p> <p>Anti-unfair Competition and Anti-Monopoly</p>
<p>Public Disclosure of Listed Company Information</p> <p>E-Interactive Platform and Investor Hotline</p> <p>Performance Briefings</p> <p>Investor Surveys</p>	<p>Public Disclosure of Listed Company Information</p> <p>On-Site Visits</p>	<p>Public Disclosure of Listed Company Information</p> <p>Social Media Communication</p> <p>Public Opinion Monitoring</p>	<p>On-Site Visits</p> <p>Government Project Collaborations</p> <p>Conference Training</p>	<p>On-Site Visits</p> <p>Public Service</p> <p>Public Opinion Monitoring</p>

05 Material Issues

We have referenced reporting frameworks such as GRI and SASB, and benchmarked against industry best practices to identify 25 ESG issues that are relevant to our company. We have conducted questionnaire surveys of material issues with both our management team and other stakeholders. Based on the results of internal and external research, we have followed the principle of significance to conduct a comprehensive analysis and prioritization of sustainable development topics, which formulated our 2022 ESG Materiality Matrix.

Environmental Issues

- 1 Environmental Compliance
- 2 Energy Conservation and Emission Reduction
- 3 Water Resources Protection and Wastewater Management
- 4 Waste Air Management
- 5 Waste Management
- 6 Biodiversity Protection
- 7 Resources Recycling

Social Issues

- 8 Equal Employment
- 9 Human Right Protection
- 10 Occupation Health and Safety
- 11 Talent Development
- 12 Compensation and Welfare
- 13 Employee Involvement
- 14 Community Effort
- 15 Responsible Supply Chain
- 16 Responsible Marketing
- 17 Customer Rights Protection

Governance Issues

- 18 Corporate Governance
- 19 Risk Management
- 20 Anti-unfair Competition and Anti-Monopoly
- 21 Anti-unfair Competition and Anti-Monopoly
- 22 R&D and IPR Protection
- 23 Information Security
- 24 Tax Compliance
- 25 Complaint Mechanism and Whistleblower Protection



Environment

Addressing Climate Change



Environmental Management



Addressing Climate Change

The global climate change presents a common challenge to all of human society. From the 1992 United Nations Framework Convention on Climate Change to the Kyoto Protocol and then the Paris Agreement, the international community has witnessed the collaborative efforts over the past 30 years to address climate change. As a participant, contributor, and leader in global ecological civilization construction, China actively engages in international cooperation to tackle climate change. China has announced its commitment to strive for carbon peak by 2030 and carbon neutrality by 2060, enhancing its capacity to address climate change.

We actively respond to the national dual-carbon strategy, adhering to the principles of innovation, coordination,

green, openness and sharing. We advocate for green, low-carbon, circular, and sustainable production methods. Through increased investment in research and development innovation, we continuously enhance our digital operations and green manufacturing capabilities, reducing the adverse impact of our business activities on climate change. By providing comprehensive solutions for green and circular construction materials, we contribute to the overall reduction of carbon emissions in related industries. Together with stakeholders, we take favorable actions to address climate change to the best of our abilities, advance the United Nations 2030 Sustainable Development Agenda, and effectively implement the United Nations Framework Convention on Climate Change and the Paris Agreement to jointly build a clean and beautiful world.

Green Products and Services

We profoundly cultivate the field of construction mixing, focusing on the full lifecycle of building sand and aggregates. Our services encompass customized design, research, development, production, and sales of equipment for primary aggregate treatment, construction mixing, and recycled aggregate treatment. Through the establishment of an engineering digital IoT (Internet of Things) and property-based service operation management model, we have developed a business model that integrates "hardware-software-service." We aim to become a leading overall solutions provider for green recycling building materials.

We have continuously introduced a series of low-carbon equipment for material processing, engineering mixing, and construction waste treatment. These have found widespread application in various markets such as infrastructure construction (buildings, roads, bridges, tunnels, water conservancy) and real estate development. Our products cover areas including crushing and screening, aggregate treatment, construction and road material mixing, and the recycling and reuse of construction waste. This range of applications contributes to the establishment of a virtuous circular ecosystem for green production and resource recycling within the industry chain.



01 Green and Low-Carbon Production in Engineering Mixing

Green and Low-Carbon Upgrade of Asphalt Mixing

Asphalt is a common road construction material. Due to its advantages over traditional concrete pavements, such as long lifespan, adaptability, slip resistance, and cost-effectiveness, it has been widely used in various road construction projects. However, its construction can be energy-intensive and release harmful gases like SO₂ and

NO_x. To address these concerns, we integrate green, eco-friendly, and intelligent approaches throughout the R&D, production, and application processes. We've proposed a carbon reduction plan for asphalt mixing, facilitating its transition to green and low-carbon production.



The innovative equipment of "Asphalt Mixing Plant + Raw Material Shaping" production method results in aggregate products with excellent particle shapes, gradation, and precise control over powder and moisture levels. This enhances the mixing plant's production efficiency, reduces energy consumption, and conserves asphalt. For example, when producing **500,000** tons of asphalt mixture annually using this method, one can achieve approximately **20%** energy savings, reduce heavy oil consumption by about **650** tons, and cut carbon emissions by **2,060.5** tons.



During asphalt aggregate production, green processes have been employed to minimize dust emissions. The dust removal system of the "Asphalt Mixing Plant + Raw Material Shaping" equipment operates with an offline pulse dust cleaning method, achieving a **99.5%** efficiency rate. The entire system functions under negative pressure, ensuring no dust leakage and an emission concentration lower than **20mg/m³**.



For aggregate drying, innovative research and development have led to an efficient "Thermal Engineering System": After optimization, the new drying drum's lifting blades allow for even heating of the aggregate, maximizing the use of flame radiant energy. This allows for the efficient and smooth completion of aggregate drying, saving approximately **10%** of energy compared to before optimization. The large-sized hood of the burner creates a high-temperature pre-combustion chamber, improving atomization quality and thereby promoting efficient combustion while reducing fuel consumption. It achieves high-standard control accuracy for precise fuel-oil mixing and intelligent air supply, saving between **10%-15%** of fuel compared to before optimization.

In addressing waste from asphalt concrete, our innovatively developed "LBPS Asphalt Concrete Recycled Material Screening Equipment + RAP Aggregate Recycling" system is capable of screening out particles smaller than 5mm, which hold the highest economic value. The system effectively

separates old asphalt from old aggregates, efficiently disperses clumped material, and eliminates false particles. It ensures the quality of the asphalt mixture when a large proportion of recycled material is added, facilitating the circular use of regenerated aggregates.

Highlight • Fengxiang Green Maintenance Base



The Fengxiang Green Maintenance Base is one of the first exemplary projects initiated by the Guizhou Expressway Group, aligned with the province's "14th Five-Year" road maintenance development plan. The base integrates our LBK fast-handling asphalt mixing equipment for tasks like stone stripping, primary mixing systems, and reclaimed and recycling systems. Empowered by the equipment, the recycling rate for old asphalt pavement on Guizhou's expressways and national and provincial trunk highway has reached 95% and over 80%, respectively. Moreover, the equipment effectively addresses issues like asphalt aging and adhesion. With precise measurements and environmental advantages, the recycled material meets all construction requirements, maximizing the potential of old asphalt materials, including aggregates and asphalt.

Fully Automatic Premixed Concrete Production Line

Our fully automated premixed concrete production line features a top-mounted powder tank layout, enhancing the mixing plant's efficiency and cutting packaging costs, aiding in realizing cost reduction and efficiency improvement.

- The production line achieves full automation for material discharge, which not only saves time and effort but also meets the requirements of automated production, effectively increasing production efficiency.
- The main building is entirely enclosed, and each powder tank is equipped with an independent dust collection device. Dust generated during production can be redirected into the respective powder tank, eliminating any dust overflow or waste discharge.
- The mixing mainframe is efficient and durable. It can achieve superior homogeneity in a shorter mixing time, increasing the average concrete strength by 10%.
- Each powder tank is equipped with low-pressure dust cleaning devices and explosion prevention mechanisms, effectively reducing noise and preventing potential safety hazards caused by bursting.
- The mixing plant comes with vehicle washing equipment, wastewater recycling systems, and a spraying dust control system. All vehicles must pass through an automated washing platform, using high-pressure jets for cleaning to prevent dust dispersion, ensuring environmental protection. Rainwater and production wastewater are recycled through a wastewater recovery system, achieving zero discharge of wastewater and promoting green and circular production.
- During the aggregate conveying process, water mist is sprayed to reduce dust generated from aggregate vibrations.

Dry Mortar Mixing Equipment

Our dry mortar mixing equipment features a compact structure, occupies minimal space, and integrates screening, measurement, mixing, packaging, bulk handling, dust removal, and electrical control. During equipment operation, the dust emission concentration is lower than 20mg/Nm³ with on-site noise level below 55 decibels, minimizing the adverse environmental impact of the mixing production process. The mixing efficiency is improved by approximately 30% compared to traditional dual-shaft mixers.

Taking the FBT3000 tower dry mortar production line, designed by NFLG for the Qinhuangdao Lituo Building Energy Saving Material Factory with an annual production capacity of 300,000 tons, as an example. The mixing host uses advanced ploughshare mixer mechanisms and its core independently developed technology. With its unique variable frequency mixing technology, which was also independently researched and developed, energy consumption is effectively reduced by 25%. It can produce various categories of dry mix mortar, including masonry mortar, plastering mortar, floor mortar, ordinary waterproof mortar, and interface mortar, with a mixing ratio of up to 1:10,000. The equipment's unique bulk unloading and dust separation control enhance the dust removal efficiency, satisfy high environmental protection standards, and incorporate the advantages of the tower dry mix line, allowing a more rational planning of the material yard and production area, ensuring stable equipment operation and better control over the quality and cost of the finished product.

Dust emission concentration during equipment operation

< 20 mg/Nm³

On-site noise level

< 55 decibels

Compared to traditional dual-shaft mixers, mixing efficiency is improved by approximately

30%



02 The Recycling of Construction Waste

Solution for the Recycling of Construction Waste

According to data from the national Ministry of Housing and Urban-Rural Development, China produces hundreds of millions of tons of construction waste each year, accounting for 30%-40% of total urban waste. Most of this waste is untreated and transported to suburbs or rural areas for open dumping or landfilling, polluting the land and environment of these regions, directly affecting the lives of nearby residents. Currently, China's recycling rate for construction waste is less than 10%, while developed countries recycle over 90% of their construction waste. The key to addressing this issue lies in the cyclic utilization of construction waste resources.

NFLG adheres to the principles of green production, energy conservation, and resources conservation. By integrating

the green ecological industry chain, encompassing sorting, crushing, and screening processes, we successfully transform construction waste into recycled aggregates. This is further processed in integrated factories into products like recycled concrete, bricks, mortar, stabilized soil materials, and backfill soil, achieving zero pollution and emissions. By converting construction waste into valuable resources at a low processing cost, we provide the construction industry with waste recycling solution that is widely applied in the recycling of road pavement and subgrade materials, reutilization of surplus mud, subway shield tunnel muck, construction debris, interior decoration waste, and other discarded materials. It helps in reducing, recycling, and harmlessly treating urban construction waste, thereby achieving cyclic utilization of waste resources.



Full industry chain integration and comprehensive resource utilization: We transform construction waste into various building materials, connecting the entire supply chain and raising the recycling rate to over 90%. We significantly reduce the production costs of recycled concrete, bricks, and mortar, realizing multi-dimensional value integration across the industry chain.



Refined crushing and screening processes ensure high quality of recycled products: We offer refined sorting of construction waste, ensuring a steady supply of well-graded, pure, uniform, and rounded recycled aggregates. Such high-quality products promote the high-quality development of the recycling industry.



Eco-friendly industrial design, meeting the production environment demands of minimal dust and noise: We adopt various environmentally friendly designs, including bag-type dust collectors, offline pulse jet dust collectors and silencers. The production line has a dust concentration below 10mg/m³ and noise below 55 decibels.



Intelligent management of the production process for a low-cost and high-yield capacity of recycled resources conversion.: Leveraging intelligent control systems and various online monitoring devices, we can achieve accurate measurements, automatic production adjustments, and rapidly respond to changing conditions, effectively reducing energy consumption and labor costs.

Highlight • Heze Urban Construction Waste Recycling Eco-Park in Shandong Province

We provided comprehensive waste recycling solutions for the Heze Urban Construction Waste Recycling Eco-Park. Once the project reaches its full capacity, it will effectively process 3 million tons of construction waste annually, addressing the city's waste issues. This also satisfies the

sand and stone needs of urban construction groups and other building companies, reducing mining activities. By maximizing resource utilization and energy-saving, the project achieves environmental remediation and resource conservation.

Highlight • Beijing Municipal Road and Bridge Group- Daxing Construction Waste Recycling Industrial Park

We offered a waste processing solution for the Daxing Construction Waste Recycling Industrial Park of Beijing Municipal Road and Bridge Group. This project covers 223 acres, with a design capacity of 1 million tons of construction waste per year, producing 600,000 cubic

meters of recycled concrete and 700,000 tons of recycled inorganic mixtures annually. All production processes take place in an enclosed facility with dust control mechanisms ensuring emissions below 10mg/m³ and noise levels below 55 decibels, achieving zero wastewater discharge.



Qinhuangdao Hongzheng New Building Materials Technology Co., Ltd. construction waste disposal project

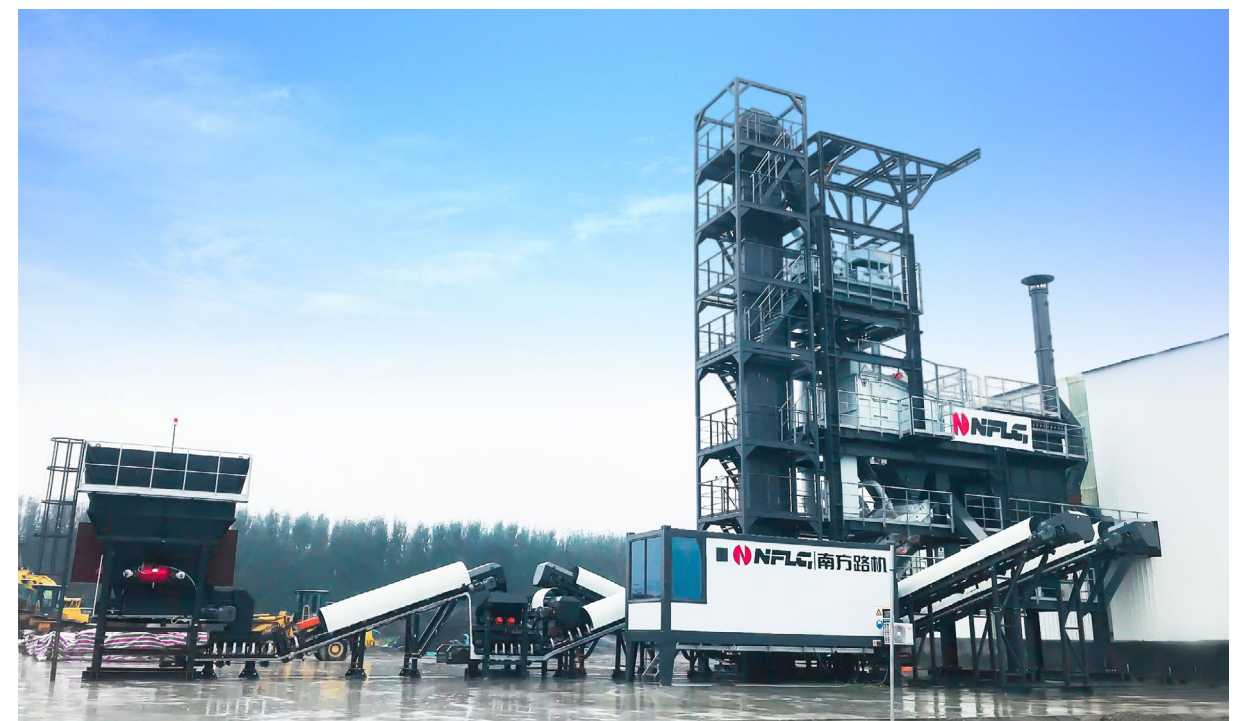
Solution for Mud and Muck Recycling

With rapid urbanization and the expansion of transportation modes like subways in major cities, the amount of surplus mud and muck has increased annually, which has become a primary source of urban solid waste. It occupies vast amounts of land, deteriorates the urban environment, and poses potential safety hazards. The situation, often termed "cities surrounded by debris," is a significant factor limiting sustainable urban development.

The residual mud and muck recycling process we have developed can transform difficult-to-directly-reuse high-moisture content mud and other materials into recyclable construction materials, such as high-strength improved soil, roadbed materials with resistance to compaction, and high permeability, in approximately 3 minutes. This process can continuously improve the quality of the raw materials, adjusting its pH value, and inhibiting the leaching of harmful substances. The treated product will not revert to sludge, achieving zero harmful substance emissions throughout the process.

Features of NFLG's Mud and Muck Recycling Solution

- 01 Multifunctional, versatile, porous, with excellent water absorption capabilities.
- 02 No need for cement stabilized macadam, shortening construction time and reducing costs.
- 03 Can be directly applied to soft soil foundations where traditional techniques fail.
- 04 Hard to grow weeds, providing effective weed prevention.
- 05 Reduces environmental adverse impact, promotes green construction, and environmentally-friendly recycling.



RAPR Aggregate Recycling Equipment Supports the Reclamation of Asphalt Pavement Materials

The RAPR aggregate recycling equipment developed and produced by NFLG adopts a mechanical stripping method to effectively separate the old asphalt and old aggregates in RAP. This ensures precise grading management of RAP, significantly reducing the phenomenon of false grain size and its variability. By separately heating the old asphalt and aggregates in RAP and efficiently recycling them, the stability of RAP aggregate grading can be enhanced. This enables a high proportion of addition, achieving both energy conservation and environmental friendliness.

Highlight • Fuxin-Jinzhou Expressway Project

The Liaoning Communications Science Academe applied our RAPR asphalt aggregate recycling equipment for the Fuxin-Jinzhou Expressway project, representing a first in China and setting the highest in-situ recycling rate for reclaimed road materials in national highway maintenance projects. This equipment will achieve a self-produced and self-consumed rate of 58% for milled materials, reducing sandstone mining by 135,000 tons and fresh asphalt production by over 4,000 tons, resulting in a carbon emission reduction of over 10,000 tons and providing strong assurance for the recycling of reclaimed pavement materials and the large-scale production of asphalt plant mix hot recycling.

Milling materials self-produced and self-consumed rate

58%

Reduced sandstone mining by

135,000 tons

Reduced fresh asphalt production by over

4,000 tons

Reduced carbon emission by over

10,000 tons

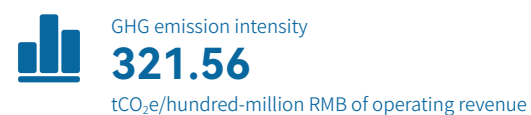


E-Series Electrically Driven Mobile Crusher

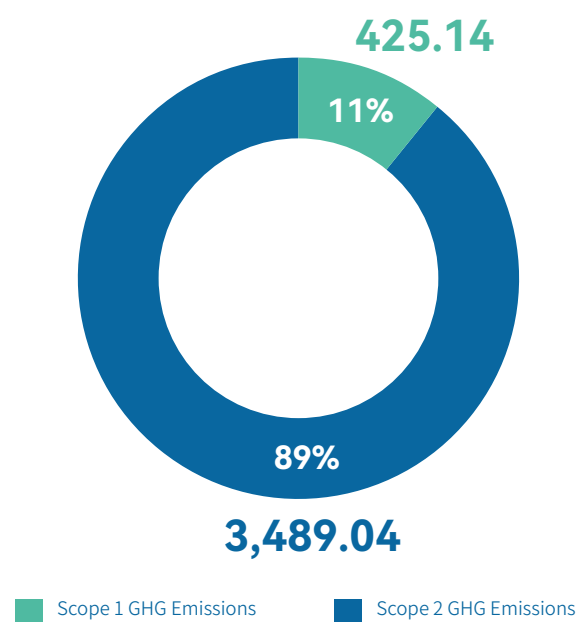
Our E-Series mobile crusher, developed for applications in sand and stone aggregate processing, construction waste recycling, earthwork, tailings and slag treatment, and mine restoration, is particularly suitable in areas with developed power grids and minimal equipment mobility requirements. This solution offers a new green and low-carbon experience for industry partners, empowering safe, efficient, and eco-friendly production. The equipment achieves energy conservation and environmental protection through external power supply, onboard low-power diesel engines, and dust suppression spray systems. Overall transmission efficiency can be improved by 30%, reducing oil consumption by 30% under the same production capacity, and decreasing maintenance costs by 50%. In areas with power grids, it can achieve zero carbon emissions.

GHG Emissions

To comprehensively understand our greenhouse gas emissions, we conducted a greenhouse gas inventory for the entities within our consolidated scope for the year 2022 following the requirements of ISO 14064-1:2018 standard. According to the calculations, our greenhouse gas emissions for the year 2022 amounted to 3,914.18 tCO₂e, with a greenhouse gas emission intensity of 321.56 tCO₂e per hundred million RMB of operating revenue. Specifically, our direct greenhouse gas emissions (Scope 1) were 425.14 tCO₂e, accounting for 11% of the total emissions, while our energy indirect greenhouse gas emissions (Scope 2) were 3,489.04 tCO₂e, representing 89% of the total emissions.



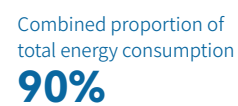
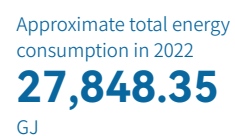
NFLG 2022 GHG Emissions (tCO₂e)



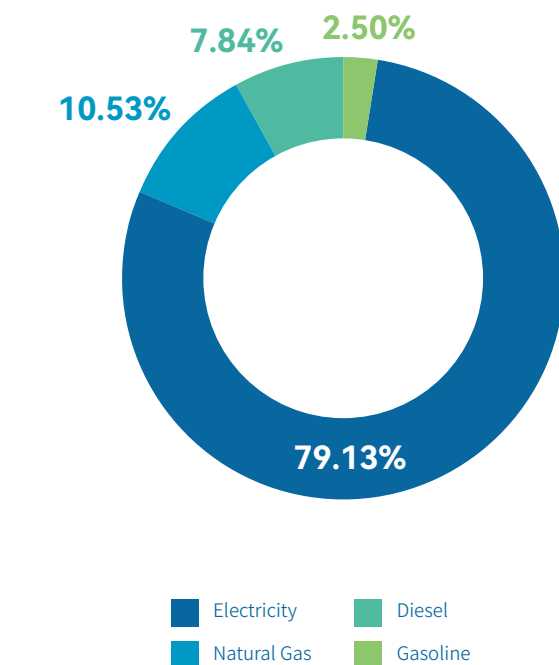
Energy Management

We have integrated the concepts of green and low-carbon concept into various stages of our production and operations. Through measures such as process and equipment upgrades, intelligent solutions, and digitization, we aim to enhance resource and energy efficiency and reduce costs while simultaneously decreasing greenhouse gas emissions. We are aligning with the national carbon peaking and carbon neutrality goals and the temperature control goals established by the Paris Agreement by taking tangible actions.

Based on the calculations, our total energy consumption in 2022 was approximately 27,848.35 GJ. Looking at the energy consumption structure, the primary sources of energy consumed in our production and operations are electricity and natural gas, accounting for a combined proportion of about 90% of the total energy consumption.



NFLG 2022 Energy Consumption Structure



NFLG 2022 Energy Consumption Table

Energy (Unit)	Consumption	Comprehensive Energy Con- sumption (GJ)	Energy Consumption Proportion (%)
Electricity (kWh)	6,117,910.00	22,036.12	79.13%
Natural Gas (m³)	75,327.00	2,932.56	10.53%
Diesel (L)	59,434.00	2,182.79	7.84%
Gasoline (L)	20,200.00	696.88	2.50%
Total	/	27,848.35	100.00%

We have established the "Energy Conservation Management Regulations" and the "Energy Measurement and Management System," and formed an Energy Measurement and Management Team responsible for comprehensive energy management. Through effective management and control of energy consumption in production and daily operations, we continuously enhance energy utilization efficiency, reduce energy consumption per unit of product, and sustainably improve our energy structure.

Establish and maintain comprehensive records for energy metering management within NFLG. Ensure that major energy-consuming processes are equipped with qualified measuring instruments, and keep a registered inventory. Enhance the "Energy Metering Ledger Statistical Form" and categorize and archive relevant metering data.

Address the usage of compressed air in workshops. Conduct a comprehensive check of valves at each gas consumption point to prevent gas leakage, adjust equipment operating time periods to conserve energy and gas sources, and modify the operating time of air compressors from 12:00 to 12:40 after adjusting the working hours of the paint segment. These actions result in an annual electricity savings of 30,000 kWh.

Implement stringent management practices for the use of energy metering instruments. Only energy metering instruments with valid certificates are permissible for use, and those found to be non-compliant or with expired certificates are prohibited.

Replace outdated equipment. Replace two outdated conventional lathes CA614 with CNC horizontal lathes CAK63135 to enhance processing accuracy and production efficiency. The new equipment also aids in better separation of emulsion and edge material, facilitating the recycling of emulsion and preventing spills.

Adhere strictly to relevant regulations for the installation and usage of metering instruments. Based on our production conditions, sending various types of metering instruments for water and lighting equipment to authorized metrology institutions for calibration and verification in batches.

Regularly submit water and electricity consumption reports, collect energy metering data, and analyze the data to identify anomalies. Promptly investigate the causes of anomalies and implement improvements.

Utilize recovered heat from the catalytic combustion-desorption process. Organic waste gases, treated through the activated carbon adsorption and catalytic combustion-desorption process, are transformed into non-toxic and harmless CO₂ and H₂O while releasing a significant amount of heat. This process minimizes the need for external electrical energy during waste gas combustion treatment. Additionally, a portion of the heat can be recycled for the desorption and reactivation of the activated carbon within the adsorption bed, reducing energy consumption.

Environmental Management

We strictly adhere to relevant laws and regulations, including the "Environmental Protection Law of the People's Republic of China." We have integrated the environmental philosophy of "Compliance with regulations, pollution prevention, and continuous improvement. Providing society with resource recycling, energy-saving, and environmentally friendly machinery and equipment" into all aspects of our production and operations. We make efforts to minimize the negative impact of our business operations on the environment.

2022 Environmental Management Targets/Indicators

Number	Targets	Completion Status
1	100% Standard Emission Rate for Environmental Pollution (wastewater, exhaust gas, noise, and waste discharge)	Achieved
2	100% Compliance with "Three Simultaneities" Principle (simultaneous design, construction, and operation of environmental facilities and main projects)	Achieved
3	100% Proper Disposal Rate of Hazardous Waste as per Regulations	Achieved
4	100% Environmental Hazard Rectification Rate	Achieved
5	100% Effective Rate of Environmental Facilities	Achieved

We have obtained ISO 14001 Environmental Management System certification and established a top-down three-tier environmental management structure. In this structure, the Chairman takes on the responsibility for environmental management, functional departments and production workshops are responsible for the specific implementation of environmental management tasks, and the Safety and Environmental Department is responsible for supervising the effective execution of management efforts to continuously optimize and enhance our environmental management practices.



Clean Production

In accordance with the requirements of the "Cleaner Production Promotion Law of the People's Republic of China," we have comprehensively implemented clean production in our manufacturing processes. Through government audits and assessments for clean production, we have achieved Level III, which represents the basic domestic standard for clean production. We have

established a Clean Production Audit Task Force led by the General Manager and composed of key personnel from various production workshops. This task force is responsible for analyzing our emissions, devising reduction strategies, coordinating and supervising the implementation of clean production initiatives, and conducting education and training on clean production for NFLG employees.



Digital Intelligence Management

Digitalization is a crucial pathway to empower the transformation and upgrading of traditional industries, enabling the achievement of high-quality development. Over the years, we have invested in the construction of industrial Internet infrastructure, establishing digitalized workshops, facilitating supply chain collaboration, and integrating information technologies to consistently advanced the process of corporate digital transformation. Furthermore, we are actively engaged in the research and development of digitalized products. We have established

an Internet of Things (IoT)-based smart operation and maintenance management cloud platform, enabling remote monitoring and interconnectivity of equipment. It promotes the transition of product operation and maintenance from traditional offline methods to "Internet+" intelligent technological means. Our commitment lies in leveraging information technologies such as the Internet, IoT, and data analysis to aid traditional industries in reducing energy and resource consumption, while driving holistic green and low-carbon development across the industrial chain.



"IoT + Equipment" Remote Intelligent Service Platform

Our "IoT + Equipment" remote intelligent service platform breaks through time and space limitations, addressing challenges related to multiple subordinate sites and untimely maintenance. It effectively reduces personnel mobility risks, and provides a secure, efficient, and convenient platform for information exchange, technical communication, and post-sales maintenance service deployment for clients.

Remote Communication

The service platform employs ultra-high-definition wide-angle cameras and precise control system synchronization to present a true 1:1 on-site scene, enabling remote communication.

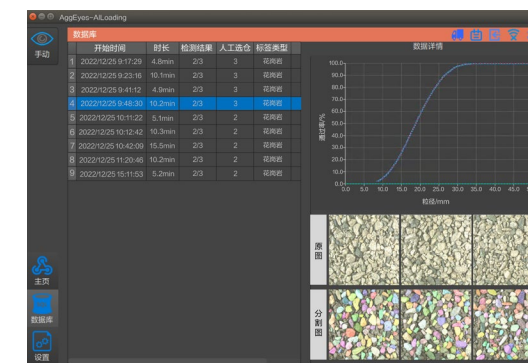
Strong Interactivity

The service platform can be remotely controlled in real-time, facilitating image and data access. In addition to real-time interaction with on-site control systems, the service platform can also integrate with cloud platforms, visualized big data, storage monitoring, and other intelligent information systems. This enables comprehensive statistics, analysis, and display of multidimensional data.

High Expertise

The service platform is staffed by experts from various industry domains, offering on-site guidance for original factory turnkey services. This provides users with an all-in-one delivery service, tailored to their needs, to achieve a personalized service experience. The platform ensures "early prevention, early diagnosis, early treatment" of equipment issues, eliminating potential production hazards in their early stages.

AI + Aggregate Intelligent Loading System



This system utilizes artificial intelligence and visual detection technology to perform online monitoring of aggregate gradation and morphology. The system consists of a visual system and a PC intelligent module. During the process of aggregate conveying, AI recognition is applied to assess the gradation and morphology of the aggregate. If the AI determines that the aggregate specifications do not match the target silo, an alert is triggered to prompt personnel for inspection and intervention. This system not only enhances operational safety by significantly reducing the likelihood of incorrect material loading, but also improves customer operational efficiency, operational quality, and management effectiveness. It reduces operational costs for customers and promotes a greener and smarter approach to the aggregate loading process.



Intelligent Sorting Robot

The intelligent sorting robot is capable of sorting various materials such as concrete, red bricks, rubber, wood, and more. It can handle a maximum gripping weight of 20 kg and achieve a maximum sorting efficiency of 1,800 times per hour. It effectively replaces the work of 5 to 15 individuals and facilitates the efficient recycling of construction waste resources.



Butler App

The Butler App, independently developed by NFLG, serves as a crucial interface for human-machine interaction. It offers user-friendly operations and can closely integrate with business characteristics and practical requirements. It enables real-time monitoring of production progress and effective control over production status. The Butler App includes various modules such as the Ready-mix Concrete Butler App, Asphalt Butler App, Dry-mix Butler App, Fixed Crushing Butler App. The Butler App is adaptable to specific needs, allowing adjustments for production focal points and different process design requirements. It facilitates communication among personnel, materials, and information, further advancing the intelligent management of equipment production and improving production efficiency.



Native development of mobile applications, providing an enhanced user experience: The app seamlessly fits into equipment processes and allows customers to access real-time updates from different plants through their smartphones.



Real-time monitoring and rapid data sharing: The app facilitates quick sharing of production tasks and test results, etc, enabling customers to stay updated on production conditions including core data of output and quality.

Intelligent Management System

Based on the scenarios of building materials production, we have developed corresponding intelligent management systems, covering vehicle queuing systems, smart weighbridge systems, remote intelligent warehouse inspection systems, smart ticket printing and sorting systems, environmental monitoring systems, intelligent control systems, electronic contract and ticket signing systems, etc. Through data analysis, these systems provide decision-making support for various departments within NFLG, addressing various pain points in production management. We endeavor to elevate the level of information management in the industry, assisting enterprises in achieving cost reduction and efficiency improvement.



Green Office

We advocate the "Efficient Office, Efficient Enterprise" concept, actively guiding our employees to embrace green office practices, enhance resource utilization, and reduce resource and energy consumption to make green and low-carbon principles the foundation of NFLG's office environment.

Turn off Lights

Develop a habit of turning off lights in common areas such as offices, conference rooms, and hallways. When the weather is sunny and lighting is sufficient, proactively switch off indoor lighting.

Minimize Standby Power Consumption

When leaving the office for an extended period, turn off computers, printers, photocopiers, and other electronic devices to reduce standby power consumption.

Optimize Air Conditioning Use

Set appropriate temperatures for reception rooms, conference rooms, and training rooms, ideally around 26 degrees Celsius. When using air conditioning, ensure doors and windows are closed.

Procure Energy-efficient Equipment

When purchasing office equipment, opt for energy-efficient products with high energy efficiency ratings.

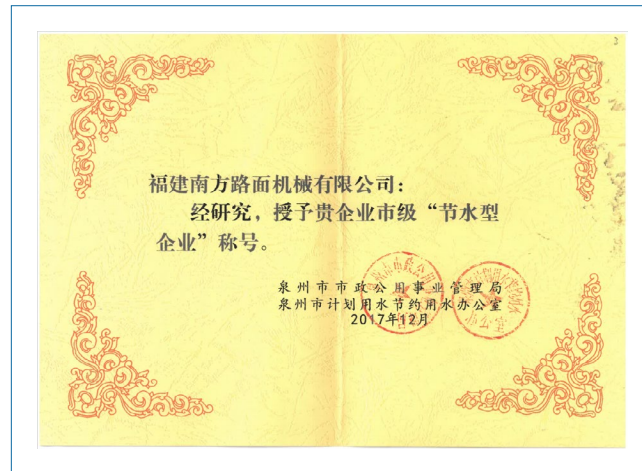
Highlight • New Life for Old Items

In 2022, in collaboration with Bank of Quanzhou, we created the Leisure Life Market - the "New Life for Old Items." Through market transactions, we endowed unused items with renewed value. Additionally, we enriched the initiative with engaging interactive activities, such as quizzes on construction waste awareness and sharing of resource recycling knowledge to spread the concept of "green and low-carbon" development, urging more individuals to embrace environmentally friendly and sustainable lifestyles.



Water Resources Conservation

We highly value water resources protection and strictly adhere to the requirements of relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China," "Water Law of the People's Republic of China," and "Water Pollution Prevention and Control Law of the People's Republic of China." We have established systems including the "Water Conservation Management System," "Water Conservation Quota Management with Rewards and Penalties," and "Periodic Inspection System for Water Equipment and Pipelines." We rigorously implement water-saving measures and have been honored with the title of 'Water-saving Enterprise' by Quanzhou City.



Water Conservation Management

We have formulated the "Ten-Year Water Conservation Plan" and established a water conservation management organization. The Water Conservation Leadership Team is responsible for developing relevant policies and assessment methods. The Water Conservation Working Group and water conservation personnel are responsible for implementing specific water-saving measures and executing the ten-year plan.



Water Conservation Measures

- Based on actual production and operational conditions, establish various water-saving and water use indicators and quotas. Adhere to planned management, quota assessments, and implement rewards and penalties by comparing to set quotas.
- For newly built, renovated, and expanded projects, strictly adhere to the "Three Simultaneities" and "Four In-Place" systems, ensuring coordinated planning and construction of water supply and drainage systems. Prioritize complete set service, location-appropriate, and reasonable layouts to maintain ecological balance.
- Utilize stable, reliable, efficient, and low-consumption pump units. Promote the application of water-saving technologies in the water supply system to reduce water consumption.
- Promote water recycling and comprehensive application of wastewater treatment, maximizing water reuse and reducing water consumption. Actively collect rainwater and reduce tap water consumption.
- When procuring water supply and drainage equipment, choose advanced facilities that are energy-efficient and water-saving to replace water-consuming facilities. Actively promote the use of advanced water-saving appliances.
- All production and water use departments should properly maintain water supply and drainage facilities within the region. Any losses or leaks should be promptly reported to relevant departments for repair or replacement.
- Water-saving measures must be applied to new projects concerning water supply and drainage facility and obtain equipment department approval. Water-saving measures should be considered during design phase, and the implementation of these measures should be included in the inspection standards of completed project.
- Educate employees in various production and water use departments to promptly close faucets after use, preventing dripping and continuous water flow.
- Reasonably control the flushing of surfaces, facilities, and equipment, irrigation of plants, construction sites, and water use for cooling during summer. Recycle equipment cooling water.
- Reward departments and individuals that save water appropriately, and impose corresponding penalties on those that waste water.
- Utilize water-saving sanitary appliances. All existing bathroom fixtures in NFLG use nationally advocated water-saving sanitary appliances, such as water-saving flush tanks, sensor flush valves, and ceramic valve core quick-opening faucets, achieving 100% coverage of water-saving sanitary appliances.
- Conduct water balance tests every three years and maintain the title of "Water-saving Enterprise" for a decade.

Wastewater Management

We attach great importance to wastewater discharge management, classifying and treating wastewater generated during production and operations to enhance wastewater recycling rates and minimize adverse environmental impacts. During this reporting period, we have obtained the "Pollutant Discharge Permit" issued by the Bureaus of Ecology and Environment of Quanzhou City and Xiantao City.

The company generates wastewater from both production and daily operations. Different measures are taken to treat various pollutants in the wastewater to ensure it meets emission standards.

- Domestic wastewater flows into septic tanks for treatment before being discharged into the municipal wastewater network.

- Industrial wastewater mainly comprises cooling water used in steel plate cutting and wastewater from the painting process, both of which are subjected to recycling for reuse.

Highlight • Improvement in Painting Exhaust Treatment Process Achieves Zero Water Usage in Production

In 2018, we acquired an activated carbon exhaust adsorption system, replacing the previous water mist spray painting exhaust treatment equipment. The activated carbon exhaust adsorption system eliminates the need for water usage. By enhancing exhaust treatment efficiency, it conserves water and achieves zero water usage in our production operations.

Air Emissions Management

We implement and enforce relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China" and the "Air Pollution Prevention and Control Law of the People's Republic of China." In line with reducing the total volume and concentration of exhaust gas emissions, we adopt multiple measures, including filtration, activated carbon adsorption, catalytic combustion, and more, to control exhaust gas emissions. We establish a real-time monitoring mechanism for exhaust gas pollution sources and regularly commission professional organizations for monitoring and assessment to achieve compliant exhaust gas emissions.

The exhaust gas emissions from our production process are primarily composed of pollutants such as toluene, xylene, benzene compounds, nitrogen oxides, non-methane volatile organic compounds, and particulate matter generated from painting processes, as well as particles produced from sandblasting, shot blasting, and welding processes. For different exhaust gas pollutants, we employ distinct measures for treatment:

- For exhaust gas pollutants like toluene, xylene, benzene compounds, nitrogen oxides, and non-methane volatile organic compounds, we employ three exhaust gas treatment lines for processing:

- "Glass fiber cotton filtration + activated carbon adsorption + catalytic combustion desorption" exhaust gas treatment line with a processing capacity of **135,000** m³/h.
- "Glass fiber cotton filtration + spray washing + activated carbon adsorption" exhaust gas treatment line with a processing capacity of **79,000** m³/h
- "Water vortex + activated carbon adsorption" exhaust gas treatment line with a processing capacity of **50,000** m³/h.

Among them, water vortex demisting, dry filtration, and spray washing are exhaust gas pretreatment technologies. By implementing these pretreatment technologies, we significantly reduce the particles and viscous components entering the activated carbon adsorption process, thereby increasing the lifespan and effectiveness of activated carbon and minimizing the generation of waste activated carbon. It ensures compliant exhaust gas emissions while also striving to minimize the volume of exhaust gas emissions. For activated carbon adsorption, due to its well-developed pores and large surface area, a significant molecular attraction force is generated on the pore walls. This force can attract impurities in the medium to the pore openings. When organic waste gas enters the activated carbon unit, pollutants are adsorbed, and after passing through the filter, they enter the equipment's dust removal system, achieving compliant emissions. Regarding the activated carbon desorption-catalytic combustion process, paint dust adsorbed by activated carbon will accumulate in its micropores. When the micropores of the activated carbon become saturated with adsorption, further adsorption is not possible. At this point, the high-temperature hot air generated by the catalytic bed is used to desorb the activated carbon. The organic substances in the micropores of the activated carbon are automatically released when exposed to high temperatures. This enables the reactivation of the activated carbon, allowing it to adsorb again. The

desorbed organic substances, now concentrated, enter the catalytic combustion chamber for catalytic combustion. At temperatures between 250-300° C, catalytic oxidation transforms these substances into harmless CO₂ and H₂O, which are then released.

- For particulate matter, we have installed 2 baghouse dust collectors and 5 mobile dust collectors. Specifically, the baghouse dust collector associated with the sandblasting equipment has a processing capacity of approximately **25,000** m³/h. Additionally, the baghouse dust collector for shot blasting equipment has a processing capacity of about **35,000** m³/h. The 4 mobile dust collectors are of model 12620251-C10, each with a designed processing capacity ranging from **500 to 900** m³/h. Moreover, one unit of model KTY-1.7K has a designed processing capacity of **1,700** m³/h.

Furthermore, we regularly provide environmental training, operational guidance, and assessments to employees involved in the operation and maintenance of environmental protection equipment and facilities in the painting workshop. This ensures that employees are familiar with equipment usage, maintenance procedures, and upkeep, thereby maintaining the proper functioning of the facilities.

Highlight • Comprehensive VOCs Control

In 2022, we engaged a professional third-party organization to carry out a comprehensive "one factory, one strategy" VOCs control project, which was subsequently reviewed by experts. We developed a VOCs emission reduction plan following the national and local requirements for volatile organic pollutant control, and considering our own circumstances. This plan included strategies for source reduction, process control, and end-of-pipe treatment. The following measures were formulated:

- Establishment of a corporate management ledger for VOCs-related information.
- Implementation of standardized management procedures for production processes.
- Establishment of a maintenance ledger for control facilities, intensifying facility management.
- Regular VOCs monitoring.
- Enhancement of personnel training.



Waste Management

To strengthen the management of waste disposal and prevent environmental pollution, achieving systematic and standardized waste disposal management, we have formulated the "Hazardous Waste Disposal Management System," "Management Measures for Hazardous Waste Storage Facilities," "Preventive Measures and Emergency Plans for Hazardous Waste Accidents," "Accountability System for Preventing Pollution from Hazardous Waste," in accordance with relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China," "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste," and "Measures for the Prevention and Control of Environmental Pollution by Hazardous Chemical Waste." We have successfully attained the annual environmental target of achieving a 100% proper disposal rate of hazardous waste as per regulations.

In the course of our production activities, the general waste including discarded iron parts, iron scraps, and wooden boards, as well as hazardous waste, such as used dyes, coatings, waste oils, waste paint barrels, spent activated carbon, and waste emulsions.

• **For general waste**, we have established a storage warehouse where we store the general waste before external sale. Furthermore, we continually enhance production processes and techniques to increase material utilization and reduce the generation of iron scraps.

• **For hazardous waste**, we have formed a Hazardous Waste Pollution Prevention and Control Leadership Group consisting of workshop leaders and members from the Safety and Environmental Department. The group makes decisions, supervises, and coordinates various hazardous waste pollution prevention and control initiatives within NFLG, while implementing appropriate measures for management.

Hazardous Waste Management Measures

• Require all departments to uniformly store hazardous waste in designated storage areas and affix hazardous waste labels.

• Use containers and packaging that meet standards for collection and temporary storage.

• Classify each type of hazardous waste, preventing the mixing of hazardous waste during collection, storage, transfer, and disposal.

• Conduct regular inspections to ensure that hazardous waste does not spread, leak, or get lost.

• Implement a new process for treating exhaust gases by applying adsorption-desorption-catalytic combustion with activated carbon, thereby increasing the utilization of activated carbon in exhaust gas treatment and reducing the generation of spent activated carbon.

• Use coatings that produce fewer volatile organic compounds (VOCs) to prolong the lifespan of activated carbon and reduce paint sludge generation.

• Reuse emulsions to decrease the production of waste.

• Entrust qualified third-party entities for harmless treatment.



Biodiversity Conservation

We prioritize biodiversity conservation and make concerted efforts to refrain from conducting business activities in natural reserves, ecologically sensitive, and fragile areas. Currently, all of our development and construction projects are not located in ecologically sensitive areas. Prior to the establishment of new project sites or production lines, we proactively conduct environmental assessments which includes considering the distribution, rarity, and endemic nature of precious and endangered plant and animal resources in the vicinity of the project. Soil monitoring is conducted prior to project development to evaluate potential impacts on protected areas, production and breeding sites to minimize adverse effects on the ecological environment and biodiversity.

Society

Labor Management



Occupational Health and Safety



Responsible Supply Chain



Community Engagement



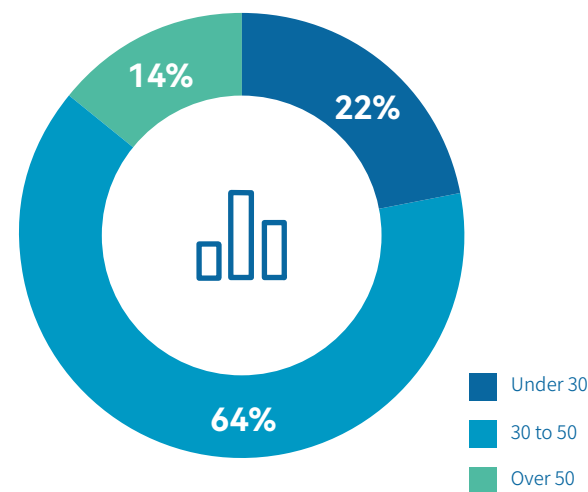
Labor Management

We firmly believe that the development of a business is inseparable from its talent. We place great emphasis on talent development and offer competitive compensation packages and broad career development opportunities. We actively uphold and respect the rights of our employees, caring for them through tangible actions and sharing with them the fruits of our success. With a philosophy of fairness, harmony, diversity, and co-creation of value, we strive to build the "NFLG Big Family," a place that attracts, retains, and nurtures top talent.

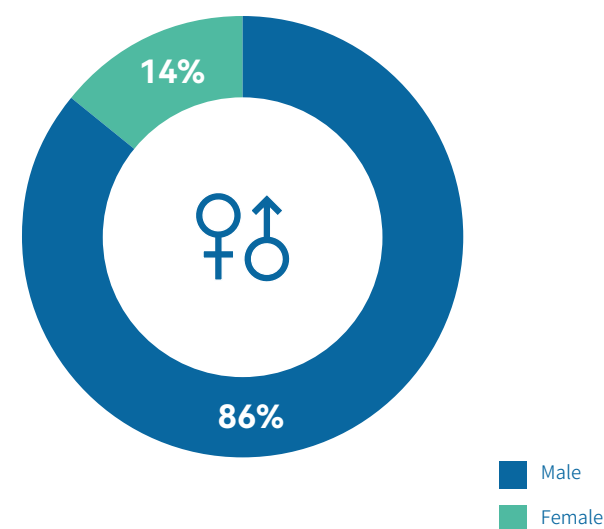
Human Rights Protection

We respect the contents and requirements regarding human rights protection as stated in the "International Bill of Human Rights," the "UN Guiding Principles on Business and Human Rights," the "Universal Declaration of Human Rights," the "OECD Guidelines for Multinational Enterprises," and the "Convention on the Elimination of All Forms of Discrimination Against Women." We strictly comply with the "Labor Law of the People's Republic of China," the "Labor Contract Law of the People's Republic of China," and the laws and regulations of the regions where we operate, ensuring the rights of our employees are respected and upheld.

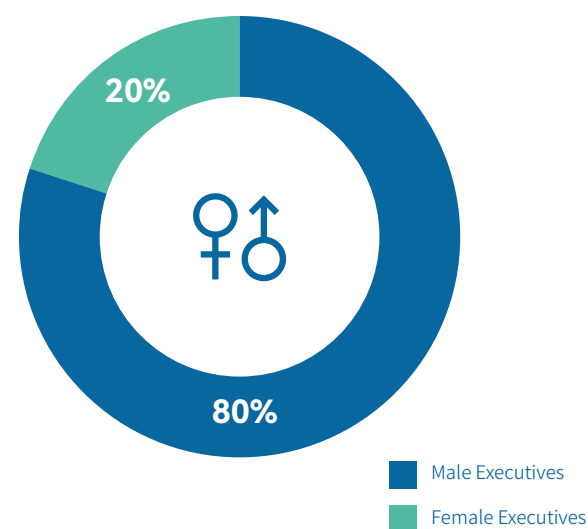
Employee Age Distribution



Employee Gender Distribution



Management Gender Distribution



01 Equal Employment

We adhere to the principle of equal employment, strictly opposing child labor, forced labor, and any forms of discrimination, harassment, or violence. New employees are trained using the "Employee Handbook" and "Human Resource Management System" to reinforce guidelines against discrimination, harassment, and violence. Our aim is to cultivate a harmonious working environment for everyone, preventing any infringement of human rights.

- Discriminatory acts may include, but are not limited to, behaviors or derogatory remarks concerning religion, race, skin color, region, ethnicity, age, gender, disability, privilege, marital status, employment opportunities, and benefits.
- Harassment can range from sexual advances, suggestive comments, flirtations, or unsettling physical contacts, among other behaviors that can disrupt an employee's job performance.
- Violent actions may encompass fights, brawls, threats, intimidation, verbal abuse, and physical punishment.

02 Democratic Rights

We ensure employees' rights to be informed, participate, express themselves, and oversee our actions. We've established labor unions in accordance with the law and actively maintain the legitimate rights and interests of employees. Multiple channels, including face-to-face discussions, group meetings, workshops, phone lines, email, in-house communication software Tencent RTX, and group meetings, facilitate communication between employees and their superiors or HR departments. Employees are encouraged to voice their concerns and suggestions, which are promptly investigated and addressed.

03 Protection of Female Employees' Rights

We consistently address the unique needs of female employees in their work and personal lives. We guarantee rights such as maternity leave and nursing breaks. Various exclusive events for female staff are organized to enrich their leisure time. We commit not to assign female workers to tasks or positions that are physiologically inappropriate or involve intense labor. This approach effectively reduces occupational health risks for women, ensuring their rights and interests are well-protected.



Talent Development

We continuously construct a comprehensive and multi-level employee training and development system, creating continuous learning and development opportunities for every employee. Through a comprehensive performance evaluation and job promotion mechanism, we provide employees with smooth career development channels, fully invigorating organizational vitality.

01 Employee Training

Combining the needs of enterprise development, we assess and formulate annual employee training plans and supervise their implementation. We provide employees with a wealth of learning resources through diversified training forms that combine online and offline methods, as well as theory and practice. Employees are offered orientation training, skills training, management enhancement training, and more, helping them tap into their potential and enhance job competencies and personal professionalism.

We have established a high-level, specialized internal instructor team. We encourage employees to share professional knowledge and personal experiences within

us, effectively constructing an internal training case library and cultivating a strong learning atmosphere. Additionally, we hire lecturers from universities or external professional training institutions for employee classes and support employees in participating in training, inspections, observations, exchanges, etc., consistently cultivating a proactive learning culture. During this reporting period, we invested around 0.92 million RMB in employee training, and the human resources department and safety and environmental department organized 102 training sessions, with 3,685 participants and a total training duration of about 11,541 hours.

Investment in employee training	Conducted employee trainings	Training attendance	Approximate total training time
0.92	102	3,685	11,541
Million RMB	Sessions	Participants	Hours

Highlight • New Hires Training Program

We offer customized probationary training plans for new hires, assigning each new hire a mentor to assist with quick integration. Training includes company rules, work safety education, and deep dives into our business, culture, and development plan. The Human Resources Center tracks new hires training progress, conducting periodic one-on-one interviews to understand adaptation and learning progress.



Highlight • Capability Enhancement Training Program - "Squat Management Workshop"



This program aims to help frontline business elites moving towards managerial positions. It addresses core competencies like professional ethics, goal-setting, process tracking, results attainment, team-building, team training, and culture-building, enhancing managers' awareness and abilities.



02 Career Development

We have established three major career development channels: management, technical, and skilled worker sequences, with each sequence having different ranks. By formulating systems such as the "NFLG Engineer Rating Scheme" and the "Frontline Skill Level Evaluation System", we continuously standardize talent criteria, offering diverse career development paths for employees. We are dedicated to creating a transparent, fair, just, competitive, and motivating career development environment, building a talent ladder for our growth.

On the basis of continuous skill training, we provide frontline technical staff with two promotion evaluation opportunities each year. Combining the results of the employee's

evaluation system and performance, we match the experience and ability requirements for each rank, providing corresponding salaries and skill allowances to employees at each skill level. For those who do not participate in the grading review or fail both theoretical and practical evaluations, demotion measures are taken, genuinely encouraging the improvement of employees' technical levels. The engineer's promotion adopts a combination of self-recommendation and recommendation systems. Once an employee applies, the promotion evaluation process is initiated, with their respective departments and the Human Resources Department jointly assessing through review meetings and defense sessions.

03 School-Enterprise Cooperation

Currently, we have established joint talent training mechanisms with institutions such as Huaqiao University, Fujian Agriculture and Forestry University College of Mechanical and Electrical Engineering, and Sanming Senior Technician School. Through establishing student internship employment bases, providing vocational skills training, and initiating "NFLG Welding Classes" among other cooperative formats, we strengthen technical exchanges and school-enterprise linkage. We address the employment needs of graduates while cultivating high-level professional talents for us, promoting the integrated development of industry, research, and academia.



Faculty and students from Huaqiao University visited the company for an internship and tour



Students from Sanming Senior Technical School visited NFLG for a learning and tour experience

Compensation and Benefits

We follow the principles of fairness, competitiveness, motivation, economic feasibility, and confidentiality to establish a compensation system centered on salaries and complemented by bonuses. We promise to provide employees with a reasonable compensation that is not lower than the national standards for employee wages and the local minimum wage. Based on our operational performance and employee performance, we establish annual adjustments to compensation standards, irregular adjustments, and instant individual salary adjustments to fully leverage the positive motivational role of performance-targeted mechanisms and scientific compensation

systems. Through measures like stock incentives, we aim to integrate individual value with our development organically. Additionally, we have set up various special rewards and assessment mechanisms such as quarterly team evaluations, annual individual evaluations, and annual team evaluations to effectively stimulate employee potential and passion, assisting employees in long-term growth, and enhancing overall work quality. We have set up a long-term service award to recognize and motivate employees who have served for ten and twenty years, encouraging them to continuously co-create value with us.

Highlight • Master Craftsman Award

We value the promotion of the craftsman spirit and is dedicated to creating a work atmosphere characterized by dedication, perfectionism, meticulousness, and the pursuit of excellence. Employees who use their high-level technical abilities to ensure the quality of our high-end products and have been recognized as excellent management elites or outstanding team leaders for two consecutive years will be selected for the "Master Craftsman" candidates. NFLG will evaluate employees' performance and award them with the "Master Craftsman" honor. This recognizes those deeply focused on technical research and those who make significant contributions to our technology and management, conveying the concept of craftsmanship and motivating employees to continuously elevate their technical skills, aiming to craft professional, outstanding products with dedication.



01 Stock Incentives

To stimulate employee enthusiasm and effectively attract and retain talent, we have established a long-term incentive mechanism through the implementation of an employee stock ownership plan. This fosters intrinsic motivation for corporate development, sharing our business results with employees and achieving risk sharing and benefit co-sharing between employees and us. Our employee stock ownership plan covers 59 employees, including core technical personnel, key staff, specially recruited talents, and senior executives, who collectively hold 8.78% of our shares.

02 Employee Welfare

We offer a comprehensive, diversified benefits system for our employees. On top of ensuring that employees enjoy statutory leaves such as marriage leave, maternity leave, lactation leave, sick leave, bereavement leave, and annual leave, we also offer supplemental insurance coverages including accidental injury insurance, mutual medical aid insurance, employer liability insurance, and traffic accident insurance. We provide overseas staff with personal accident insurance and offer benefits like a canteen, dormitory, work attire, festival benefits, birthday gifts, employee tourism, team sunshine sharing plan, health check-ups, and more. Additionally, we actively connect with local communities and government resources to assist employees with children's schooling issues, and have set up a medical mutual aid project to provide protection for the education and health of employees and their families.

Caring for Employees in Need

We have set up a medical mutual aid program, offering financial assistance to employees facing difficulties. During this reporting period, about 26 people were reimbursed through the medical mutual aid program, totaling 39,993 RMB.

Enriching Employees Lives

We organize a variety of cultural and sports activities to enrich the employees' leisure time:



Birthday Event



Children's Day



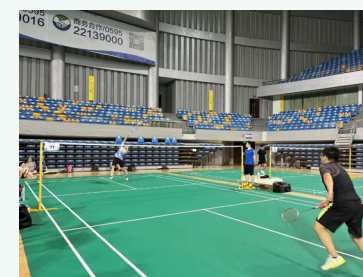
Sunshine Sharing Program



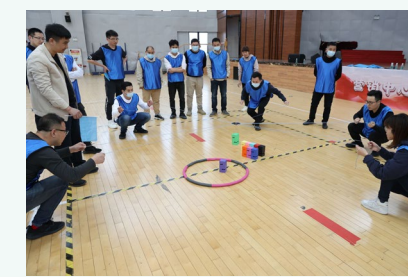
Women's Day



"Read When Free" Offline Themed Reading Event



Badminton Association Activity



Basketball Association Activity



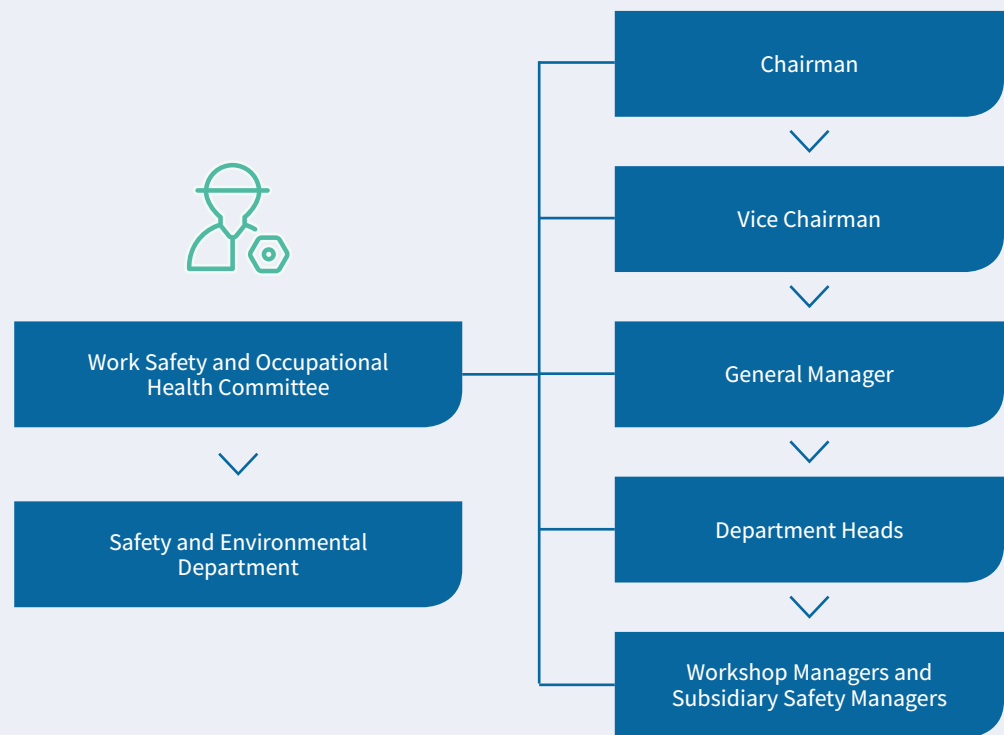
Sports Day

Work Safety Management

We have established the Work Safety and Occupational Health Committee (hereinafter referred to as the "Safety Committee"), chaired by the Chairman. The Chairman, Vice Chairman, and General Manager are the primary persons responsible for work safety. Department heads serve as safety officers for their respective departments, and workshop managers and subsidiary safety managers serve as workshop safety officers. The Safety and Environmental Department acts as the executive agency of the Safety Committee, responsible for executing specific tasks related to work safety and occupational health, and regularly reports to management on related matters.

Work Safety Management Framework

- Special Equipment Safety System
- High-altitude Work System
- Hoisting Operation Safety System
- Fire Safety System



We signed "Work Safety Responsibility Agreements"

1,215

Pieces

Employee coverage rate
100%

Occupational Health and Safety Management Goals/Indicators for 2022

Goals and Indicators	Completion Status
Minor injuries controlled below 5%	Completed
Serious injuries (including acute industrial poisoning) and more severe personal injury accidents: "0"	Completed
Fire emergencies: "0"	Completed
Occupational disease incidence rate: "0"	Completed
Immediate rectification and qualification rate for safety hazards: 100%	Completed
Coverage and qualification rate for employee safety training: 100%	Completed
Certification rate for "three positions personnel": 100%	Completed
Implementation rate for job safety operation standards: 100%	Completed
Safety protective equipment facilities standard-compliance and integrity rate: 100%	Completed
Control rate for hazardous operations: 100%	Completed
Special equipment accidents: "0"	Completed
Equipment and facility integrity rate: 100% , equipment and facility maintenance rate: 100%	Completed
Ensure the investment in work safety funds is used for its specific purpose	Completed

During this reporting period, we experienced no fatalities or major accidents, no severe injuries or worse, and the occupational disease incidence rate was 0%.

01 Safety Risk Prevention and Control

To strengthen the control of hazardous and harmful factors and prevent accidents involving individuals and equipment during production, we have established the "Hazard Identification and Risk Assessment Management System", "Safety Warning Yellow Card Management Method", and "Potential Accident Management System". We also actively carry out activities like "Safety Risk Identification, Assessment, and Hierarchical Control", identifying potential safety accidents (including fire, explosions, lifting injuries, vehicle injuries, pressure vessel explosions, falls from height, machinery injuries, electric shocks, object strikes, scalds, etc.). For different risk points, corresponding prevention and control measures are developed.

Hazard Identification and Risk Control Measures

Risk Points	Possible Types of Accidents	Prevention and Control Measures
High and Low Voltage Distribution Rooms	Fire and Electrocution	<ul style="list-style-type: none">Implement ventilation or air conditioning systems to ensure electrical facilities are intact. Conduct preventative tests on electrical equipment regularly and inspect insulation tools, grounding resistors, fire-fighting equipment, and other devices.Relevant operators must obtain appropriate qualification certificates before operating. When working, adhere strictly to job operation procedures and wear protective labor gear.
Forklift	Vehicle Injury and Impact from Objects	<ul style="list-style-type: none">Register forklift usage, conduct regular checks, inspections, and maintenance to ensure proper functionality. Prohibit over-height, overspeed, overloading, and overwidth operations during use.Workers should undergo safety education for their respective positions and carry work permits when on duty. Ensure proper wearing of protective labor gear and strictly adhere to safety procedures during operations.
Paint Storage, Spray Painting Room, Baking Room	Fire, Explosion, and Poisoning	<ul style="list-style-type: none">The fire resistance rating of buildings and fire separation distances should comply with the regulations of the "Code for Fire Protection Design of Buildings."Strengthen safety and professional capability training for workers and control hazardous operations. Prohibit temporary electricity usage, open flames, and smoking in dangerous paint warehouses.Develop an emergency plan for hazardous chemical accidents and organize drills periodically.
Overhead Crane, Gantry Crane	Lifting Injury and Impact from Objects	<ul style="list-style-type: none">The equipment department should regularly inspect and maintain lifting equipment, test it regularly, and halt its usage immediately upon discovering any anomalies.Workers should undergo safety education, wear protective labor gear, and qualified directing and driving personnel should be trained and possess special permits before operating. Strictly follow safety procedures during operations, prohibit passing over people and safety passages when lifting loads, and avoid suspended loads.Display safety warning signs at workstations, establish accident site handling schemes, and organize drills periodically.
Central Gas Supply Station	Explosion, Poisoning, and Asphyxiation	<ul style="list-style-type: none">Workers should undergo safety education, possess work permits, wear protective labor gear, and strictly adhere to safety procedures during operations.Tanks should not experience overpressure during operations. Regularly apply anti-corrosion treatments to the tank surface and inspect safety attachments like pressure gauges and safety valves on the tank.

Safety Risk Grading and Control Process

The Safety Committee is responsible for organizing safety analyses of the daily production process every two years, either by coordinating with various departments or by commissioning external relevant units to use the "Hazard and Operability Study (HAZOP)" method.



Each department or commissioned unit uses the "Risk Matrix Assessment Method" to evaluate risks and determine the risk level.



Based on different risk levels, each department or commissioned unit determines risk control measures, supplements, and revises operating procedures. The revised operating procedures, accompanied by risk assessment records, are submitted to the Safety Committee for approval.



The Safety Committee is responsible for coordinating relevant departments to review the operating procedures, their risk assessment results, and risk control measures. Once approved, they are implemented.

02 Safety Hazard Inspection

We implement the "Safety Hazard Inspection and Remediation Management System", establishing a long-term mechanism for the inspection and remediation of safety hazards, strengthening the work of hazard inspection and remediation, and striving to prevent and reduce accidents. Our safety hazard inspection work includes daily safety checks, comprehensive safety checks, holiday safety checks, seasonal safety checks, and special safety checks.



Daily Safety Check: Organized and conducted by the Safety and Environmental Department.



Comprehensive, Holiday, and Seasonal Safety Checks: Organized by our General Manager or the Safety and Environmental Department, occurring no less than once a quarter.



Special Safety Checks: Organized by the head of the Safety and Environmental Department in collaboration with professionals from departments like Production Operations.



Safety Hazard Investigation and Rectification Process

01

For safety issues identified, ensure to keep records and take photographs. Every safety inspection should result in a report that is provided to the inspected department.

02

The Safety and Environment Department, based on the hazards detected during the safety inspections, issues a "Safety Hazard Rectification Notice" to the department where the hazard was identified.

03

The inspected department is to address the identified safety hazards as required. The responsible individual should rectify the issue within the specified timeline. Upon completion or upon reaching the rectification deadline, a written notice regarding the hazard rectification should be sent to the Safety and Environmental Department.

04

The Safety and Environmental Department monitors the rectification actions, urging prompt corrections. It also conducts reviews on the completed corrections and imposes penalties on departments that do not comply within the given timeline.

Moreover, we continuously promote the digitalization of work safety, monitoring the factory's work safety situation in real-time, and quickly identifying on-site safety hazards. Safety management officers regularly report workshop safety check results or detected safety issues through the MES system, effectively eliminating daily potential safety hazards.

During this reporting period, we identified and remediated 287 safety hazards through safety checks, all of which have been rectified.

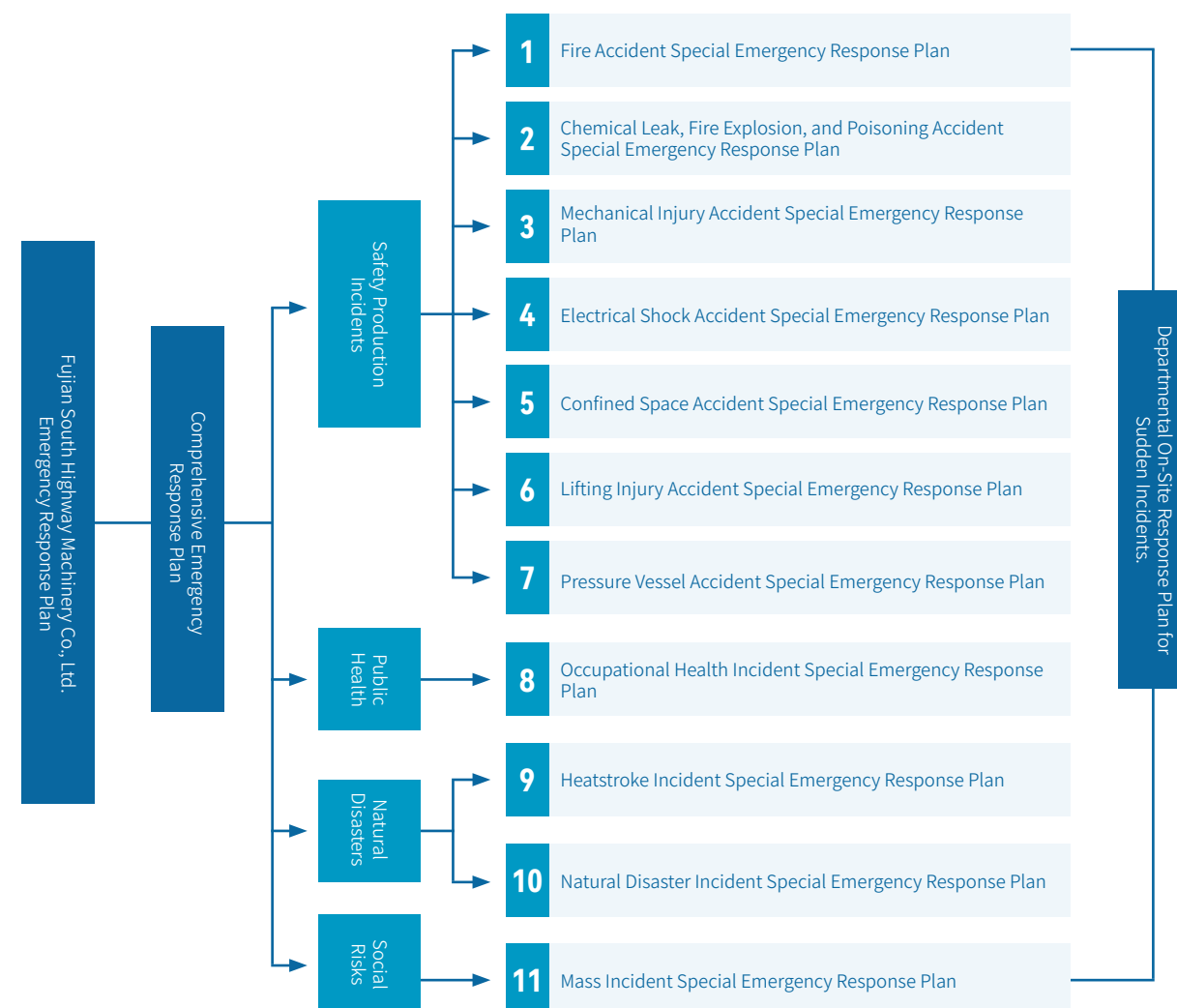


Identified and remediated safety hazards
287 Cases

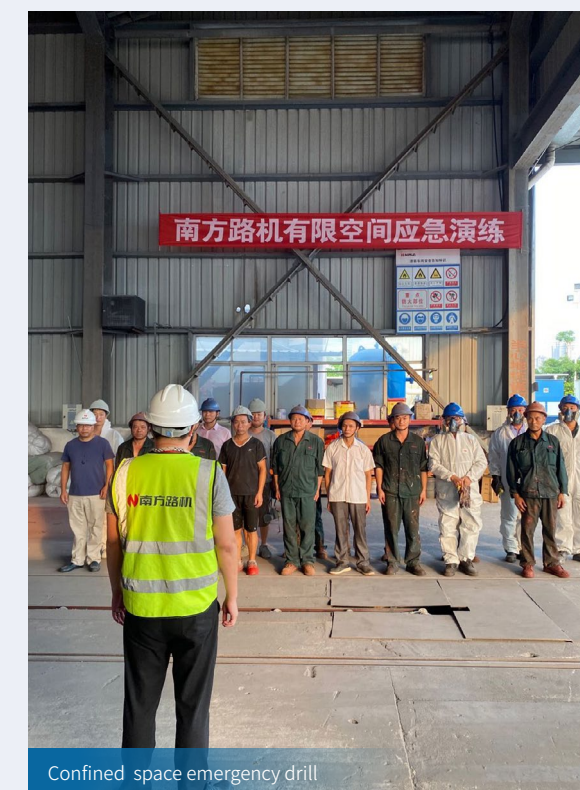
03 Emergency Management

Combining our actual business situation, we formulated various regulations such as "Accident Emergency Rescue Management System", "Comprehensive Emergency Plan for Work Safety Accidents", and specific emergency plans for mechanical injuries, natural disasters, heatstroke, fires, electric shocks, pressure vessel accidents, and high-altitude falls. These plans are developed to prepare and respond to potential extreme weather conditions, natural disasters, mechanical injuries, fire emergencies, chemical spills, explosions of pressure vessels, and electric shocks, ensuring the health and safety of employees.

Emergency Response Plan for Unexpected Events



Fire drill



Confined space emergency drill



Mechanical injury drill

During this reporting period, we conducted 7 emergency drills for work safety accidents, covering topics such as hazardous waste fire drills, confined space rescue drills, and fire emergency rescue drills, involving 100% of our employees.

04 Safety Education and Training

Upholding the safety philosophy of "70% serving employees and 30% supervising employees", we formulated the "Safety Education and Training Management System" and continuously improved the safety education and training system. Each year, our Safety and Environmental Department collects safety education and training needs from various departments and formulates an annual safety training plan. According to the requirements of the system, we conduct corresponding safety education and training for different categories of employees:

- All current employees undergo three levels of safety training: company, department, and team.
- Mandatory safety training is conducted for newly on-boarded temporary workers, contract workers, laborers, rotating workers, and agreement workers to ensure they possess the knowledge and skills required for safe operations, self-rescue, mutual aid, and emergency handling.
- Special operation personnel who have been away from their posts for more than six months must retake a practical operation test and can only return to their posts after being confirmed as qualified.
- For external personnel, face-to-face teaching and on-site briefings are adopted, covering a range of topics such as factory safety instructions, production characteristics, nature of the job, safety and environmental precautions, accident lessons, relevant safety regulations, emergency protection methods, and emergency evacuation routes.



Highlight • "Safety Culture of NFLG"

We launched the "NFLG Safety Culture" WeChat official account, which publishes a safety newsletter monthly. The content covers five modules: work safety updates, project construction, safety notifications, safety standardization, and employee voices, aiming to create a strong atmosphere of "everyone talks about safety".

Furthermore, we organize annual training and testing on safety knowledge, skills, and emergency plans for all employees, helping them familiarize themselves with work safety regulations and safe operating procedures. We equip them with the necessary safety knowledge and skills for their positions, enhancing their ability to prevent accidents, control occupational hazards, and handle emergencies. During this reporting period, we organized a total of 38 safety training sessions in various formats, such as meetings, educational campaigns, audio-visual viewing, centralized classes, and roundtable discussions. The content covered safety management systems, safety technical knowledge, fire emergency knowledge, and more. The training involved 100% of our employees, with a total training time of 4,035 hours.

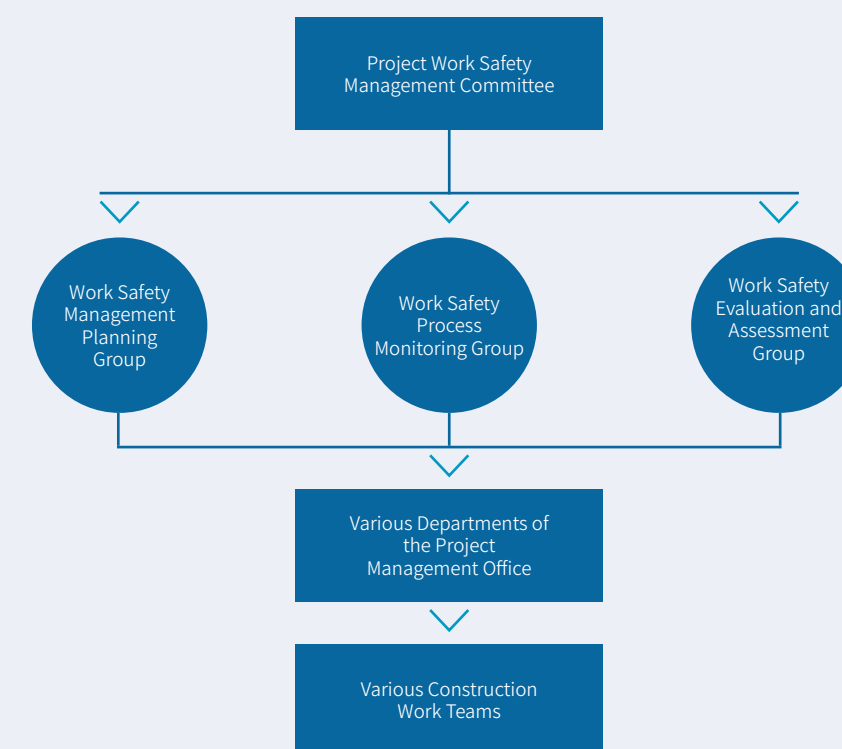
05 Contractor Safety Management

We currently operate across the country and overseas. The strategy for project installation services mainly relies on outsourced installation with a supplementary approach of direct installation. Among these, projects where installation services are provided by distributors account for over 95% of the total amount. We place high importance on the safety management of distributors and other installation service contractors. By establishing policies like the "Contractor Safety Management System", we require distributors to continually refine their safety measures, ensuring the safety and well-being of all involved parties, and regulating their safety behaviors to minimize accidents. For each distinct project, a dedicated project team is formed, establishing a Project Work Safety Management Committee to implement unified leadership for safety production, making decisions

on significant technical measures related to on-site safety production. Moreover, we have set up a reward and penalty system, regularly assessing each project team, ensuring that safety precautions are diligently implemented.

We regularly train installation service contractors and provide them with installation drawings and other materials to ensure proper procedures are followed on-site. Under the direct sales model, other than deploying our staff for equipment installation, other companies can only authorize installation companies certified by NFLG for the job. In the distribution model, although we do not provide installation services directly, we explicitly require distributors to entrust installation companies certified by us.

Project Work Safety Committee



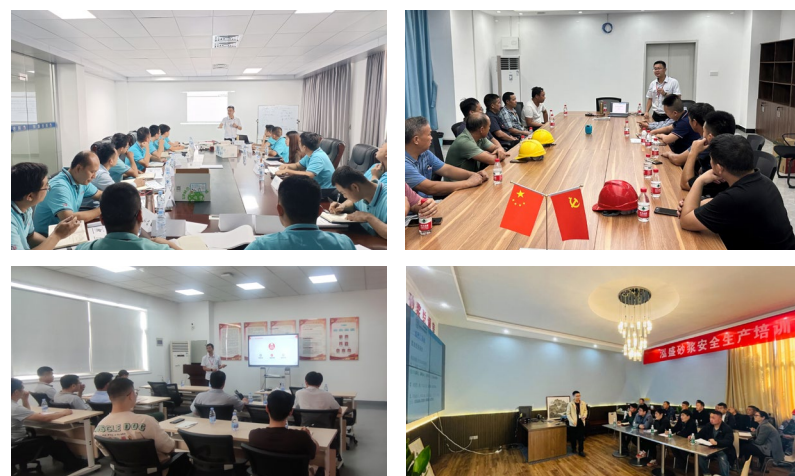
Audit of Installation Qualification

We have set guidelines like the "Business Guidance Book" and the "Independent Installation Distributor Assessment Plan", conducting qualification reviews for all enlisted installation service contractors. They must be independent legal entities, holding enterprise safety certificates and legal representative safety certificates. To ensure on-site installation management safety, contractors must also pay a certain installation deposit.

The construction personnel and maintenance teams of installation service contractors must pass the work safety qualification review by NFLG. The review includes qualifications of construction, maintenance and service-related staff, such as safety certificates for construction team leaders or project managers and special operation permits (electrician, welder, high-altitude operation, etc.). Additionally, installation personnel are required to possess relevant installation experience. Furthermore, we explicitly stipulate that installation qualifications can only be utilized for projects undertaken by the qualified party and cannot be borrowed by others. In the event of a significant accident occurring during the installation process within the authorization period, the qualification authorization will be automatically terminated.

Safety Training for Installation

We proactively invite distributors and installation contractors to the Mixing Institute for safety training. We also periodically send staff to conduct specialized safety training for distributors and contractors on-site and offer online safety training, promoting corporate safety management principles. After project commencement, it's mandatory for on-site installation project managers to organize safety education and training for all installation participants, including clients and crane operators. This aims to enhance safety awareness and strengthen the ability to prevent safety incident.



During the report period, we conducted 120 safety training sessions for 12 installation service contractors, totaling 360 training hours.

Signing Safety Protocols

Contractors must sign a safety protocol with us before commencing any work. This agreement states that contractors:

Hold direct responsibility for the safety of the contracted project, rented sites, equipment, and personnel.

Regularly inspect project sites and equipment for safety, report and address discovered issues promptly.

Arrange full-time safety management personnel to supervise and inspect the site.

Organize safety training for management and workers, ensuring special operation workers possess valid certificates.

On-site Safety Management

Our appointed project managers supervise the safety and 6S (sort, set in order, shine, standardize, sustain, and safety) efforts of installation teams on-site. Team leaders handle site safety management and 6S management, while safety

officers oversee safety during equipment installation and briefing after team arrival. The safety officers also organize daily morning safety meetings, and record and report near-miss incidents.

Requirements for On-site Management Personnel

- Organize safety education training for all installation personnel on site (including clients, crane operators, and other participants) throughout the installation cycle. Photographs of the safety training scene and signed safety agreements must be uploaded to the CRM system.
- Conduct safety inspections once a week, regularly checking on safety, civil construction, and quality. Issue rectification notices for non-compliant items and ensure their correction through follow-up supervision and inspection.
- Hold safety meetings every day before the morning shift starts, discussing safety precautions and maintaining safety records.
- Comply with national employment regulations and strictly prohibit the recruitment of installation personnel who do not meet requirements.

Requirements for On-site Safety Management Personnel

- Carry out specialized checks on electricity, construction machinery, and hazardous materials every week, actively ensuring construction safety and orderly progress.
- Supervise the safety of installation personnel and severely penalize violations.
- Patrol every morning, inspecting the arrangement of safety facilities, the use of personal protective equipment by staff, violations, potential hazards, etc. Create records and provide rectification suggestions.

Requirements for On-site Installation Personnel

- Write installation work logs every three days, documenting the on-site work progress, and submit them promptly to NFLG. We review these logs to stay updated on installation progress and will communicate with on-site installation personnel regarding any queries.
- Observe the surrounding environment during installation to avoid areas with flammable gases and prevent fires. If safety hazards are identified, report them promptly, and the relevant person in charge should take measures to eliminate the hazards.
- Upon entering the site, wear safety helmets correctly, fasten the straps, and use personal protective equipment correctly. For work above two meters, in suspended positions, or without safety measures, wear safety belts and fasten the safety hook properly. Avoid hanging objects too low or too high.
- When using a ladder, face the ladder and do not carry objects or have cables or hoses wrapped around you. Someone should hold the ladder at the bottom, and the ladder's top should be securely tied on both sides. The ladder's base should have anti-slip measures, should not be elevated or used missing a step, and two people should not use the same ladder simultaneously.

We supervise and assess safety management during project construction. Based on the nature and behavior of the contractor, we regularly identify risks, implement effective risk control measures, and assess their safety performance:



- Service providers who do not meet the work safety conditions are banned from all our construction projects, are prohibited from undertaking construction, and will be fined.
- Construction units that violate regulations and related terms are ordered to rectify immediately and are subject to fines.
- For those who do not establish safety measures during construction, or who violate rules, take risks, or act recklessly, possibly causing harm to others or damaging production and equipment, work stoppage measures will be implemented. Depending on the severity of the situation, the responsible parties will be fined.



Occupational Health Management

We have formulated systems such as "Education Training System on the Prevention and Control of Occupational Disease", "Maintenance and Inspection System on Occupational Disease Prevention Facilities", "Warning and Notification System on Occupational Health Hazards", and "Declaration System on Occupational Health Hazards", which clearly define the management measures for employee occupational health. We are

committed to integrating the concept of health into production and business activities and building a healthy working environment. During this reporting period, we commissioned a third-party professional institution to conduct tests for occupational health hazards, and all employees met the standard requirements in their exposure tests.

Occupational Health Management Measures

Organizational Structure for Occupational Health Management

We have established an occupational health management leadership team, led by the general manager, with key representatives from various workshops and relevant departments. The safety and environmental department is responsible for day-to-day occupational health management.

Employee Occupational Health Protection

When signing labor contracts with employees, we inform them about the occupational hazards related to their positions. The safety and environmental department has full-time or part-time occupational health professionals responsible for occupational disease prevention and control. We organize pre-job, during-job, post-job, and emergency occupational health checks for employees. If any worker's health is found to be affected by their job, they are promptly transferred and properly settled.

Labor Protection Products

Employees are equipped with personal protective equipment that meets national occupational health standards. They are urged to wear them correctly during production to prevent or reduce the occurrence of occupational diseases and accidents.

Occupational Disease Prevention Training

Workshops organize pre-shift and post-shift meetings, safety reading sessions, and on-site occupational disease hazard explanations to provide occupational disease prevention and protection training, and prominently display occupational disease hazard information cards in the workshop. These cards detail the types, consequences, and emergency response measures for occupational disease hazards, aiming to enhance the health and safety awareness of all employees.

Occupational Hazard Detection

Special personnel are responsible for the daily maintenance and upkeep of occupational health protection facilities. The safety and environmental department has specialized personnel responsible for daily monitoring of occupational hazards. Periodically, qualified occupational health technical service institutions are engaged for hazard detection, and the results are reported to health administration departments and while making them available to workers. We continue to oversee the company's efforts to improve occupational health conditions in the workplace.



Wearing Personal Protective Equipment



Cardiopulmonary Resuscitation (CPR) and First Aid Training



Promotion Week Activity on Prevention and Control of Occupational Disease Law

01 Near Miss Incident Mechanism

We encourage employees to voluntarily report near-miss incidents occurring in the work environment and establish corresponding incentive measures. By conducting further investigations, identifying root causes, and implementing corrective actions, we aim to reduce occupational health risks to employees within the company's business operations, effectively ensuring employee occupational health and safety. Employees can compile relevant information on near-miss incidents into written reports and submit them to the Emergency Office. The Emergency Office will then organize the analysis of causes, summarize lessons learned, and compile written summary materials for record-keeping. If major or significant near-miss incidents occur, we issue warnings to the responsible departments and individuals. During this reporting period, a total of 38 near-miss incidents were reported, and all have been investigated and rectified.

02 Management of Work-Related Injury

We strictly adhere to the "The classification for casualty accidents of enterprise staff and workers" (GB/6441-1986) and the "Regulations on Work-Related Injury Insurance" (State Council Order No. 586), continuously strengthening accident prevention and management. In case of work injuries, we quickly take effective measures to provide assistance, minimizing casualties and property damage. The respective departments are required to investigate accidents and provide written injury reports. If accidents lead to minor injuries, death, or severe injuries, we penalize the responsible department and hold the individuals accountable. During this reporting period, we recorded 10 minor injury accidents, and there were no major casualties in outdoor installations.

Responsible Supply Chain

We uphold the corporate philosophy of "specialization, excellence, quality, and longevity". With a craftsman's spirit, we create responsible products, aiming to become a world-class enterprise trusted by customers, respected by peers, and possessing unique continuous innovation capabilities. In addition to our self-imposed high standards for quality and service, we practice responsible procurement and marketing to achieve fair profits, striving to build a stable, transparent, and sustainable supply chain together with industry partners. We have established a Mixing Institute to offer professional technical training to customers and distributors. We also set stringent standards for distributor service quality and safety, actively empowering them with a win-win and open mindset to jointly provide customers with high-quality services.



Supply Chain Management

We have formulated supply chain management systems, including "External Supplier Management Procedures", "Supplier Quality Performance Evaluation Rules", "Monthly Supplier Product Quality Evaluation Details", "Supplier Performance Management Provisions", "Business Guidelines", "Distributor Service Management Regulations", "Distributor Service Assessment", "Independent Installation

Distributor Assessment", "Service Engineer Grading Scheme", etc. Through continuously standardizing the admission, evaluation, assessment, and guidance mechanisms for suppliers and distributors, we consistently enhance our capability to manage a responsible supply chain, improving supply chain transparency and resilience against sustainable development risks.

01 Supplier/Distributor Evaluation and Selection

We establish contact and gather information about supplier channels and collaboration intentions through industry exchanges, exhibitions, and online platforms. In alignment with our business development needs, we conduct mutual on-site visits and engage in technical discussions. Criteria for supplier admission include the supplier's credibility, product quality, quality management, after-sales service, and specialization. Depending on the supplier category, we conduct on-site audits, sample testing, trial production, and more, to comprehensively assess suppliers before collaboration. Core and critical component suppliers must pass on-site quality management capability audits for admission, and their management will be classified based on the audit results. We promote the concept of a responsible supply chain management by signing agreements with suppliers, such as the "Supplier Anti-Bribery Commitment", "Clean Cooperation Convention", and "Quality Assurance Agreement", ensuring suppliers

comply with business ethics, safety and environmental protection, and product quality standards.

Distributors, as important business partners and brand representatives, directly influence our relationships with customers and our brand image. To strengthen distributor management, we established the "Distributor Service Management Regulations", specifying the requirements for distributors regarding service standards, equipment acceptance, on-site presence, scheduled inspections, follow-up visits, and warranty services. Distributors are trained in product knowledge, business management, contract management, service standards, financing leases, contracting, safety, and more, assisting them in enhancing team-building and continuously improving professional competence to ensure the distributor's services meet our requirements for product installation quality and customer service.

02 Supplier/ Distributor Assessment

We incorporate product quality, price, delivery time, and service into the supplier evaluation mechanism. The supplier assessment is conducted on an annual basis, with each year as an assessment cycle. At the beginning of each year, we compile the supplier performance data from the previous year and complete the "Annual Supplier Performance Evaluation Summary," which serves as a basis for re-evaluation of qualified suppliers. We conduct comprehensive monthly, semi-annual, and annual assessments and ratings for supplier's provided products in terms of price, quality, delivery performance, and overall service capability. Based on the assessment results, suppliers are categorized into four levels: A, B, C, and D. During the annual supplier conference, we recognize suppliers who achieved an A-level rating for the year. For suppliers rated as C or D, we provide improvement suggestions and request corrective actions and feedback. If a supplier receives multiple unsatisfactory ratings, the cooperation will be terminated so as to strengthen supplier accountability, mitigate supply chain risks, and foster mutually beneficial and enduring business partnerships.

We have formulated the "Distributor Service Assessment" and "Independent Installation Distributor Assessment", incorporating metrics such as sales completion rate, service team development, service quality, equipment timely acceptance rate, and the installation service contractor's team building, installation capability, installation quality, safety management, and training duration. Through periodic evaluations, we quantitatively assess distributor service quality, set clear objectives, and enhance distributor service levels. During the reporting period, we reviewed 30 distributors and authorized 4 for admission.

Supplier Rating



03 Supplier Quality Audit

At the beginning of each year, we will draft and execute a supplier quality management system audit plan, and all supplier of critical components or safety parts must undergo at least one audit within three years. In accordance with the requirements of ISO 9001 and relevant product-related laws and regulations, we develop corresponding audit checklists to assess supplier's quality management capabilities and evaluate their quality system. Attention is given to aspects like design development, raw material quality verification, production process quality control, finished product inspection, non-conforming product control, labeling and traceability, and product protection management. After completing the audit, we engage in on-site communication with the supplier and continually monitor the progress of rectifying non-conformities. For those who fail to complete the rectification within the specified timeframe without prior explanation or who choose to terminate the cooperation, measures including downgrading their status, suspending

collaboration, or revoking their supplier qualification may be taken. We actively assist suppliers in conducting technical improvements and enhancing their quality management capabilities through methods such as providing technical documentation, guiding the establishment of tooling, on-site guidance by deploying technical personnel or inspectors, training professionals, and offering guidance on quality management systems. These efforts systematically and comprehensively promote the enhancement of supplier capabilities. During the reporting period, we audited 41 supplier quality management systems and provided guidance for identified issues.



Audited supplier for their quality management systems

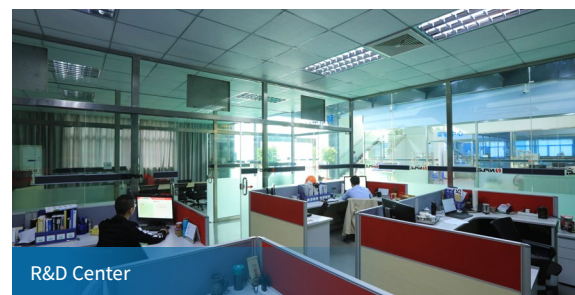
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Counts

04 NFLG Mixing Institute

Adhering to the brand mission of "Crafted with wisdom, Passing on the tradition", we established the NFLG training center in 2007 and renames as Mixing Institute in 2017, presenting a brand-new image comprehensively to the outside world. The institute aims to efficiently integrate results from domestic and international research institutions and universities, closely aligning with industry-guiding practical experiences, to innovate theoretical and practical outputs for end-products. Leveraging the institute, we provide theory and practical training to address issues encountered by customers and distributors in actual business operations. Tailored training programs are offered to customers and distributors for specific projects. Together with industry partners, the institute serves as a platform for practical technical exchanges, cultivating skilled professionals for the industry's high-quality, sustainable development.

NFLG Mixing Institute	
Three major organizational structures	Corporate Culture and Leadership Center, Skills and Technology Study Center, and High-Quality Training and Development Project Division.
Strong faculty strength	The lecturer team consists of external industry experts, universities, and scholars from research institutions, with a current roster of 213 middle and senior-level lecturers.
Supported by prestigious schools	Established tight technical cooperation and exchange mechanisms with prestigious institutions such as the Chinese Academy of Sciences, Tongji University, Chang'an University, Xiamen University, and Huaqiao University.
Professional teaching ability	Regularly invite university doctoral advisors with extensive industry project development experience and experts in the construction machinery industry to provide lectures and guidance.
Vocational education qualifications	Offer vocational skills training and possess professional education qualifications in various job categories such as commercial concrete mixing operation, high-altitude work, rock drilling equipment operation, mechanical maintenance, and debugging. Designated by the Occupational Skills Testing and Appraisal Management Institute of China Machinery Industry as the "Occupational Skills Testing Site for Engineering Machinery."
Premium special training	Organize and co-host industry association training for dry mixing equipment and operations, asphalt equipment operator certification training, and more. Consistently hosted 16 sessions of asphalt mixing equipment operation and maintenance certification training, post-sales service troubleshooting training, national industry training, government training, professional academic forums, and particularly focused on engineering machinery training, parent-child vocational enlightenment programs, and outdoor quality development training.
Well-developed hardware infrastructure	Currently, there's over 1,000 m ² of indoor and outdoor experimental land, 4,422 m ² of the academy's practical training base, equipped with a research center, experimental center, teaching center, electrical/intelligent center, live broadcast/news center, welding training base, fitter training base, safety experience base, heating system training base, and crushing training base. There are more than 200 sets of experimental and teaching equipment, with an investment of over 5 million RMB in experimental and teaching equipment.



R&D Center



Experimental Center



Electrical and Intelligent Center



Electrical and Intelligent Center



Safety Experience Base



Teaching Center

Training System

The Mixing Institute adheres to a training management approach that centers around "safety training as the entry point, reinforced with hands-on training, comprehensive demonstration, and multimedia teaching as the medium. Employing online learning, online exams, on-site teaching drills, and in-depth on-site observation of operations as tools to cultivate practical and innovative talents." The institute delves deep into research and development, offering beginner, intermediate, and advanced technical theory combined with hands-on premium and customized courses, providing scientific, professional, and high-level industry professional skill training.

Theoretical Training

Targeted mainly at managers and technical personnel, it focuses on introducing the mechanical principles, methods, and strategies of various production lines. By linking theory with the actual conditions of each production line, it intuitively enhances trainees' understanding of the production line and their ability to solve real-world problems.

Practical Training

Focused primarily on production line managers and frontline technical staff, the training is conducted through the Mixing Institute's simulated operations in the intelligent control center, component teaching aids simulation for various production lines, practical training at training bases, and hands-on practice in simulating faults. This ensures personnel are adept at mastering operational procedures and essential points.

Factory Training

This involves understanding or familiarizing with each production line process through equipment production processes and physical displays. With immersive "point, line, plane" training and teaching, participants gain a deeper understanding of the overall assembly and decomposition of each production line.

Remote Training

Breaking the traditional on-site training model to reduce training time and travel costs, the training is completed through a "short, concise, and rapid" instructional approach and via multimedia communication in the modes of "one-on-one", "one-on-many", and "many-on-one". Teaching content is conveyed through multimedia methods like videos and pictures for swift interaction. The Mixing Institute pioneered the online drill method, where instructors simulate operations via video and guide students in multi-scenario simulation online.

On-site Training

During the installation, debugging, and training phases, the Mixing Institute sends intermediate and senior instructors to reside on-site at various production lines and provide specialized guidance. It aims to lower equipment maintenance risks, ensure reliable and stable operation of equipment, and boost equipment productivity.



Heating System Training Base

Highlight • Hands-on Training of Sand Making Machine's Shaft End for Distributors

The NFLG Mixing Institute conducted hands-on training on the sand-making machine shaft end for distributors. This training aims to help them thoroughly grasp the operating skills of the NFLG sand-making equipment, improve machinery maintenance and repair skills, and hence elevate service levels. The course focuses on guiding students in learning the shaft end structure assembly process of the

sand-making machine, shaft end disassembly and rotor disassembly hands-on drills, and mastering shaft end maintenance and fault troubleshooting. Training is primarily hands-on, with methods like PK competitions and salon activities allowing participants an "immersive" hands-on learning experience and timely communication for efficient learning outcomes.



During this reporting period, the NFLG Mixing Institute conducted multiple training sessions for customers and distributors nationwide. Customer-specific training amounted to a total of 184 hours, while distributor-specific training lasted 176 hours.



Customer-specific training
184
hours



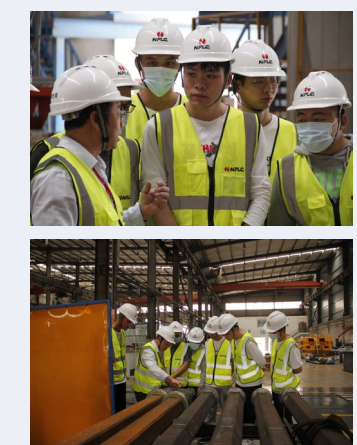
Distributor-specific training
176
hours



National Distributor Special Training on PLC and Automation Control



Customer Premium Special Training in Huizhou, Guangdong Province



Jiangxi Anxin Customer Special Training





Jiangxi Fengxin Highway Bureau GLB-3000 Asphalt Equipment Handover Special Training



Shanxi Shan'an Lide Customer Special Training



Responsible Products

We strictly implement quality management requirements and establish a comprehensive quality management system for the entire product lifecycle. We develop clear standards and processes to ensure that products meet high-quality requirements during design, manufacturing, and delivery. We also follow strict inspection specifications to ensure reliability, safety, durability, compliance, and quality stability. We have obtained ISO9001 quality management system certification.

ISO9001 Quality Management System Certificate



01 Product Quality Management

NFLG product quality management goals/targets for 2022

Projects	Statistical Methods	Goals/Indicators	Completion Status
Customer Satisfaction Rate	Satisfied Customers/Customer Survey Pool	$\geq 95\%$	95.77%
First-pass Yield of Products	Number of First-pass Items/Total Inspection Items *100%	$\geq 99.6\%$	99.97%
Compensation Amount on Quality Issues to Sales Revenue Ratio	Compensation Amount on Quality Issues/Sales Revenue *100%	$\leq 0.12\%$	0.02%
Workshop Raw Material Return Rate	Value of Returned Raw Materials Due to Quality Issues/Total Purchased Value	$\leq 0.4\%$	0.20%
Number of Quality Issues Reported per Equipment Installation/Post-sales Issues	Total Post-sales Issues /Total Numbers of equipments installed	$\leq 1.83\%$	0.00%
After-sales Feedback Issue Resolution Rate	Closed Post-sales Issues/ Total Post-sales Issues*100%	$\geq 90\%$	90.23%
Number of Serious Non-conformities in External Audits and Regulatory Inspections	Σ (Items Number of Serious Non-conformities)	0	0
Calibration Completion Rate of Inspection Measuring Instruments (Internal + External)	Monthly Actual Calibration of Inspection Measuring Instruments/Monthly scheduled Calibrations of Inspection Measuring Instruments *100%	100%	100%

Quality Risk Grading Management Mechanism

We have formulated the "Quality Risk Management Procedure," which clarifies rules for quality risk identification, analysis, evaluation, risk grading, and control measures. The Quality Management Department organizes departments of the company to identify, analyze, and evaluate "Quality Risk Identification Evaluation Form" and "Unacceptable Quality Risk List." We formulate targeted quality risk control measures based on the risk grading. We

inspect and monitor quality risk control measures through internal audits, management reviews, internal inspections, etc., to ensure their implementation. Every year, quality risks are identified, evaluated, and updated based on the development and changes in internal and external quality environments to ensure the effectiveness of quality risk control measures.

Inspection of Purchased Parts

We have established the "Inspection Procedure of Purchased Parts," which specifies inspection methods, items, tools, sampling rules, judgment criteria, and exemption criteria for each type of purchased material.

- For products not specified in the procedure or products that cannot be inspected upon receipt, verification is carried out before shipment, during production and equipment installation.

- For new products or first-time inspected products from new suppliers, an application is made through the BPM system's procurement item sample trial production application process, and the execution of standards or technical specifications recognized by the design and technology is used to verify sample production.

- Annual plans for regular sampling inspections are made and implemented. In the case of disqualifications, inventory products must be returned or fully inspected. For products that have already been produced and shipped, the flow must be investigated, and the quality impact recorded to ensure that the products already in operation do not have any safety hazards.

Defect Feedback Reward Mechanism

We have established a defect feedback reward mechanism, which encourages relevant parties in the production, manufacturing, installation, and commissioning processes to submit feedback after identifying issues related to process improvement, quality enhancement, product delivery, drawing correction, safety public account. We categorize defects and assign them to the responsible departments for problem analysis and the formulation of improvement measures. The Quality Management Department continuously monitor the status of the process. We comply a monthly report that includes the types and quantities of feedback problems and the closure rate, and rewards the personnel involved in the feedback that is ultimately accepted. It encourages and supports proposal improvement feedback actions and promotes the formation of long-term mechanisms for product and management optimization. In this reporting period, our RDM system collected a total of 2,564 defect feedback through the "Defect Management" module, with a comprehensive closure rate of 90.23%.



The "Defect Management" module of our RDM system collected

2,564

Defect feedback

Comprehensive closure rate

90.23%

02 Excellent Customer Service

We adhere to the core values of "Integrity, Respect, Focus, Responsibility, Teamwork, and Customer First". We always prioritize our customers and empower our services with technology. We focus on addressing our customers' technological difficulties and limitations, continuously improving our research, design, manufacturing, and service capabilities. We provide specialized and customized solutions for our customers' complex and ever-changing application scenarios, helping them to establish a beneficial cycle of building materials production and resource recycling. In addition, we actively establish a customer feedback mechanism. Through communication

and feedback with our customers, we constantly improve and enhance product quality to meet their needs and expectations. With a deep understanding of professional knowledge and customer demands, we have earned high respect from our customers.

Our customer service management mechanism includes after-sales training services, customer complaint management, and customer satisfaction surveys. During this reporting period, we conducted customer satisfaction surveys and achieved an average score of over 95.

- Our 24/7 customer service system ensures that our professional marketing service team is available online at all times. We provide one-stop professional services such as service center introductions, product and equipment consultations, technical support, product and service complaints, repair inquiries, and spare part consultations.

- The "Expert Online" platform has technical experts available daily to answer questions regarding cement and concrete mixing, dry mortar mixing, asphalt mixing, shaping and sand making production, and the recycling of construction waste. They promptly address users' inquiries regarding equipment, production, operation, and management.



The "Cloud Worry-Free" system, based on automation control and Internet of Things (IoT) technology, collects data on equipment operating conditions and component health status. The data is then transmitted to cloud servers via the internet or wireless networks. Our technical service team analyzes the data professionally and provides customers with remote diagnostics and maintenance information. This creates a "Cloud Platform, Worry-Free Station" style of equipment service, enabling online diagnostics, feedback, and repairs for customers. Additionally, based on customer requirements, we can provide customized value-added services such as energy-saving, cost reduction, efficiency improvement, quality enhancement, and operational assistance.

We built a closed-loop work cycle of "visiting, implementing, and revisiting," where service engineers regularly conduct routine maintenance on the equipment, conduct periodic service follow-ups, engage in communication and Q&A sessions, promptly remind about equipment maintenance essentials and scheduled inspections. This helps reduce equipment failure rates, lower operating costs, and extend equipment lifespan.

We also provide customized technical training through our Mixing Institute, offering professional guidance for our customers.

Highlight • 18th Asphalt Customer Specialized Training

NFLG Mixing Institute organized specialized training for all users of asphalt mixing. Through the combination of theoretical knowledge, practical operation, and the use of teaching aids, we provided professional training courses on asphalt equipment operation, maintenance, and troubleshooting. This delivered new approaches to maintenance management and application for our asphalt mixing plant customers, contributing to the brand effects of our asphalt equipment and services. The students who pass

the exam will receive the "Industry Vocational Certificate of Ability Level" issued by the Ministry of Human Resources and Social Security of PRC and the China Machinery Industry Federation. The Institute conducts application assessments for customer students in three stages: the training month, the third month, and the sixth month, to continuously follow up and help students grow and progress, and improve the customer's training experience.



In addition, we have formulated the "Equipment Delivery Management and Free Warranty Management Regulations". For problems that occur during the product installation and debugging period and the equipment warranty period, customers can apply for free replacement or repair of products and accessories that meet the rules after verification and judgment by the distributors, NFLG's

industrial service department, and the quality department. The quality department compiles statistics on the problems handled each month, analyzes the symptoms, and inspects the returned old parts from customers, promptly repairing product defects to ensure effective resolution of customer problems and continuous improvement of customer satisfaction.

Responsible Marketing

We strictly comply with the requirements of the "Advertising Law of the People's Republic of China" and other relevant laws and regulations, follow the principles of responsible marketing, and are committed to releasing true, accurate, and compliant product information and marketing content, resolutely opposing false and misleading marketing methods. We ensure that the pictures, fonts, and videos used in the marketing process have obtained valid

commercial use licenses, and do not use controversial materials by attaching importance to intellectual property protection. Quantitative data marketing content is reviewed by our finance department before publication to ensure the authenticity and accuracy of the propaganda. During this reporting period, we did not engage in false advertising, improper marketing, and other events.

Enhance Industry Development

We continue to explore and practice in the advancement of industry technology, innovative enterprise management, and digital transformation, actively participate in the formulation of industry standards, and are committed to working with industry partners to promote the high-quality development of the industrial chain.

01 Involvement in Industry Associations

Associations	Position
China Construction Machinery Association	Executive Director
China Construction Machinery Association Road Machine Branch	Vice President
China Construction Machinery Association Concrete Machinery Sub-Association	Executive Director
China Building Materials Federation Premixed Mortar Sub-Association	Vice Chairman of the Board
China Concrete & Cement-based Products Association	Vice President
China Concrete & Cement-based Products Association - Ready-Mixed Concrete Sub-Association	Vice President
China Aggregates Association	Vice President
Gypsum Association of China Building Materials Federation	Member
China Highway Construction Association	Director
China Building Materials Enterprise Management Association	Director
China Building Materials Enterprise Management Association-Brand Management Branch	Director

Associations	Position
China Bulk Cement Association Of Popularization & Development Ready-Mixed Mortar Professional Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development Ready-Mixed Mortar Equipment Technology Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development Construction Professional Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development	Vice Chairman of the Board
China Bulk Cement Association Of Popularization & Development Ready-Mixed Concrete Professional Committee	Deputy Director
China Recycled Aggregate Association	Vice President
China Highway & Transportation Society Road Construction Machinery Sub-Association	Member
Professional Committee for Industrial Solid Waste Application Technology	Director
FuJian Machinery Industry Federation	Member
Fujian Cement Association Of Popularization & Development	Vice President
Fujian Aggregates Association	Vice President
Quanzhou Concrete and Cement Products Association	Vice President
Shanghai Premixed Mortar Association	Vice President
Quanzhou Equipment Manufacturing Industry Association	President
Zhejiang Bulk Cement and Premixed Mortar Promotion and Development Association	Executive Director
Sichuan Province Association for the Advancement of Bulk Cement and Ready-Mixed Mortar Promotion	Executive Director
Guangdong Highway and Transportation Society Machinery and Equipment Professional Committee	Director
China Aggregates Association - Construction Solid Waste Utilization Sub-Association	Vice President
China Construction Machinery Association	Director
Metallurgical Mines' Association of China	Member
China Concrete & Cement-based Products Association	9th Board Vice Chairmen
China Construction Machinery Association Road Machine Branch	Vice President
China Society of Building Materials Industry Economy Special Committee for Solid Waste Disposal and Resource Utilization of New Materials	Our Chairman Mr.Qingxi Fang was elected the 1st Board Executive Director
China Society of Building Materials Industry Economy Special Committee for Solid Waste Disposal and Resource Utilization of New Materials	Executive Director

02 Compilation or Participation in the formulation of National/ Industry Standards

Code	Standards	Category	Participation Status
GB51176-2016	Code for design of dry-mixed mortar production line	National-level	Compilation
GB51186-2016	Code for design of machine-made gravel aggregate plant	National-level	Compilation
GB/T10171-2016	Building construction machinery and equipment-Concrete mixing plant(tower)	National-level	Compilation
GB/T17808-2010	Road construction and maintenance machinery and equipmentAsphalt mixing plant	National-level	Compilation
GB/T30752-2014	Road construction and maintenance machinery and equipmentAsphalt mixing plant-Safety Requirements	National-level	Compilation
JB/T12816-2016	Building construction machinery and equipment-Environment-friendly concrete mixing plant(tower)	Industry-level	Compilation
JBT11185-2011	Building construction machinery and equipment Drymixed mortar mixer	Industry-level	Main compilation
JBT11186-2011	Building construction machinery and equipment Dry-mortar mixing plants	Industry-level	Main compilation
JCT2089-2011	Technical specification for manufacture technics andapplication of dry-mixed mortar	Industry-level	Compilation
JT/T270-2002	Batch type asphalt mixing plant	Industry-level	Compilation
SB/T11129-2015	Dry-mixed mortar screening equipment technical specification	Industry-level	Compilation
TB/T3291-2013	Ballastless track cement emulsification bitumen mortar truck	Industry-level	Compilation
T/CBMF38-2018	Aggregates for high performance concrete	Association-level	Compilation
T/CCMA0066-2018	Asphalt mixing plant--Environmental emission limits	Association-level	Compilation
T/CCMA0067-2018	Asphalt mixing plant-Safety mark	Association-level	Compilation
GBT 14684-2022	Sand for construction	National-level	Drafting
GBT 14685-2022	Pebble and crushed stone for construction	National-level	Drafting

03 Participation In Industry Activities 2022

2022 T50 Summit of World Construction Machinery Industry

In 2022, we were invited to participate in the "T50 Summit of World Construction Machinery Industry". Over 600 representatives from global leading construction machinery manufacturers, component manufacturers, and construction and leasing enterprises in China, the United States, Japan, Germany, the United Kingdom, and other countries attended the conference.

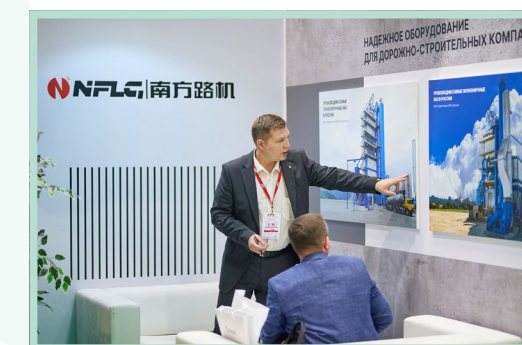
As the most authoritative and influential conference in the construction machinery industry, this summit focuses on key topics such as the operation of the global and Chinese construction machinery markets, industry development, and enterprise expansion. With our leading technology in the construction mixing field and the provision of green recycling construction materials solutions and full lifecycle services to customers, we successfully entered the "China Top 10 Specialized Construction Machinery Manufacturer" and ranked sixth. Director Chair Qingxi Fang was listed as one of the "Top 50 Influential Figures in the



Chinese Construction Machinery Industry", and product "Tracked Mobile Crusher" was awarded the "2022 T50 Best Application Award".

The 22nd Russia CTT Expo

In 2022, NFLG's Russian team showcased multiple core products and solutions in the fields of engineering mixing, materials handling, and construction waste processing at the 22nd CTT Expo. By demonstrating the strong capabilities of Chinese construction machinery, NFLG attracted the attention and recognition of Russian customers and local construction machinery professionals.



The 10th China International Seminar On Production & Application Techniques Of Ready-mixed Mortar

In 2022, as the vice-president of the Ready-mixed Mortar Branch, NFLG participated in co-hosting the 10th China International Seminar on Production & Application Techniques Of Ready-mixed Mortar. In the backdrop of "Carbon Peak and Carbon Neutrality" and the context of green construction, this conference discussed a series of industry hot topics and solutions, including low carbon energy-saving, environmental protection intelligence, and intelligent green factories, to promote the improvement and development of the ready-mixed mortar industry brand and technological innovation.



The 32nd Saudi Build

In 2022, the 32nd Saudi International Building Materials and Construction Technology Exhibition was held in Riyadh. At the exhibition, we showcased our concrete mixing equipment, asphalt mixing equipment, and other related products and technologies to Middle East customers. By promoting the concept of continuously building green and cyclic construction materials to drive the transformation and development of products towards intelligence, greenness, and low carbon, we gained high recognition.



Community Engagement

As a responsible corporate citizen, while seeking own business development, we continue to establish close ties with the community through supporting community education and actively participating in public welfare activities. We listen to the demands and hopes of the community residents, respect the customs and culture of the community, support the development of the community, and strive to contribute to the improvement of the community's well-being.

Community Communication

We attach importance to communication with the community we operate in. By establishing friendly communication mechanisms with local residents and government departments, we are attentive to the community's needs, aiming to minimize the negative impact of our production and operation activities on the living environment of the local community. We also promote local employment, strengthen community engagement and dialogue, and continuously increase community investment to build a harmonious community relationship. During the reporting period, we did not receive any community complaints.

At the production base in Quanzhou, we pay attention to the noise issue generated by productions. During major events such as the high school entrance examination and the college entrance examination, we initiatively prevent noisy operations, prohibit vehicles in the factory area from honking, and urge employees to keep quiet. We also suspend workshops and logistics operations near schools to avoid affecting the normal lives of the surrounding community.

At the production base in Quanzhou, we actively participate in social events and sports competitions organized by local government departments and labor unions to promote integration with the local community.



At the production base in Xiantao, we provide assistance to the Toutan Village in Chengtang Town, Xiantao City, providing employment opportunities for local villagers.



Subsidiary Xiantao South Highway Machinery extends condolences to the staff of the Yewang Community Flood Control Command

Support for Education

We have always supported the development of the community's education through donations:

Since 2018, we have donated 0.5 million RMB per year to the Fengze District Education Development Foundation for a duration of ten years. These funds are used to reward outstanding teachers and students, support schools, teachers, and students in carrying out innovative activities, provide assistance to financially disadvantaged students and teaching staff, support the construction of school infrastructure in Fengze District, and carry out other public welfare activities to promote the development of education in Fengze District.

In 2019, we established the "NFLG Education Fund". Starting from 2020, we donate 0.1 million RMB per year (for a duration of ten years) to reward outstanding achievements in the middle and high school entrance exams, teaching skills competitions, student subject competitions, and education research. We aim to encourage teachers at Quanzhou Chengdong Middle School to love their jobs, educate students, continuously improve the quality of education and teaching, and cultivate more social talents through the construction of a demonstration high school in Fujian Province.

We donated 0.1 million RMB each to Fujian Agriculture and Forestry University and Fujian University of Technology to set up scholarships, which are used to reward 40 outstanding students selected annually in universities.



We donated a Confucius statue to the Confucian Culture Square of Haicheng Experimental Kindergarten in Fengze District of Quanzhou City.



Excellent students from Fujian Agriculture and Forestry University who receive the NFLG scholarship visit the company

Public Welfare

We donated **1 million** RMB to the Fengze District Health Bureau of Quanzhou city for the construction of the "Tongxin Building;" donated **0.36 million** RMB to the Fengze District Charity Federation for student aid, disaster relief, poverty alleviation, medical assistance, and social welfare to promote the development of charity in Fengze District.

We donated **2 million** RMB to the Red Cross Society of Quanzhou and Xiantao City to support the development of local public welfare undertakings.

We donated **0.1 million** RMB to Huada Street Office in Quanzhou City to contribute to the emergency response for sudden public health incidents.



We collaborated with Bank of Quanzhou to create the "Leisure Life Market • New Life for Old Items" to call for more people to practice a green, low-carbon, and environmentally friendly lifestyle through interesting interactions and handmade DIY activities.



Governance

Corporate Governance



Risk Management



Internal Control and Compliance



Business Ethics



Information Security



R&D Innovation and IPR Management



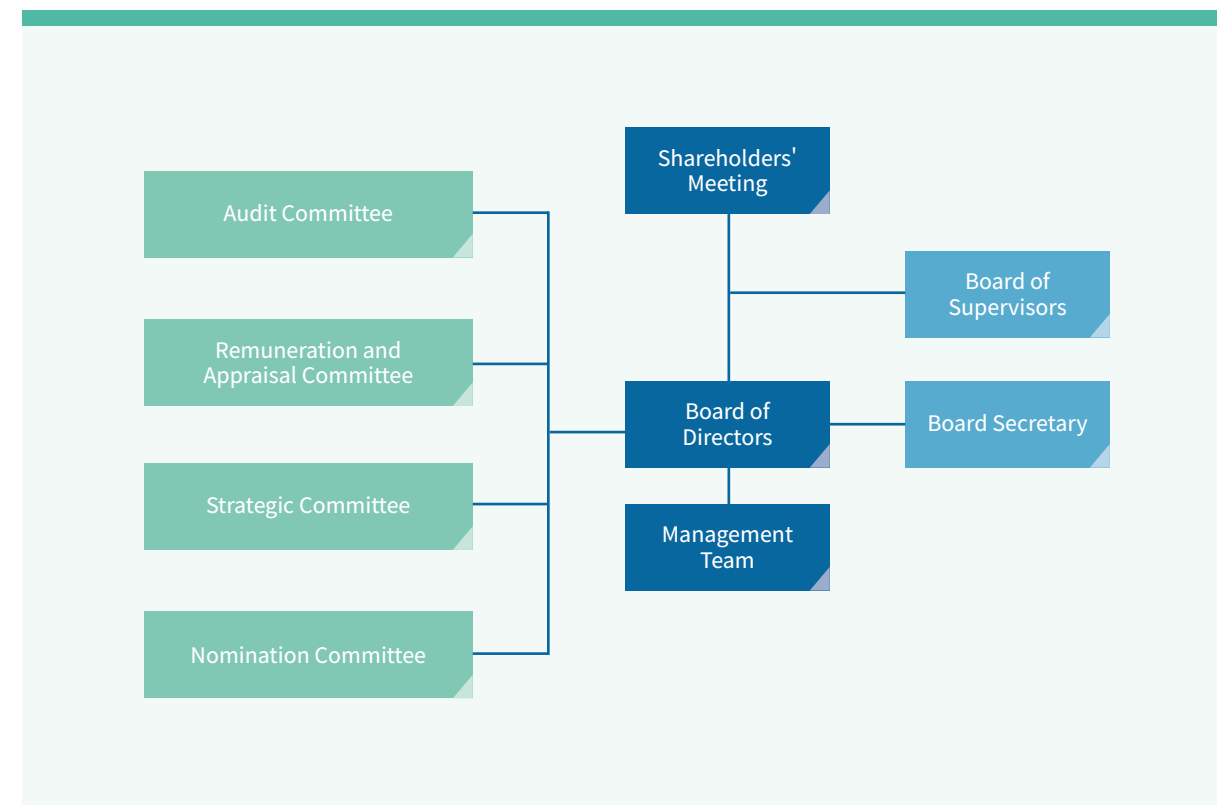
Tax Compliance



Corporate Governance

NFLG strictly adheres to the relevant laws and regulations, such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. We have established a corporate governance structure composed of the shareholders' meeting, the board of directors, the board of supervisors, and the management team. The corporate governance structure is responsible, scientifically efficient, mutually coordinated, and balanced. We have formulated a series of governance

system documents, such as the "Articles of Association," "Rules of Procedure for Shareholders' Meetings," "Rules of Procedure for Board Meetings," "Rules of Procedure for Supervisory Board Meetings," and "Independent Director Working System," continuously improving the governance mechanism and standardizing our operation, enhancing level of corporate governance, and ensuring the high-quality development of NFLG.



Board of Directors

We are committed to building a diversified board of directors and continuously improving a scientifically efficient governance mechanism. We incorporate ESG concepts into management and constantly enhance the management level of ESG issues. Our board of directors have established four specialized committees: The Strategic Committee, the Audit Committee, the Nomination Committee, and the

Remuneration and Appraisal Committee. Each committee diligently fulfills its duties in accordance with relevant laws and regulations, regulatory requirements, and the "Rules of Procedure for Board Meetings," fully leveraging their professional advantages to provide scientific decision-making for major matters of us and support and guarantee the professional operation of the board of directors.

Strategic Committee

The Strategic Committee is comprised of three directors and primarily responsible for reviewing development strategy, operational plans, investment and financing proposals, annual financial budgets, and financial closing schemes. The committee provides recommendations to the board of directors, and oversees and examines the implementation of our business plans and investment proposals.

Audit Committee

The Audit Committee is comprised of three directors, two of whom are independent; and the committee is convened by an independent director. The Audit Committee is primarily responsible for overseeing and evaluating both internal and external audit activities, internal controls, reviewing our financial reports, and providing opinions.

Nomination Committee

The Nomination Committee is comprised of three directors, two of whom are independent; and the committee is convened by an independent director. The Nomination Committee is primarily responsible for studying the criteria and procedures in selecting directors and CEOs, reviewing the qualifications of director and senior executive candidates, and providing recommendations to the board of directors.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee is comprised of three directors, two of whom are independent; and the committee is convened by an independent director. The Remuneration and Appraisal Committee is primarily responsible for formulating compensation schemes for directors, supervisors, and senior executives, conducting performance evaluations of the board of directors, and assessing the performance of senior executives.

During the reporting period

We held board meetings

7

Times

Deliberated on the proposals

41

Items

We held specialized committee meetings

2

Times

Deliberated on the proposals

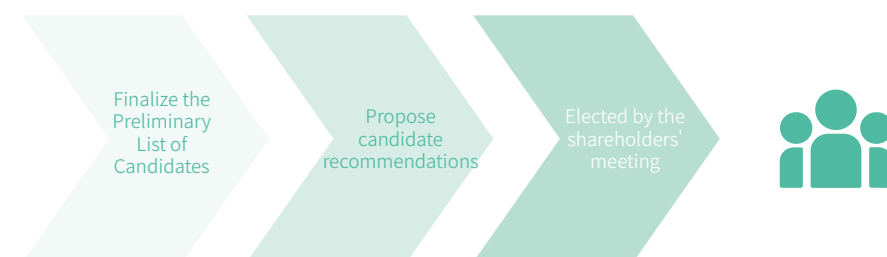
3

Items

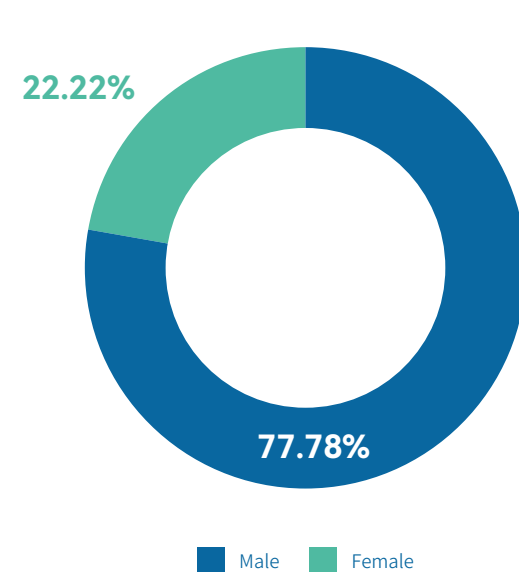
Diversification and Specialization

The Nomination Committee strictly follows the "Articles of Association" and the "Working Rules of the Nomination Committee" to rigorously fulfill the screening and nomination procedures for directors and senior executives. Based on our actual situation, we consider factors such as gender, age, professional background, work experience, and social responsibilities to select candidates and determine the initial list of candidates. After reviewing their qualifications based on the appointment criteria for directors and senior executives, the Nomination Committee proposes candidate recommendations to the board of directors. Director candidates approved by the board of directors are submitted to the shareholders' meeting for voting and are elected by the shareholders' meeting.

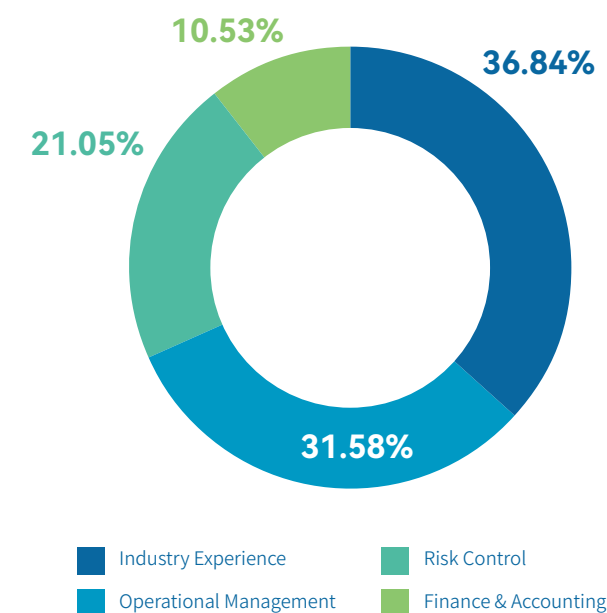
The current board of directors is composed of nine directors who have different genders, ages, professional abilities, and background experiences. Among them, two directors are female, made up of 22.22% of board members, and three are independent directors, all with a master's degree or above, accounting for 33.33% of total board members. The board members possess corresponding professional abilities in operational management, risk control, financial accounting, etc., and have extensive industry experience. The professionalization and diversification of the directors provide important guarantees for the board's scientific decision-making.



Directors by gender



Directors by professional background



Name	Occupation	Age	Professional Background				Attendance Rate(Board of directors and special committees)
			Industry Experience	Operational Management	Risk Control	Finance & Accounting	
Fang Qingxi (M)	Chairman	75	✓	✓	✓		100%
Fang Kai (M)	Vice Chairman, new CEO (after the reporting period)	46	✓	✓	✓		100%
Zuo Keli (M)	CEO and Director (within the reporting period)	66	✓	✓			100%
Wan Jingwen (F)	Director, CFO, Board Secretary	62	✓	✓	✓	✓	100%
Peng Siming (M)	Director, Chief Engineer	55	✓	✓			100%
Huang Wenjing (M)	Director, Chief Engineer	48	✓	✓			100%
Zhang Yongkui (M)	Independent Director	59				✓	100%
Jiao Shengjie (M)	Independent Director	68	✓				100%
Chen Yang (F)	Independent Director	44			✓		100%

Directors and Executives Compensation

The board of directors has established the Remuneration and Appraisal Committee, which is responsible for formulating the compensation plans for directors and senior executives. According to the "Articles of Association" and "Working Rules of the Remuneration and Assessment Committee," the director's compensation package is submitted to the board of directors for approval and then submitted to the shareholders' meeting for voting, while the senior executive's compensation package is approved by the board of directors through the Remuneration and Appraisal Committee.

According to "the proposal on director and supervisor remuneration for the year 2022" approved at our annual shareholders' meeting in 2021, directors who are not holding physical positions within NFLG will not receive director's remuneration. Directors who are holding positions within

NFLG will receive corresponding remuneration based on their specific positions. Independent directors will receive director's allowances.

We have implemented an employee stock incentives program, allowing directors and senior management to indirectly hold NFLG stocks through the employee shareholding platform. This establishes a long-term incentive and restraint mechanism to stimulate the enthusiasm and creativity of directors and senior management, effectively combining their interests with NFLG and shareholders to ensure the achievement of our operational goals. As of now, our directors and senior management collectively hold 57,850,002 shares, accounting for 53.36% of the total share. Among them, CEO holds a total of 7,200,002 shares, accounting for 6.64% of the total share.

RPT and Conflicts of Interest

To regulate related party transactions, safeguard the legitimate rights and interests of shareholders, especially minority shareholders, we have formulated the "Implementation Rules for Related Party Transactions" based on relevant laws and regulations. The rules clarify the scope of related party transactions, the decision-making process, information disclosure, and other matters. We adhere to the principles of fairness, impartiality, openness, equity, equality, voluntariness, equivalence, and remuneration in related party transactions, strictly follow the approved decision-making procedures, implement the avoidance mechanism for related shareholders and directors, fulfill information disclosure obligations, to ensure that related party transactions are compliant, reasonable, and fair, fully safeguarding shareholders' rights and interests.

According to the "Articles of Association," directors have a fiduciary duty to NFLG. Without the consent of the shareholders' meeting, directors shall not use their positions to seek business opportunities that belong to NFLG for themselves or others, engage in self-operated businesses, or engage in businesses similar to our operations on behalf of others. Directors are required to report their positions as directors or senior management in other organizations, which will be disclosed to shareholders and the public in the annual reports to prevent conflicts of interest and safeguard the interests of NFLG and shareholders.

Enhancement of Performance Capabilities

We attach importance to the continuous improvement of the performance capabilities of directors, supervisors, and senior management. We actively organize them to participate in various trainings organized by the local offices of the China Securities Regulatory Commission (CSRC), securities exchanges, and external institutions to continuously improve our standardized operation level.

During the reporting period, we organized directors, supervisors, and senior management to participate in 5 trainings on listing regulations, information disclosure rules, and compliance in respect to the role and responsibilities of directors, supervisors, and senior management, hosted by CSRC (Fujian), the Shanghai Stock Exchange, securities companies, and law firms.



Performance capabilities
enhancement trainings
5
Sessions

Investor Relations Management

We strictly follow relevant laws, regulations, listing regulatory rules, and internal regulations such as the "Articles of Association" and the "Rules of Procedure for Shareholders' Meeting" to perform the procedures such as convening, holding, and voting at shareholders' meetings, and provide online voting channels for shareholders, fully guaranteeing the rights of all shareholders, including the right to be informed, the right to participate, the right to vote, and the right to supervise. At the same time, through separate vote counting mechanisms for small and medium-sized investors, we effectively protect the rights and interests of minority shareholders.

We have developed the "Investor Relations Management System" to guide investor relations management and strengthen communication and interaction between NFLG and investors. We strictly fulfill our disclosure obligations according to relevant regulations, providing investors with true, accurate, complete, timely, and fair disclosure of company information. We also proactively and promptly report relevant matters to regulatory authorities in order to accurately grasp the requirements for information disclosure and strive to improve transparency and the quality of information disclosure. We have established diversified investor communication mechanisms, actively engaging in communication and exchange with investors through various means such as E-interaction platforms, investor hotline, performance briefings, investor open days, and investor surveys. This ensures that investors and other stakeholders can promptly understand our situation and fully grasp the suggestions and expectations of investors and other stakeholders.

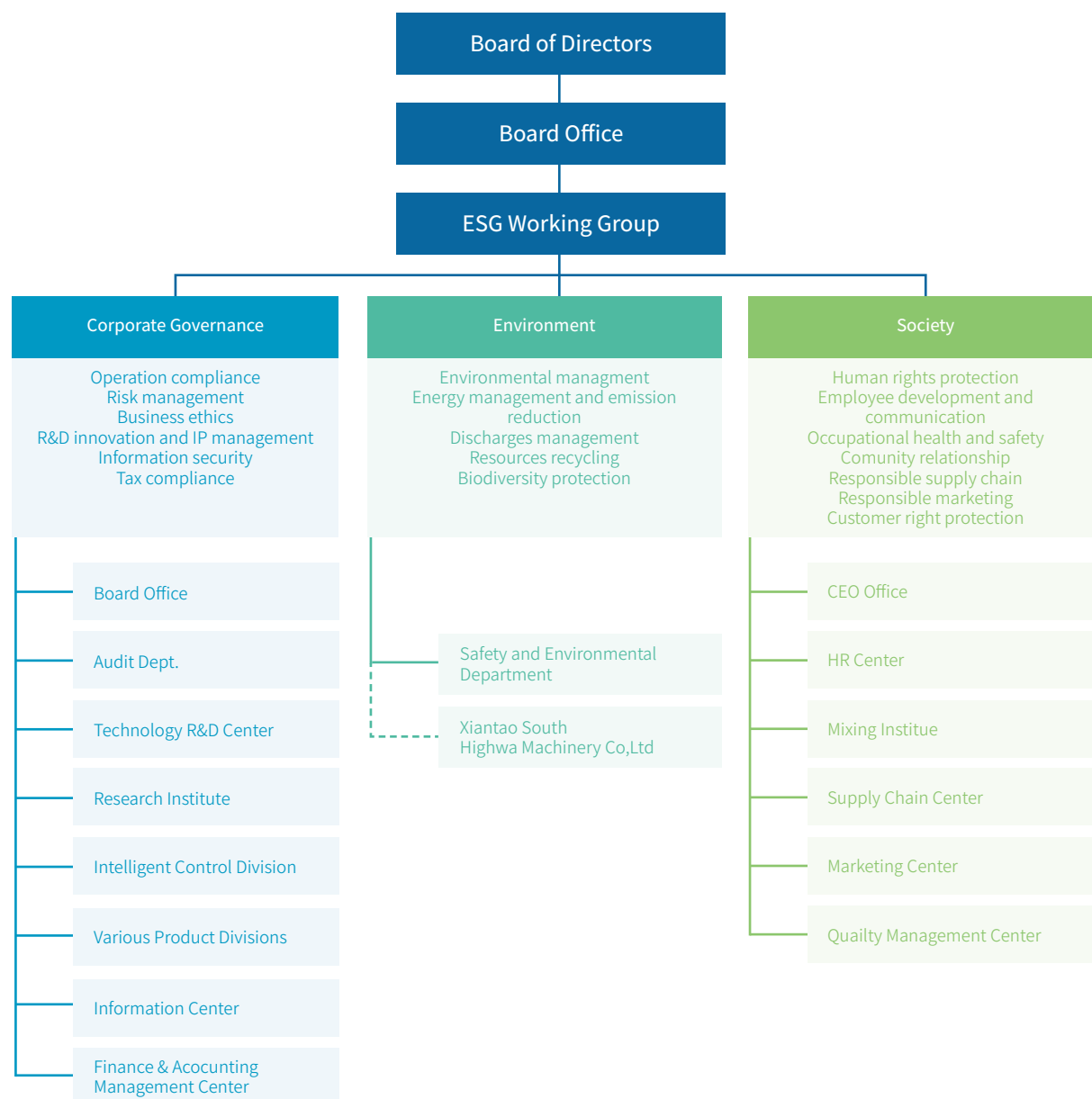


ESG Governance

We integrate ESG concepts into our business management by establishing a sound and effective ESG governance framework. We continuously enhance our ESG management level to strengthen resilience in responding to sustainable development risks and opportunities during the business development process, ensuring our sustainable development.

To promote and implement ESG work and strengthen ESG management, we have established an ESG working group,

consisting of three sub-groups: corporate governance, environment, and society. Each sub-group is composed of relevant functional departments responsible for implementing specific ESG tasks. At the operational management level, we follow a weekly and quarterly reporting mechanism. The executives report to the chairman through the weekly senior management meetings and quarterly company management meetings, ensuring the stable and orderly progress of various ESG tasks.



Risk Management

Based on the latest "State of the Climate in Asia in 2022" published by the World Meteorological Organization, the impact of extreme weather and climate change in Asia is intensifying. Increasing frequency of extreme weather caused by climate change has resulted in significant socioeconomic damage. NFLG deeply understands the impact and challenges that climate change will bring to human life and corporate development. We refer to the sustainable development risk classification of TCFD to identify and assess the sustainable development risks we may face. We formulate corresponding low-carbon transition plans and take effective measures to address climate change risks and opportunities, thereby enhancing business resilience and sustainable development value.

Risk Type	Climate-related Risks	Resilience
Physical Risk	In the event of extreme weather or natural disasters, such as super typhoons, floods, heavy rainfall, heat, etc., it may have adverse effects on the our production and business operations.	We formulate emergency plans and response procedures to address the impact of extreme weather and natural disasters.
Transition Risk	Marco economics and policy risks: Our products are widely used in infrastructure such as buildings, roads, bridges, tunnels, water conservancy, and real estate development. Downstream industries of NFLG are significantly influenced by macroeconomic factors. Fluctuations and adjustments in the macroeconomy can affect fixed asset investments in downstream industries, subsequently impacting the market supply and demand for our products. Major adverse adjustments to macroeconomic or industrial policies related to the aforementioned sectors by the government could inevitably have a negative impact on the our profitability and operational performance.	We center strategic positioning around integrated, digitalized, intelligent, environmentally-friendly, and internationalized product services. We continually delve into building a multi-layered product system along the entire aggregate industry chain. Additionally, we proactively lay groundwork in future industry directions such as integrated construction solid waste resource utilization, environmentally smart mixing plants, intelligent dry mortar mixing production lines, and integrated mixing equipment for manufactured sand and dry mortars. This is aimed at enhancing our capability and competitive advantage in delivering comprehensive integrated solutions to customers. Simultaneously, we are actively expanding our presence in overseas markets, accelerating internationalization efforts, and further refining our global business ecosystem.

Transition Risk	<p>Technology risk: With the rapid development of China's construction machinery industry and the transformation of industry production and operational models, factors such as networking, digitalization, environmental protection, energy efficiency, and recycling have become significant market demand drivers and industry development trends. We need to maintain a forward-looking perspective, rapid responsiveness, and continuous development capabilities in order to meet downstream market demands. However, due to uncertainties stemming from industry development and changes in customer demands, certain risks are present. On one hand, if we are unable to timely complete the development of new products or technologies as planned, or lack competitive advantages in terms of performance, quality, or cost, there could be risks of R&D failure. On the other hand, some newly designed products by NFLG may lack authoritative industry standards in the market, leading to disputes and litigation risks due to changing customer requirements or differences in the interpretation of technical specifications.</p>	<p>We will continue to enhance our technological development and independent innovation efforts. Building upon the existing technological resources and R&D capabilities. We will continually upgrade our R&D center, introduce advanced software and hardware equipment, and enhance our capability to transform technological achievements into practical applications and improve product development efficiency. Simultaneously, we actively seek to learn from advanced technologies abroad, collaborating with leading research institutions and universities both domestically and internationally. By staying attuned to market demands and technological trends, we engage in research and development as well as forward-looking planning in hot application areas like construction waste resource utilization and potential application domains. This approach aims to boost our capacity for new product development and our technological competitive strength.</p>
	<p>Market risk: Relying on exceptional product quality, stable performance, and professional after-sales service capabilities, we have already built a solid base of high-quality market clients, including China Railway Group Limited, China Communications Construction Group, Beijing Oriental Yuhong Waterproof Technology Co., Ltd., Zhejiang Communications Construction Group Co., Ltd., and SikaDavco. However, in order to further enhance our operational performance and profitability, it's necessary to continuously tap into new downstream market demands and develop new customers. Although we have established a strong market presence, we should remain proactive in adapting to potential changes in downstream market needs or our own product competitiveness. If in the future we face challenges in expanding our customer base or market due to a decline in product competitiveness or shifts in market demand, we could impact our performance adversely.</p>	<p>Building upon our existing product portfolio, we will actively engage in R&D of new technologies and products, particularly in areas representing future industry development trends such as construction waste resource utilization. This will solidify and strengthen our advantage in providing comprehensive integrated solutions. Simultaneously, we will continue to advance our product marketing and after-sales service network, enhancing service quality and capability to boost market competitiveness and effectively meet the demands of new customers. Furthermore, we are committed to international development and exploration. We will intensify our marketing efforts for overseas sales, aiming to tap into new regional markets and expand the geographical scope of our business coverage, accelerating internationalization efforts.</p>

Internal Control and Compliance

We have established a risk-oriented internal control system, continuously improving internal control regulations and processes, strengthening risk control at critical points, and implementing internal control supervision and inspection. This effectively prevents various major risks that may occur during the company's operations, ensuring compliance and stable operation. The audit committee under our board of directors is responsible for guiding, supervising, and reviewing the establishment and implementation of the internal control system. The management team is responsible for organizing and leading the daily operation of internal control. The audit department is responsible for formulating and improving internal control regulations, as well as inspecting and evaluating the integrity, rationality, and effectiveness of the implementation of the internal control system. The audit department reports the inspection and evaluation results at the quarterly/annual company management meetings and reports to the audit committee, accepting guidance and supervision of the audit committee.

Internal Control Construction

We establish sound internal control procedures for our main business activities and key processes. We formulate internal control systems, and continuously promote internal control construction by integrating strategic planning, current development status, product increments, functional adjustments, cost reduction requirements, etc. We constantly improve critical points of risk control to form effective internal management and control. Currently, we are advancing the internal control optimization project by reviewing and revising the internal control manual,

adding corresponding internal control procedures based on new business product lines, optimizing contract management and seal management procedures, identifying and strengthening control over risks such as foreign exchange, war, and industry standards that may be involved in overseas business. Additionally, we enhance credit guarantee processes, etc., through adding or optimizing control processes, control objectives, and improving risk control matrices to continuously enhance the level of internal management and business compliance operation.

Internal Control Inspection

We timely identify defects and issues in the construction and operation of the internal control system through routine audits, special audits, internal control evaluations, and other supervisory inspection methods. We urge relevant departments or business units to rectify and improve them to achieve effective control of risks and ensure the realization of the company's development strategies and business objectives. During this reporting period, we conducted an internal control evaluation and will make it a routine supervisory inspection work each year in the future.

Six special audit projects were carried out by functional departments such as the headquarters supply chain center and marketing center, covering areas such as procurement, sales, costs, and workers' compensation. Additionally, internal audits were conducted on finance, procurement, outsourced services, inventory, and other aspects of Xiantao South Highway Machinery Co, Ltd. Based on audit findings, rectification and optimization were carried out to strengthen internal control and effectively prevent operational risks.

Business Ethics

We strictly abide by the laws and regulations such as the Unfair Competition Law of the People's Republic of China and the Anti-Monopoly Law of the People's Republic of China, and the relevant policies and regulations where we operate. We adhere to the principles of compliance, fairness, and integrity and conduct business activities with high ethical standards. We resolutely oppose any forms of corruption, bribery, fraud, and other improper behaviors, actively advocate and maintain an environment of integrity, fairness, and freedom in business.

Anti-Corruption and Anti-Bribery

We adopt a zero-tolerance attitude towards corruption and bribery. We explicitly define anti-corruption, anti-bribery, and conflict of interest provisions in the "Employee Handbook" and establish a reward and punishment mechanism. Corruption and commercial bribery behaviors by employees are classified as particularly serious disciplinary offenses, for which corresponding penalties are established. To further prevent corruption risks, management personnel or relevant department personnel responsible for procurement and related work are required to sign the "Commitment of Anti-Commercial Bribery, Integrity and Self-discipline," promising to comply with relevant laws, regulations, and the company's integrity and compliance rules, prohibiting all forms of corruption and bribery, and preventing potential conflicts of interest. If the aforementioned personnel violate their commitments, we will impose penalties and hold them accountable.

We attach great importance to the clean management of suppliers and distributors.

For suppliers

We review and guard against potential integrity risks from suppliers through qualification verification, on-site inspections, and other forms. Suppliers are required to sign the "Integrity Convention for Company Cooperation " in which they commit not to bribe company personnel in any way, refuse solicitation of bribes from company personnel, and refrain from any other inappropriate behavior as stipulated in the convention. If a supplier violates the integrity convention, we have the right to take actions such as cancelling the supplier's qualification, requesting the return of improper gains, and pursuing legal responsibilities.

For distributors

We require distributors to sign the " Commitment of Anti-Commercial Bribery " in which they commit not to request or deliver any bribes or other illegitimate benefits to company personnel. Distributors are also required to proactively report any related relationships to the company. If a distributor violates the integrity commitment, we have the right to take actions such as terminating cooperation, reclaiming liquidated damages, and pursuing legal responsibilities.

In addition, we continuously monitor potential corruption issues and urge corrective actions through internal audits, internal control reviews, and other supervisory measures to effectively prevent corruption risks. No corruption or bribery incidents occurred during the reporting period.

Anti-unfair Competition and Anti-Monopoly

We advocate for free and fair competition and strictly complies with national and regional regulations on anti-monopoly and anti-unfair competition. In business activities, we strive to ensure fair competition behavior and maintain economic market order. Personnel responsible for procurement and related work are required to strictly organize purchase in accordance with the company's procurement approval procedures, adhere to the principles of fairness, impartiality, and transparency, and refrain from applying unreasonable conditions or discriminatory treatments to suppliers, setting biased qualification

thresholds or technical clauses, excluding or restricting other potential suppliers, colluding with suppliers or purchasing units, abusing power to forcibly designate suppliers, intervening in normal procurement activities, engaging in improper economic transactions with purchasers or suppliers, and obtaining illegitimate benefits. If our employees engage in such unfair competition behavior, we will take appropriate measures and hold them accountable in accordance with internal regulations and punishment mechanisms. No incidents related to unfair competition or monopoly occurred during the reporting period.

Complaint Mechanism and Whistleblower Protection

We encourage employees, suppliers, and other stakeholders to supervise NFLG's business activities and report any behaviors that violate business ethics. We provide clear and accessible complaint channels for employees and suppliers, which are specifically listed in the " Commitment of Anti-Commercial Bribery, Integrity and Self-discipline" signed by employees and the "Integrity Convention for Company Cooperation" signed by suppliers. Our audit department is responsible for receiving and handling complaints. To stimulate the enthusiasm and proactiveness of employees, suppliers, and other stakeholders in reporting complaints, and to timely and effectively discover and prevent ethical risks, we have established rewarding mechanisms to provide appropriate rewards to complainants when related

complaints are verified.

In terms of whistleblower protection, we strictly implement a mechanism to keep the complainant's information confidential and take strict measures to protect the identity information and complaint materials of complainants, effectively safeguarding their legitimate rights and interests. When we reward a whistleblower, we shall not disclose their identity without their consent. If it is found that any company personnel retaliate against the complainant or whistleblower, we will give warnings, dismissals, and other punishments according to the severity of the situation, and pursue their corresponding legal responsibilities.

Information Security

NFLG places great importance on information security and gradually integrates information technology into all aspects of company operations and supply chain management. We provide important support and technical guarantee for product production efficiency and quality control by continuously building stable and reliable technical infrastructure and a complete integrated technical platform. In terms of information security management, we strictly comply with relevant laws and regulations such as the "Cybersecurity Law of the People's Republic of China," and have formulated a series of internal information security management systems such as the "Information Security Management System", "Encryption System Management Policy", "Computer Room Management System", "Computer Standardized Installation Guidelines", and "Network Standards and Specifications" to guide and regulate the company's information security management work. We

continuously improve information security management mechanisms, constantly enhance information security management level, and safeguard enterprise information security.

We have established an information security team, with CEO as the team leader and the Director of the Information Center as the deputy team leader. The team members are composed of operational and maintenance personnel in Information Center and designated information security officers from various departments. When an information security risk occurs in the department, the information security officers timely report it to the Information Center for handling. Events involving general information security are reported to the Director of the Information Center, while events involving major information security are reported to CEO.

Information Security Management

Based on internal information security management systems, we carry out information security management work in areas such as physical security, terminal security, network security, application system security, data security, and operations and maintenance security. For example, we set up firewalls, antivirus software, and other technical protection measures to monitor and deal with information security risks and vulnerabilities in real-time. We implement internal and external network access management, back up

business data and regularly check backup systems, strictly implement file encryption and decryption mechanisms, and differentiate encryption levels according to different business attributes. We conduct regular inventory checks on all computers, servers, and network equipment within NFLG, and audit the operational behavior of company and department staff. In addition, we strengthen employees' information security awareness through information security training for new hires.

Emergency Response

We have established a network information security emergency leadership group, set up an information security reporting mechanism, and formulated the "Network and Information Security Incident Emergency Plan" to effectively prevent, control, and minimize the harm and impact of information security emergencies, ensuring the smooth operation of information systems and networks. Each department should promptly report to the emergency leadership group for any potential or occurring network and information security emergencies. For major and particularly significant network and information security emergencies, there is a reporting system for the situation follow-up and daily reports. After receiving the report, the emergency leadership group will promptly study and determine the event level and activate the corresponding emergency plan. We have formulated emergency response plans for different information security incidents. After the emergency plan is activated, the emergency leadership group will lead and coordinate the emergency response work. Once the work is completed, an incident investigation team will be established to conduct a comprehensive investigation of the incident and the response process, summarize experiences and lessons, optimize and adjust the emergency response plan, in order to enhance the company's ability to handle information security incidents, effectively prevent and respond to information security risks.

During this reporting period, our subsidiary Xiantao South Highway Machinery Co, Ltd. experienced a sudden information security incident due to a virus attack. We promptly activated the emergency plan and implemented emergency measures such as network and server isolation, server redeployment, comprehensive inspection and antivirus, and data backup recovery, ensuring quick and effective response to the unexpected incident. This incident did not cause substantial impact on the company. To prevent similar information security incidents from recurring, we conducted a comprehensive internal network inspection using situational awareness devices, promptly discovered and handled information security risks and vulnerabilities, and tested and deployed enterprise antivirus software to improve the company's internal information security protection level and further enhance the company's information security management capability.



Information security training for new employees

R&D Innovation and IPR Management

We highly recognize that research and development innovation is the inexhaustible driving force for the company's high-quality development. We adhere to the independent innovation strategy of original innovation, introduction, digestion, absorption, and re-innovation, continue to invest in research and development innovation, improve the scientific research system, increase technological development and independent innovation efforts, benchmark international first-class technology, actively carry out industry-university-research cooperation and international cooperation, and continuously improve our independent innovation capability.

R&D Innovation

After years of exploration and accumulation, we have obtained core technologies such as "efficient composite shaft stirring technology," "rotor self-balancing crushing technology for crushers," and "key technology for flexible heating of asphalt reclaimed materials," and have been recognized as a high-tech enterprise in Fujian Province, a leading little giant of technology enterprises in Fujian Province, and a key research and development demonstration enterprise in Quanzhou. We also have a post-doctoral research workstation.

Our Technology Research and Development Center, Research Institute, Intelligent Control Division, and Various Product Divisions are responsible for technology research and development work

- The Technology Research and Development Center consists of specific functional departments such as the Technology Office, Technology Pre-Research Planning Department, Structural Optimization Department, and Environmental Protection Department, which respond to the technical needs of the company's various product divisions to conduct research and development of new products and technologies.
- The Research Institute includes a research center, post-doctoral research workstation, industry-university-research management department, etc., mainly responsible for researching cutting-edge technologies, guiding the company's key technical issues, conducting academic exchanges and cooperation, and managing graduate student training.
- The Intelligent Control Division conducts research and development and provides technical support for intelligent control platforms per company's product planning needs.
- Each product division conducts research and analysis of market and customer demands, engages in product research and development innovation, and promptly collaborates with other research and development departments to communicate new technology development requirements. They participate in research and development projects related to technical modules and fundamental theories to ensure the specificity and timeliness of the development.

Our products and technologies have received numerous honors and awards in recent years

- The dry mortar production equipment was awarded the national-level "Specialized Champion Product in Manufacturing Industry (2021-2023)".
- The "Key Technology Development and Industrialization of Intelligent Complete Equipment for High-Value Utilization of Construction Muck" project was selected as a "key technology innovation and industrialization project" in Fujian Province in 2022.
- The "Production Equipment and Production Method of High-Quality Asphalt Mixture" project received the "First Prize of Patent Award of Quanzhou in 2020".
- The "Two-Stage Positive and Negative Pressure Stereoscopic Automatic Sorting Technology and Equipment for Lightweight Construction Waste" was awarded the "Best Practical Technology (BAT) for 2021-2022 National Construction Waste Resource Utilization" by the Construction Solid Waste Utilization Branch of China Aggregates Association.



To encourage and support research and development innovation, attract and cultivate advanced technical talents, and stimulate the innovation enthusiasm of personnel, we have formulated the "Intellectual Property Rewards and Punishments System", which provides corresponding rewards to employees who have obtained patent acceptance or authorization for their service invention and creation. It also serves as an important basis for technical position appointment, promotion, and performance evaluation. The annual "Invention and Creation Award" and the title of "Excellent Patent Worker" are established internally, and employees through internal evaluation are eligible for receiving corresponding rewards and honors. We have also established and continuously improved relevant regulations and systems such as the "Patent Incentive Measures", implemented project management for Integrated Product Development (IPD), strengthened the standardization of product development processes, monitored various stages of product research and development and testing, and established a closed-loop research and development quality assurance system that is process-controlled and well-connected. We have established channels for technical exchanges between research and development personnel and domestic universities, as well as advanced enterprises in global industries. We regularly organize research and development personnel to go abroad or invite domestic and foreign experts to the company for technical exchanges.



Completed research and development projects

12

Cases



Ongoing research and development projects

15

Cases

In addition, we actively collaborate on technological research and development with well-known universities, research institutions, and academies such as the Haixi Institutes, Chinese Academy of Sciences, the Research Institute of Highway Ministry of Transport, and Huaqiao University to grasp market demand and technological development trends, conduct research and development and forward-looking layout in hotspot application domains and potential application areas such as construction waste resource utilization, and enhance the company's new product development capabilities and technological competitive strength. We have established a long-term collaborative mechanism with Huaqiao University, recruited post-doctoral fellows to promote technological exchange and cooperation, established a training base for graduate students, and cooperated in research projects and internships for graduate students to conduct research and development on intelligent control technologies such as online detection of aggregate grading. Through research and development cooperation, we provide strong technical support for product development and market layout of our company.

During this reporting period, we have carried out innovation upgrades for crushing and screening equipment, mixing equipment, and resource utilization equipment in terms of capacity, energy-saving, and intelligent separation. A total of 12 research and development projects were completed. As of now, we have a total of 15 ongoing research projects. In addition to optimizing and upgrading each product line of crushing and screening equipment and mixing equipment, we focus more on innovation and upgrading in the areas of equipment intelligence, automation, integration, and compatibility.



IPR Management



New patent applications

68

Items

New patent authorizations

65

Items

Accumulated patent authorizations

689

Items

Accumulated registered copyrights

22

Items

We have established an intellectual property management system and formulated regulations such as the Intellectual Property Management Manual, Intellectual Property Management Measures, and Patent Management Measures in accordance with the relevant laws and regulations of the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and the Trademark Law of the People's Republic of China, as well as the national standard GB/T29490-2013 "Enterprise Intellectual Property Management". We manage and control various aspects of intellectual property acquisition, maintenance, utilization, and protection to effectively protect company's intellectual property.

We strictly review and register new technologies and new products in accordance with the internal management system of intellectual property, and timely applies for intellectual property registration protection. We have established a confidentiality control mechanism, on the one hand, by classifying technical information as top secret and limiting the scope of knowledge, strictly implementing the procedures for the transfer, storage, and destruction of technical secrets; on the other hand, by adopting technical means to manage and control confidential equipment and networks, such as implementing dual network isolation for R&D technicians' internet access, physically locking workstations, strictly prohibiting the use of external hard drives, and encrypting confidential drawings. In addition, we sign confidentiality agreements and non-competition agreements with technical personnel, and specifies corresponding punitive measures for those who violate confidentiality regulations through the "Intellectual Property Reward and Punishment System".

During the reporting period, we filed 68 new patent applications and were granted 65 new patent authorizations. As of December 31, 2022, we had obtained a total of 689 patent authorizations and registered 22 copyrights.

Tax Compliance

We strictly comply with the national tax laws and regulations, such as the Corporate Income Tax Law of the People's Republic of China, as well as all relevant tax laws and regulations applicable to each business location. We formulated an "Internal Control Manual" to identify and manage tax risks that may arise in the company's business processes in accordance with internal control procedures, and took effective control measures for key risk points. In addition, we hire external organizations to conduct annual tax audits, and regularly communicate with the tax authorities and external tax consultants. By organizing relevant department personnel to participate in tax-related trainings organized by external agencies, we strengthen the awareness of tax risk prevention and enhance tax professional capabilities, thereby improving the company's tax management level.

During the reporting period, our total tax payment amounted to 59.15 million RMB.



Our total tax payment amounted to

59.15

million RMB

Data Overview

Environment

Indicators	Units	2022
Environmental Protection Investment		
Total annual investment in environmental protection	Ten-thousand RMB	78.50
Environmental Compliance		
Number of environmental violations	Times	0
Number of environmental emergency drills		4
Emissions		
GHG		
Scope 1: Direct emissions	tCO ₂ e	425.14
Scope 2: Indirect emissions		3,489.04
GHG total emissions		3,914.18
GHG emissions density	tCO ₂ e/hundred-million RMB of operating revenue	321.56
Emission of Waste Air Pollutants		
Nitrogen Oxides (NOx)	Tons	0.10
Particulate Matter (PM)		0.87
Non-Methane Total Hydrocarbons		28.10
Toluene		0.14
Xylene		0.51
Aromatic Compounds		0.77

Indicators	Units	2022
Emission of Waste Water Pollutants		
Chemical Oxygen Demand (COD)	Tons	24.08
Biochemical Oxygen Demand (BOD ₅)		8.97
Ammonia Nitrogen		1.21
Waste		
Hazardous Waste		
Hazardous waste produced	Tons	61.16
Hazardous waste transferred and disposed		61.16
General Waste		
Industrial waste produced	Tons	1,761.00
Industrial waste recycled		1,761.00
Water Resources		
Water withdraw	m ³	95,846.00
Energy Consumption		
Electricity consumption	kWh	6,117,910.00
Natural gas consumption	m ³	75,327.00
Gasoline consumption	Liters	20,200.00
Diesel consumption		59,434.00
Products Materials Consumption		
Materials recycled in the production of product	Tons	5.00

Market

Indicators	Units	2022
Product Qualification		
Total qualified number of products	Units	371
Total number of products		371
Product qualification rate	%	100.00
Incidents of Violations Involving Health and Safety Impacts Related to Products and Services		
Total number of violations involving health and safety impacts related to products and services	Cases	0
Incidents of Violations Related to Product and Service Information and Labeling		
Total number of violations involving product and service information and labeling	Cases	0
Incidents of Violations Related to Marketing Communications		
Total number of violations related to marketing communications	Cases	0
Customer Complaints		
Total number of customer complaints	Cases	0
R&D Input		
Total annual investment in technology or R&D	Ten-thousand RMB	6,424.02
Intellectual Property Rights		
Number of new patents applied	Cases	68
Number of new patents granted		65

Indicators	Units	2022
Suppliers Management		
Annual Cooperated Suppliers by Region		
Suppliers in Mainland China	Counts	533
Suppliers in other regions		5
Suppliers in the province where the company is located		291
Total amount		538
Suppliers Audit		
Number of suppliers subjected to quality management system audit	Counts	41
Number of suppliers subjected to performance evaluations		380
Number of newly admitted suppliers		40
Distributors Management		
Distributors by Region		
Number of distributors in Mainland China	Counts	22
Number of distributors in other regions		8
Number of distributors in the province where the company is located		2
Total		30
Distributors Audit		
Number of distributors audited	Counts	30
Number of newly admitted distributors		4
The proportion of newly admitted distributors audited to the total number of audited distributors	%	13.33

Employment

Indicators	Units	2022
Employee Composition		
Total Number of Employees	Persons	1,215
Number of non-employees workers		26
Gender Distribution of Employees		
Male	Persons	1,044
Female		171
Age Distribution of Employees		
Under 30 years old	Persons	270
30 to 50 years old		781
Over 50 years old		164
Educational Background Distribution of Employees		
Master degree and above	Persons	33
Bachelor degree		385
College		355
Others		442
Nationality Distribution of Employees		
China	Persons	1,213
Others		2
Distribution of Employee Professional Categories		
Production staff	Persons	578
Sales staff		112
Tech staff		287
Financial staff		20

Indicators	Units	2022
Management staff	Persons	218
Female production staff		28
Female sales staff		34
Female tech staff		28
Female financial staff		17
Female management staff		64
Local hiring		
Number of local hiring	Persons	820
Local hiring ratio	%	67.49
Female local hiring	Persons	134
Female local hiring ratio	%	11.03
Number of executives of local hiring	Persons	21
Proportion of executives of local hiring	%	1.73
Number of female executives of local hiring	Persons	1
Proportion of female executives of local hiring	%	0.08
Gender Distribution of Management		
Male management	Persons	98
Female management		24
Female executives		1
Female departmental management		23
Proportion of female management	%	19.67
Employment of Disabled Persons		
Number of disabled employees	Persons	2

Indicators	Units	2022
Proportion of disabled employees	%	0.16
Contract Signing		
Employees with labor contracts	Persons	1,215
Rate of labor contract signing	%	100.00
Employee Turnover		
Number of resigned employees	Persons	173
Total number of employees at the beginning of the year		1,211
Total number of new recruitments during the year		177
Annual turnover rate	%	12.46
Employee Training ¹		
Total annual investment in employee training	Ten-thousand RMB	91.56
Total number of employees trained	Persons	1,215
Number of female employees trained		171
Number of male employees trained		1,044
Percentage of female employees trained	%	14.07
Employee training coverage rate		100.00
Total training hours	Hours	11,541
Average training hours per person		9.50
Total number of training sessions	Counts	102
Total number of training participants	Person-time	3,685

¹ The employee training data for the fiscal year 2022 only includes the employee training organized by the Human Resources Department and the Safety and Environmental Department. The company has not yet compiled information regarding employee training conducted by other departments.

Indicators	Units	2022
Employee Compensation		
Standard entry salary for male employees	RMB	2,000.00
Standard entry salary for female employees		2,100.00
Locally mandated minimum wage for male employees		1,650.00
Locally mandated minimum wage for female employees		1,650.00
Ratio of standard entry salary for male employees to locally mandated minimum wage for male employees	%	121.21
Ratio of standard entry salary for female employees to locally mandated minimum wage for female employees		127.27
Security Practices		
Number of security personnel who have received training on human rights policies or procedures	Persons	14
Total number of security personnel employed by the company		8
Total number of third-party security personnel		6
Proportion of security personnel who have received training on human rights policies or procedures	%	100.00

Occupational Health and Safety

Indicators	Units	2022
Occupational Health and Safety Investment		
Total annual investment in occupational health and safety production	Ten-thousand RMB	303.50
Occupational Health and Safety Training Performance		
Total number of participants in occupational health and safety training	Person-time	2,161
Total hours of occupational health and safety training	Hours	4,035
Total number of individuals who received occupational health and safety training	Persons	1,215

Indicators	Units	2022
Percentage of individuals who received occupational health and safety training	%	100.00
Number of female received occupational health and safety training	Persons	171
Percentage of female received occupational health and safety training	%	14.07
Number of safety emergency drills	Times	7
Number of in-person occupational health and safety training sessions		38
Workplace Safety Incidents		
Especially serious accident	Cases	0
Serious accident		0
Large accident		0
Occupational Health and Safety Performance		
Workers covered by the occupational health and safety management system	Persons	1,215
Number of work-related injuries		10
Number of work-related fatalities		0
Work-related fatality rate	%	0
Total number of occupational injuries	Cases	10
Total Recordable Injury Frequency Rate (TRIFR)	/	3.89

Community

Indicators	Units	2022
Community Donations		
Total amount of community donations	Ten-thousand RMB	71.94

Appendix

GRI Index

GRI Standards	Disclosures	Location	Omission
General Disclosures			
GRI 2: General Disclosures 2021	2-1 rganizational details	About Us	
	2-2 Entities included in the organiza- tion's sustainability reporting	About This Report	
	2-3 Reporting period, frequency and contact point	About This Report	
	2-4 Restatements of information	Not Covered In This Report	This report does not involve restatements of information
	2-5 External assurance	Not Covered In This Report	This report does not involve external verification
	2-6 Activities, value chain and other business relationships	About Us Message from the Chairman	
	2-7 Employees	Human Rights Protection Data Overview 2022 At a Glance	
	2-8 Workers who are not employees	Data Overview	
	2-9 Governance structure and com- position	Board of Directors	
	2-10 Nomination and selection of the highest governance body	Diversification and Specialization	
	2-11 Chair of the highest governance body	Diversification and Specialization	
	2-12 Role of the highest governance body in overseeing the management of impacts	ESG Governance	
	2-13 Delegation of responsibility for managing impacts	ESG Governance	
	2-14 Role of the highest governance body in sustainability reporting	ESG Governance	
	2-15 Conflicts of interest	RPT and Conflicts of Interest	
	2-16 Communication of critical con- cerns	Stakeholders Engagement	
	2-17 Collective knowledge of the highest governance body	Enhancement of Performance Capabilities	
	2-18 Evaluation of the performance of the highest governance body	Not Covered In This Report	Not implemented during this reporting period

GRI Standards	Disclosures	Location	Omission
GRI 2: General Disclosures 2021	2-19 Remuneration policies	Directors and Executives Compensation	
	2-20 Process to determine remuneration	Directors and Executives Compensation	
	2-21 Annual total compensation ratio	Not Covered In This Report	The Company does not collect relevant data during this report period
	2-22 Statement on sustainable development strategy	Addressing Climate Change	
	2-23 Policy commitments	Energy Management Environmental Management Human Rights Protection Responsible Supply Chain Occupational Health and Safety Community Engagement Investor Relations Management Anti-Corruption and Anti-Bribery Anti-unfair Competition and Anti-Monopoly Complaint Mechanism and Whistleblower Protection Tax Compliance	
	2-24 Embedding policy commitments	Energy Management Environmental Management Human Rights Protection Responsible Supply Chain Occupational Health and Safety Community Engagement Investor Relations Management Internal Control and Compliance Anti-Corruption and Anti-Bribery Anti-unfair Competition and Anti-Monopoly Complaint Mechanism and Whistleblower Protection Tax Compliance	
	2-25 Processes to remediate negative impacts	Environmental Management Occupational Health and Safety Responsible Supply Chain Community Communication Complaint Mechanism and Whistleblower Protection	
	2-26 Mechanisms for seeking advice and raising concerns	Stakeholders Engagement Human Rights Protection Occupational Health Management Excellent Customer Service Complaint Mechanism and Whistleblower Protection	
	2-27 Compliance with laws and regulations	Energy Management Environmental Management Human Rights Protection Responsible Supply Chain Occupational Health and Safety Corporate Governance Anti-Corruption and Anti-Bribery Anti-unfair Competition and Anti-Monopoly IPR Management Tax Compliance Information Security	
	2-28 Membership associations	Enhance Industry Development	

GRI Standards	Disclosures	Location	Omission
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	Stakeholders Engagement	
	2-30 Collective bargaining agreements	Not Covered In This Report	The Company does not collect relevant data during this report period
Material topics			
GRI 3: Material Topics 2021	3-1 Management of material topics	Material Issues	
	3-2 List of material topics	Material Issues	
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	Risk Management	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2022 At a Glance	
	201-2 Financial implications and other risks and opportunities due to climate change	Risk Management	
	201-3 Defined benefit plan obligations and other retirement plans	Employee Welfare	
	201-4 Financial assistance received from government	Not Covered In This Report	The company has disclosed this information in the 2022 annual report
Market presence			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Data Overview	
	202-2 Proportion of senior management hired from the local community	Data Overview	
Indirect economic impact			
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Engagement	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Community Engagement	
	203-2 Significant indirect economic impacts	Community Engagement	

GRI Standards	Disclosures	Location	Omission
Procurement practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	Supply Chain Management	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Not Covered In This Report	The Company does not collect relevant data during this report period
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-Corruption and Anti-Bribery	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-Corruption and Anti-Bribery Internal Control Construction	
	205-2 Communication and training about anti-corruption policies and procedures	Not Covered In This Report	The Company does not collect relevant data during this report period
	205-3 Confirmed incidents of corruption and actions taken	Anti-unfair Competition and Anti-Monopoly	
Anti-competitive behavior			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-unfair Competition and Anti-Monopoly	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Anti-unfair Competition and Anti-Monopoly	
Tax			
GRI 3: Material Topics 2021	3-3 Management of material topics	Tax Compliance	
GRI 207: Tax 2019	207-1 Approach to tax	Tax Compliance	
	207-2 Tax governance, control, and risk management	Tax Compliance	
	207-3 Stakeholder engagement and management of concerns related to tax	Stakeholders Engagement Tax Compliance	
	207-4 Country-by-country reporting	Not Covered In This Report	The Company does not collect relevant data during this report period
Materials			
GRI 3: Material Topics 2021	3-3 Management of material topics	SDGs Contributions Green Products and Services Clean Production Green Office Waste Management Data Overview	

GRI Standards	Disclosures	Location	Omission
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Green Products and Services Data Overview	
	301-2 Recycled input materials used	Green Products and Services Clean Production Waste Management	
	301-3 Reclaimed products and their packaging materials	SDGs Contributions Green Office	
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	2022 At a Glance SDGs Contributions Green Products and Services Energy Management Green Office Data Overview	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Management Data Overview	
	302-2 Energy consumption outside of the organization	Not Covered In This Report	In consideration of the privacy policies of some of the company's clients, this report is unable to reliably calculate the external energy consumption of the organization at this time
	302-3 Energy intensity	2022 At a Glance Data Overview	
	302-4 Reduction of energy consumption	SDGs Contributions Energy Management Green Office	
	302-5 Reductions in energy requirements of products and services	Green Products and Services	
Water and effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	2022 At a Glance SDGs Contributions Green Products and Services Clean Production Water Resources Conservation Wastewater Management Data Overview	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	SDGs Contributions Green Products and Services Clean Production Water Resources Conservation	
	303-2 Management of water discharge-related impacts	SDGs Contributions Green Products and Services Water Resources Conservation Wastewater Management	
	303-3 Water withdrawal	Data Overview	
	303-4 Water discharge	Data Overview	
	303-5 Water consumption	2022 At a Glance Data Overview	

GRI Standards	Disclosures	Location	Omission
Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	SDGs Contributions Biodiversity Conservation	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Covered In This Report	The company's business operation sites are neither within nor adjacent to protected areas and areas of high biodiversity value outside protected areas
	304-2 Significant impacts of activities, products and services on biodiversity	Not Covered In This Report	The company's business operations will not have a significant impact on biodiversity
	304-3 Habitats protected or restored	Not Covered In This Report	The company's business operation sites are not located within protected or restored habitats
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not Covered In This Report	The company's business operations sites and surrounding regions do not involve affected habitats
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	2022 At a Glance SDGs Contributions Green Products and Services GHG Emissions Clean Production Air Emissions Management Data Overview	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG Emissions Data Overview	
	305-2 Energy indirect (Scope 2) GHG emissions	GHG Emissions Data Overview	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Not Covered In This Report	The Company does not collect relevant data during this report period
	305-4 GHG emissions intensity	2022 At a Glance GHG Emissions Data Overview	
	305-5 Reduction of GHG emissions	SDGs Contributions Green Products and Services Clean Production	
	305-6 Emissions of ozone-depleting substances (ODS)	Not Covered In This Report	Not involved in related emissions
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Data Overview	

GRI Standards	Disclosures	Location	Omission
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	SDGs Contributions Green Products and Services Clean Production Green Office Waste Management Data Overview	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Green Products and Services Clean Production Green Office Waste Management	
	306-2 Management of significant waste-related impacts	SDGs Contributions Green Products and Services Clean Production Green Office Waste Management	
	306-3 Waste generated	Data Overview	
	306-4 Waste diverted from disposal	Data Overview	
	306-5 Waste directed to disposal	Data Overview	
Supplier environmental assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	Supply Chain Management	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supply Chain Management	
	308-2 Negative environmental impacts in the supply chain and actions taken	Supply Chain Management Data Overview	
Employee			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Data Overview	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Compensation and Benefits	
	401-3 Parental leave	Not Covered In This Report	The Company does not collect relevant data during this report period
Labor management relations			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Not Covered In This Report	Not Applicable

GRI Standards	Disclosures	Location	Omission
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	Occupational Health and Safety	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety	
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	
	403-3 Occupational health services	Occupational Health Management	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	
	403-5 Worker training on occupational health and safety	Occupational Health and Safety	
	403-6 Promotion of worker health	Occupational Health Management Compensation and Benefits	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety	
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety	
	403-9 Work-related injuries	2022 At a Glance Data Overview	
	403-10 Work-related ill health	2022 At a Glance Occupational Health Management Data Overview	
Training and education			
GRI 3: Material Topics 2021	3-3 Management of material topics	Talent Development	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Data Overview	
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Development	
	404-3 Percentage of employees receiving regular performance and career development reviews	Compensation and Benefits	
Diversity and equal opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Human Rights Protection	
	405-2 Ratio of basic salary and remuneration of women to men	Data Overview	

GRI Standards	Disclosures	Location	Omission
Non-discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Not Covered In This Report	Not Applicable
Freedom of association and collective bargaining			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human Rights Protection	
Child labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights Protection	
Forced or compulsory labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights Protection	
Security practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Data Overview	
Right of indigenous peoples			
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Engagement	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Not Covered In This Report	Not Applicable

GRI Standards	Disclosures	Location	Omission
Local communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Engagement	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Engagement	
	413-2 Operations with significant actual and potential negative impacts on local communities	Green Products and Services Environmental Management Community Engagement	
Supplier social assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	Supply Chain Management	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supply Chain Management	
	414-2 Negative social impacts in the supply chain and actions taken	Supply Chain Management Data Overview	
Public policy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Not Covered In This Report	Not Applicable
GRI 415: Public Policy 2016	415-1 Political contributions	Not Covered In This Report	Not Applicable
Customer health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Products	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Responsible Products	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Data Overview	

GRI Standards	Disclosures	Location	Omission
Marketing and labeling			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Marketing	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Responsible Marketing	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Responsible Marketing Data Overview	
	417-3 Incidents of non-compliance concerning marketing communications	Responsible Marketing Data Overview	
Customer privacy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Excellent Customer Service Information Security	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Overview	

TCFD Index

TCFD Core Elements of Recommendations	Recommended Disclosures	Location
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	ESG Governance Risk Management
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	ESG Governance Risk Management
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Risk Management
	b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Risk Management
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	Not Covered in This Report
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	Risk Management
	b) Describe the organization's processes for managing climate-related risks.	Risk Management
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Not Covered in This Report
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	Risk Management
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2022 At a Glance GHG Emissions Data Overview
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Environmental Management

SASB Index

SASB Topics	Accounting Metrics	Location
Energy Management	RT-IG-130a.1: (1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Energy Management Data Overview
Employee Health & Safety	RT-IG-320a.1: (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	2022 At a Glance Occupational Health and Safety Data Overview
Fuel Economy & Emissions in Use-phase	RT-IG-410a.1: Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	The Company does not collect relevant data during this report period
	RT-IG-410a.2: Sales-weighted fuel efficiency for non-road equipment	The Company does not collect relevant data during this report period
	RT-IG-410a.3: Sales-weighted fuel efficiency for stationary generators	The Company does not collect relevant data during this report period
	RT-IG-410a.4: Sales-weighted emissions of (1)nitrogen oxides (NOx) and (2)particulate matter (PM) for: (a)marine diesel engines, (b)locomotive diesel engines, (c)on-road medium- and heavy-duty engines and (d) other non-road diesel engines	The Company does not collect relevant data during this report period
Materials Sourcing	RT-IG-440a.1: Description of the management of risks associated with the use of critical materials	Risk Management Responsible Products Responsible Marketing
Remanufacturing Design & Services	RT-IG-440b.1: Revenue from remanufactured products and remanufacturing services	The Company does not collect relevant data during this report period



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