



华明电力装备股份有限公司
HUAMING POWER EQUIPMENT CO.,LTD

Abbreviation: Huaming Equipment
Stock Code: 002270



20
23

⚡ HUAMING

Environmental, Social and Governance (ESG) Report



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MESSAGE FROM THE CHAIRMAN



Chairman: Yi Xiao

In 2023, amidst the rapidly evolving global landscape, Huaming overcame numerous adverse impacts and significant challenges posed by market fluctuations and shifting industry policies. We proactively aligned with national strategies, implemented local deployments, accelerated industrial transformation and upgrading, and advocated green and low-carbon development. Consequently, our business performance scaled new heights, with green and high-quality development exhibiting a promising trajectory. We delivered an impressive scorecard to our shareholders, employees, and society.

Throughout this year, we remained steadfast in our commitment to innovation and fulfilled our mission

As a globally renowned supplier of tap changer system solutions and equipment, Huaming is dedicated to delivering the best quality products and services to our customers. We consistently promote technological and product innovation to create optimal value for our clients. With a focus on our core business development strategy, we continuously enhance the competitiveness of our products, centralize resources to expedite the transition and enhancement of our offerings towards energy conservation and low-carbon initiatives, and contribute significantly to the advancement of China's power equipment sector. Aligning with this strategic objective, Huaming intensified its investment in the R&D of power tap changer in 2023, resulting in a substantial surge in the shipment volume during the reporting period.

In this year, our focus remained on promoting low-carbon initiatives and making contributions to the society

Huaming resolutely implements the philosophy of "Lucid waters and lush mountains are invaluable assets", establishing rigorous measures for long-term safety and environmental protection. We remain steadfast in pursuing our annual EHS objectives and implemented key safeguarding strategies. Additionally, we ensure the fulfillment of both corporate responsibilities and work safety obligations across all levels of our workforce. Adhering to the path of green and high-quality development, Huaming implements policies aimed at achieving "carbon peaking and carbon neutrality" as well as "dual control of energy consumption". We make significant strides in improving our energy consumption structure, achieving noteworthy outcomes in carbon reduction and emission mitigation, and continuously reducing emissions of major pollutants. Furthermore, we deepen our strategic partnerships with customers, suppliers, clients, and other partners with utmost integrity. We actively integrate into social construction efforts, support charitable education initiatives, and donate to various public welfare undertakings, thereby shaping a positive corporate social image.

This year also marked our commitment to people-oriented governance and standardization

Huaming consistently views employee growth as a cornerstone of our sustainable development. We prioritize talent nurturing, establishing a comprehensive employee training framework that encompassed integration for new hires, professional skill enhancement, leadership development, and more. This comprehensive approach enables our employees to find fulfillment and happiness in their work. Moreover, we value employee welfare. In addition to providing social security coverage, the Company also procures commercial medical insurance for each employee, further safeguarding their well-being and enhancing their sense of happiness. Simultaneously, we regularly organize fundraising activities to assist employees facing personal difficulties and offer condolences to those in need. The Company has undergone a profound standardization of governance, strengthening the Board of Directors' construction, optimizing the governance structure, and effectively safeguarding the interests of shareholders and stakeholders.

The road ahead is lengthy, yet it is only those who take bold actions that will traverse it. Continuous and unwavering progress holds the key to our future. After nearly three decades of diligent growth, we remain steadfast in our original aspiration, marching forward with determination. As we embark on the path of future development, Huaming will leverage its industrial leadership and harness innovation as our driving force. We will actively respond to climate action, seize the opportunities presented by clean energy, and persistently strive towards our vision of becoming a "world-class power equipment enterprise".

ABOUT HUAMING

COMPANY PROFILE

Huaming Power Equipment Co., Ltd. (hereinafter referred to as "the Company" or Huaming), management headquartered at No. 977, Tongpu Road, Putuo District, Shanghai. Huaming executed a backdoor listing through the acquisition of FIN CNC and completed the restructuring and listing process by the end of 2015. (stock abbreviation "Huaming Equipment" with the stock code 002270).

As the sole manufacturer of tap changer in China possessing two comprehensive industrial chain production bases. ShanghaiHuaming, a wholly-owned subsidiary, is recognized as a "specialized, special and new" small and medium sized enterprise, and further as a national specialized, special and new "little giant" enterprise. With its establishment in the early 1990s, Huaming has been engaging in the segmented market for three decades. Following the acquisition of the largest domestic competitor in 2018, the Company has firmly secured its position as the leader in China and the second-largest globally in its market segment. Huaming has actively participated in the compilation and revision of key industry and technical standards for load break switches, and primarily competes with overseas rivals in the global arena. On the international stage, Huaming holds a formal membership in the IEEE Special Committee, actively contributing to the compilation and discussion of relevant industry regulations and the formulation of IEC standards.

Economic Performance

In 2023

Total assets

RMB 4,518 million

Profit

RMB 542 million

Revenue

RMB 1,961 million

Asset-liability ratio

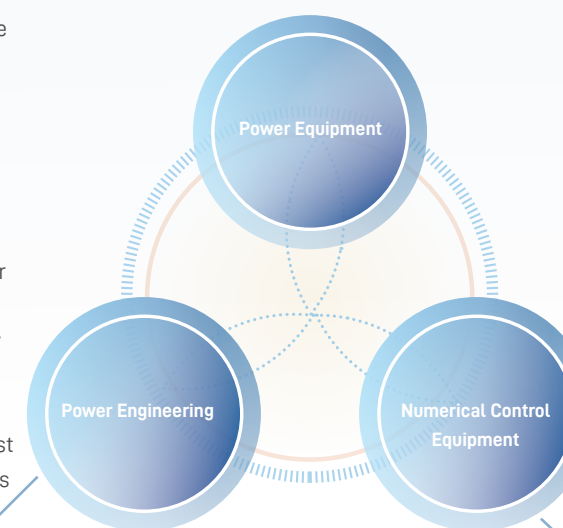
25.57%

Business Segments

The Company specializes in three segments: electrical equipment, electrical engineering, and numerical control equipment.

The core business is electrical equipment business, primarily focused on the R&D, production, sales, and full lifecycle full operation and maintenance of transformer tap changers.

The strategic synergy between the power engineering and tap-changer businesses fortifies the strategic partnership between the Company and its suppliers and fosters the sustained and robust growth of both business segments. Boasting a seasoned project team with profound insights into customer requirements, Huaming excels in executing projects efficiently under diverse and intricate scenarios, garnering numerous accolades and securing the trust and enduring collaboration of its clients.

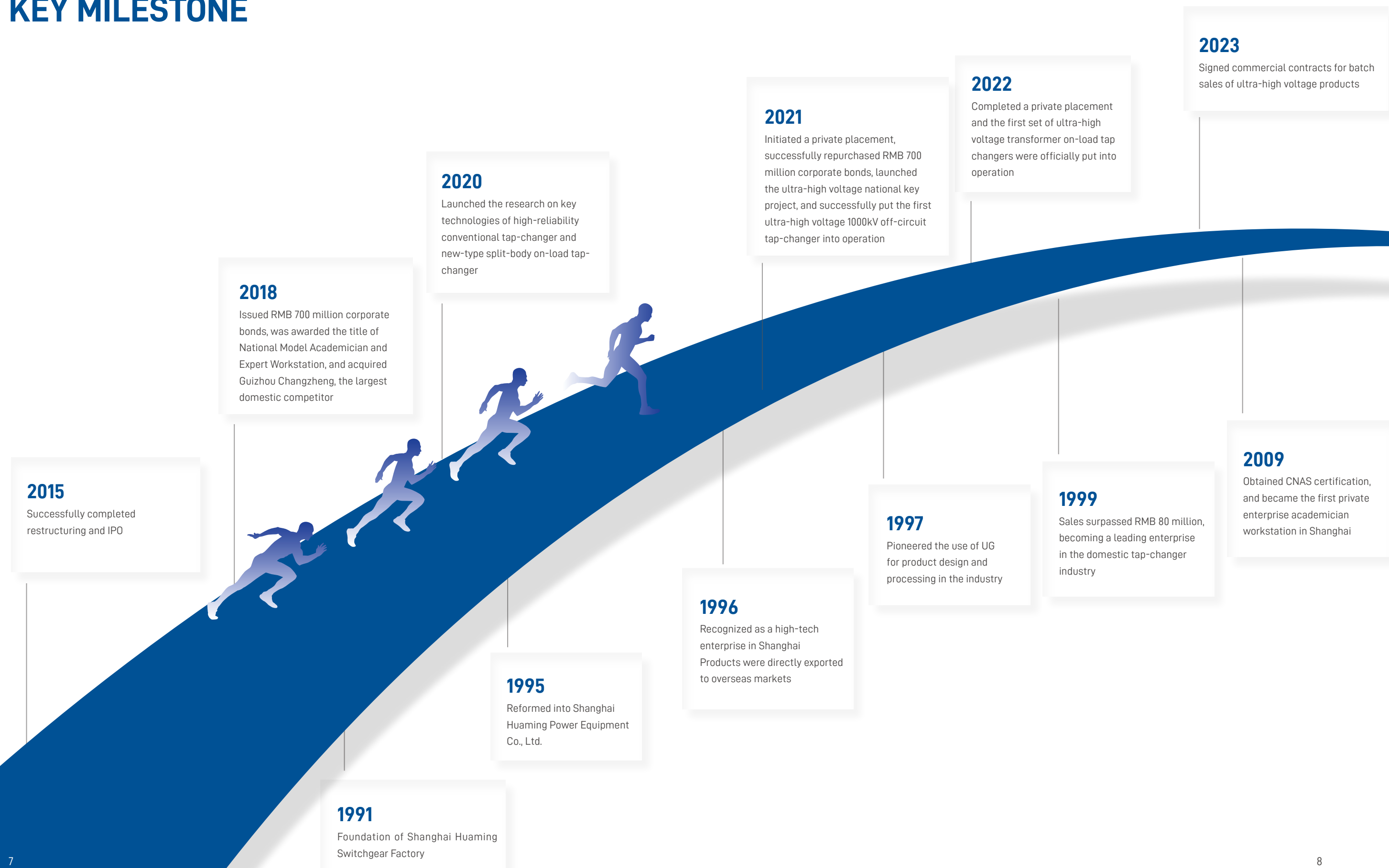


Huaming boasts comprehensive R&D capabilities encompassing both software and hardware, enabling it to not only design and manufacture mechanical and hydraulic systems but also develop pertinent embedded industrial control software tailored to its own control systems. Furthermore, all of the products have achieved paperless processing, incorporating real-time monitoring and remote diagnostic capabilities, thus significantly enhancing user convenience and facilitating maintenance efforts for customers.

Huaming's products enjoy widespread popularity and robust sales globally, with our power equipment being exported to numerous countries and regions, including Europe, North America, and Southeast Asia. In recent years, the pursuit of carbon peak and carbon neutrality as strategic goals has given rise to a series of supportive policies and measures. This has not only propelled the rapid growth of upstream and downstream manufacturing industries, such as new energy vehicles and solar power generation, but has also significantly boosted the demand for industrial electricity. Furthermore, the escalating electricity consumption across society has sustained the continuous growth of power generation capacity and grid construction, thereby expanding the market for tap-changers. Additionally, the accelerated grid investments in Europe and the United States have fueled the overseas demand for transformers, while the sustained growth in domestic transformer exports has presented Huaming with new developmental opportunities.



KEY MILESTONE



CORPORATE CULTURE

At Huaming, our culture is defined by unwavering integrity, a commitment to benevolence and morality, relentless innovation, and a dedication to continuous self-improvement. These core values define who we are and guide our actions to maintain a diligent and accountable work ethic, fostering a credible image for the Company. Concurrently, Huaming endeavors to foster a favorable work and living environment for its employees, encompassing everything from the well-maintained factory premises to the quality of meals served, and from the safety and security of its workforce to their long-term career development. With a profound commitment to the mutual growth of both the Company and its employees, we strive to transform the workplace into a cozy and nurturing "home" for its employees.

COMPANY AWARDS

Huaming was esteemed enough to be included in the "2022 Shanghai Innovative Small and Medium-sized Enterprise List", curated by the Shanghai Municipal Economic and Information Technology Commission

Huaming was designated as a "Specialized, Special and New" small and medium-sized enterprise in Shanghai for 2021-2023, and further awarded the title of a "Specialized, Special and New "little giant" enterprise

Huaming's newly developed VCME vacuum on-load tap changer successfully cleared the expert group's evaluation at the new product technology appraisal meeting hosted by the China Machinery Industry Federation. The product's comprehensive performance indicators were deemed to be at the international advanced level among similar products

Huaming was rated as excellent "Municipal Enterprise Technology Center" in the 2023 Municipal Technology Center recognition evaluation.

Huaming has been acknowledged as a model academician and expert workstation by the Enterprise Working Office of the China Association for Science and Technology

Huaming's Ultra-High and Extra-High Voltage DC Engineering Complete Equipment and Key Components - Converter Transformer On-load Tap Changer was recognized as a key technological equipment (project) in the energy sector, listed as part of the third batch by the National Energy Administration

Huaming was selected as an "2023 Outstanding Organization for Innovation Service" by the Shanghai Science and Technology Association

Huaming Engineering's involvement in the construction of the Shapotou 200MW Photovoltaic Composite Project, undertaken by Ningxia Weigang New Energy Co., Ltd., was highly commended, receiving the National Quality Engineering Award for 2022-2023, bestowed by the China Association of Construction Enterprise Management.

Huaming was officially recognized as the Eighth Batch of Manufacturing Single Champion Enterprises, and the selected product is the Company's "on-load voltage regulating tap changer for transformer".

THEME SPOTLIGHT: ESG MANAGEMENT

HUAMING CONTRIBUTES TO SDGS

Responsible Actions of Huaming

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Responsible Actions of Huaming



ESG MANAGEMENT SYSTEM



ESG Management Concept	ESG Management Structure
<p>Huaming has seamlessly integrated ESG principles into its corporate development strategy, continuously enhancing its governance structure and operational framework for ESG. During the reporting period, the Company tailored an ESG management framework to its unique development trajectory, actively engaging in stakeholder research, and clarifying key material issues pertinent to its current ESG management.</p>	<p>To refine and streamline the ESG management mechanism and coordinate the advancement of ESG-related initiatives, Huaming established an ESG working group in 2023. This group is tasked with developing ESG management goals and strategies, executing specific ESG work plans, and updating the Board of Directors and management on material ESG matters.</p>

ESG Management Responsibilities

Develop ESG management goals and strategies	Identify and evaluate ESG opportunities and risks	Execute the strategic directives of the Board of Directors, management, and the ESG working group	Provide regular updates to the Board of Directors and management on the progress of ESG efforts
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STAKEHOLDER COMMUNICATION

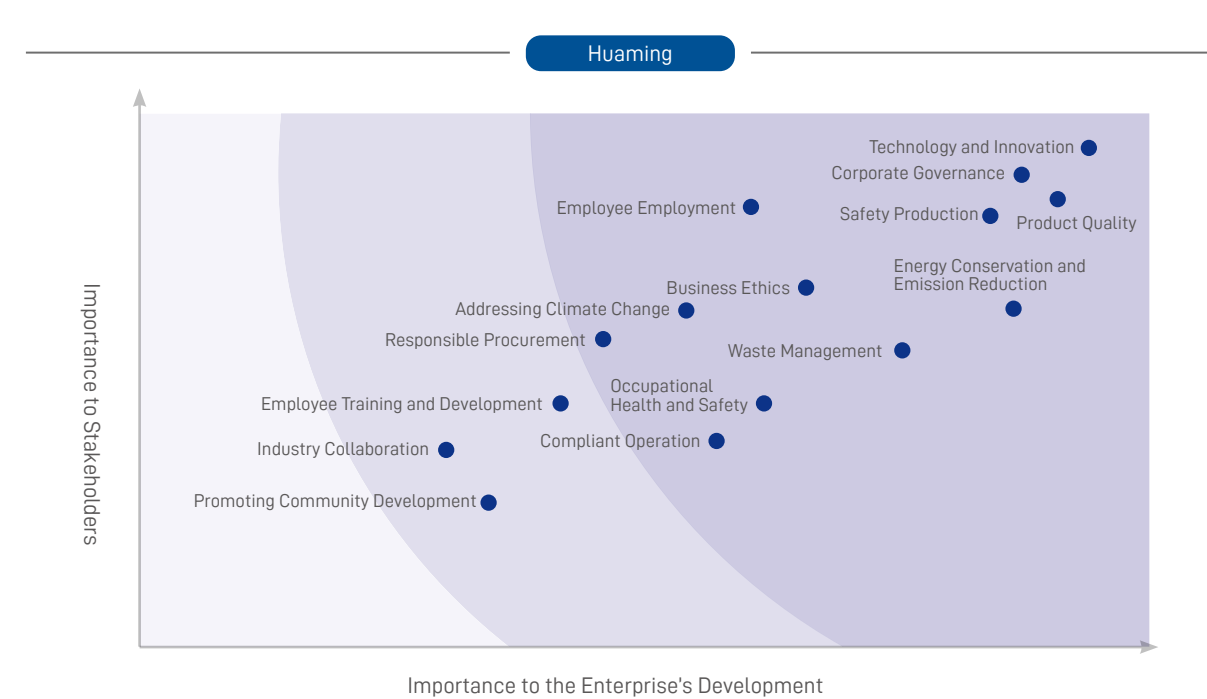
Recognizing the paramount importance of maintaining open and timely communication with its stakeholders, Huaming has established an efficient and standardized communication process. This ensures the continuous effectiveness of communication, enabling the Company to establish diverse and responsive communication channels that swiftly capture and address the needs and expectations of its stakeholders. Huaming is able to promptly understand and respond to the demands and expectations of various stakeholders, thereby elevating its ESG management capabilities and enhancing its accountability to all parties involved.

Stakeholder	Expectations and Requirements	Actions
 Shareholders and investors	<ul style="list-style-type: none"> Compliant disclosure Risk management 	<ul style="list-style-type: none"> Hold the General Meeting of Shareholders Receive visits from investors Regularly disclose information
 Government and Regulators	<ul style="list-style-type: none"> Rural revitalization and social welfare Business ethics Industry trends and policies 	<ul style="list-style-type: none"> Offer job opportunities Embark on rural revitalization and social welfare initiatives Exchanges and cooperation
 Suppliers and partners	<ul style="list-style-type: none"> Supply chain management Intellectual property protection 	<ul style="list-style-type: none"> Adopt transparent procurement practices Build a green supply chain Intellectual property protection

 Customers	<ul style="list-style-type: none"> Product quality and safety Customer satisfaction R&D and innovation Information security and privacy protection 	<ul style="list-style-type: none"> Enhance product quality control measures Facilitate customer visits and training activities Deliver exceptional service Reinforce privacy protection measures
 Employees	<ul style="list-style-type: none"> Employee rights and interests Employee care Employee training and development Employee health and safety 	<ul style="list-style-type: none"> Employee rights and interests protection Enrich employee activities with diversity Offer a just and equitable promotion path Ensure a safe and healthy working environment
 Society and public	<ul style="list-style-type: none"> Social charity 	<ul style="list-style-type: none"> Embark charitable education assistance Undertake charitable activities

ANALYSIS OF MATERIAL ISSUES

To fully grasp the viewpoints and demands of stakeholders such as customers, the government, employees, and partners, the Company conducted in-depth communication and exchanges with various stakeholders through questionnaire surveys, and sorted out and evaluated material topics in the operation process. By referencing relevant domestic regulations, guidelines, and other requirements, the Company identified and screened 15 topics for inclusion in the material topic matrix, with 12 topics evaluated as highly material.



01

SCIENTIFIC OPERATION FOR ROBUST GOVERNANCE

Huaming holds a steadfast belief that a robust governance structure, rigorous internal controls, and efficient information communication are paramount to ensure the stable growth. Huaming is dedicated to fostering a clean and self-disciplined work environment, promoting an honest and upright corporate culture, emphasizing compliance management, continuously enhancing information transparency, deepening engagement with stakeholders, and relentlessly enhancing the enterprise's core competitiveness.

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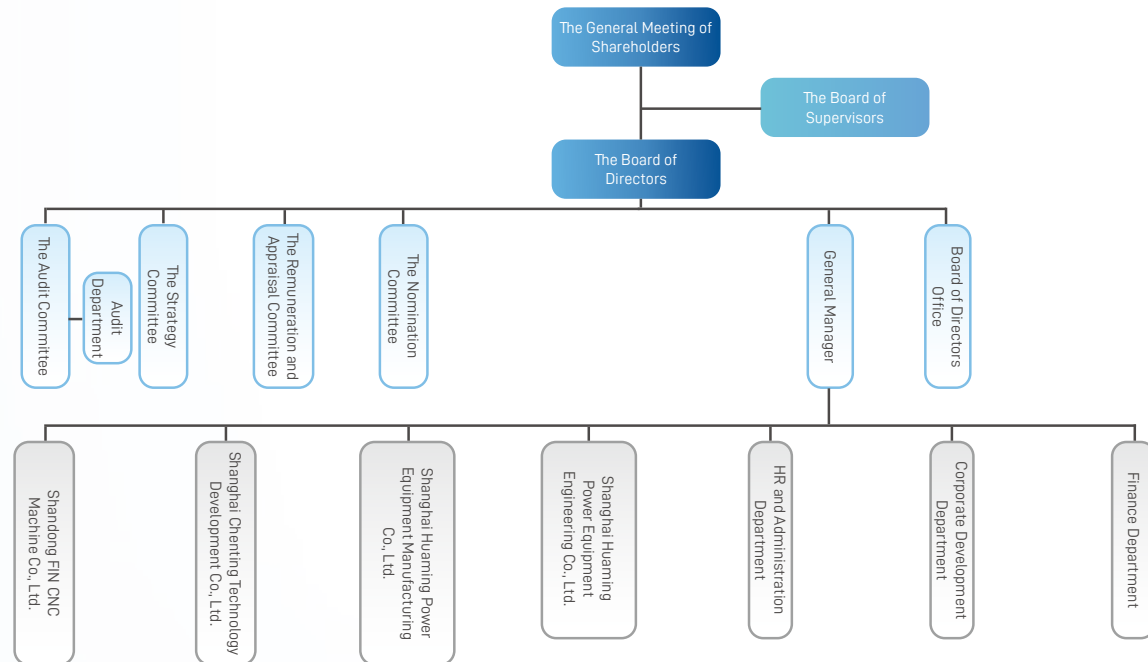


ENHANCING CORPORATE GOVERNANCE

Board Structure and Governance

Huaming strictly adheres to the regulations including the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China, the Guidelines for the Governance of Listed Companies, and the Rules for the Listing of Stocks on the Shenzhen Stock Exchange. At the helm of the organization, the General Meeting of Shareholders, the Board of Supervisors, the Board of Directors, and the management team collaborate to uphold the governance structure. Under the Board of Directors, specialized governance institutions such as the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee are established to uphold operational compliance and transparency. Additionally, the Company maintains a robust set of systems, including the Implementation Rules for the Audit Committee of the Board of Directors, the Implementation Rules for the Nomination Committee of the Board of Directors, the Implementation Rules for the Remuneration and Appraisal Committee of the Board of Directors, the Implementation Rules for the Strategic Committee of the Board of Directors, and other pertinent regulations, to further strengthen its corporate governance practices.

Organizational Structure of Huaming



01

Tap-changer Segment: Huaming mainly has two major tap-changer production bases in China, with Shanghai production base mainly including Shanghai Huaming Power Equipment Manufacturing Co., Ltd. and Shanghai Huaming High Voltage Switch Manufacturing Co., Ltd; The production base in Zunyi mainly include Guizhou Changzheng Electric Co., Ltd. and Zunyi Huaming Electric Power Equipment Manufacturing Co., Ltd. The tap-changer maintenance business mainly includes Shanghai Huaming Power Equipment Maintenance and Service Co., Ltd.

02

Power Engineering Segment: It mainly includes Shanghai Huaming Power Equipment Engineering Co., Ltd., and its subsidiaries Shandong Star Business Incubation Co., Ltd. and Changfeng Nuoyang Photovoltaic Power Generation Co., Ltd., together holding about 80MW photovoltaic power station assets.

03

Numerical Control Equipment Segment: It mainly includes Shandong FIN CNC Machine Co., Ltd.

Currently, Huaming boasts a nine-member Board of Directors, consisting of one female director and three independent non-executive directors. Each member exhibits exceptional professional qualifications and extensive expertise in corporate governance, with no gender or ethnic barriers imposed on personnel selection. The Board of Directors' primary responsibilities encompass devising the company's overarching development strategy, overseeing financial performance, exercising effective supervision over management, safeguarding shareholders' long-term interests, and ensuring that the Company's business objectives and development directions align with the prevailing economic and market conditions, ultimately fostering sustainable and high-quality growth.

Key Performance Indexes of Corporate Governance

The General Meeting of Shareholders	Board Meetings	Specialized Committee Meetings of the Board	Meetings of The Supervisory Board
2 Proposals	6 Proposals	9 Proposals	4 Proposals
19	36	13	19

INFORMATION DISCLOSURE AND PROTECTION OF INVESTORS' RIGHTS AND INTERESTS

Standardization of Information Disclosure

Guided by the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Measures for the Administration of Information Disclosure of Listed Companies, as well as the Articles of Association and other pertinent regulations, Huaming has established a comprehensive suite of systems, including the Information Disclosure System, to strengthen the administration of information disclosure. We sincerely, accurately, comprehensively, and promptly fulfill our information disclosure obligations, enhancing the quality and efficiency of our disclosure management while safeguarding the rights and interests of investors.

Key Performance Indexes

- During the reporting period, Huaming disclosed a total of **88** regular and interim reports.

Investor Relations Management

Huaming adheres to the principles of openness, impartiality, and fairness, to establish effective communication channels with shareholders. We have formulated the Investor Relations Management System of Huaming Electric Power Equipment Co., Ltd. and designated the Company Secretary as the primary point of contact for investor relations, overseeing the coordination of investor relations, receiving shareholder visits, and addressing investors' inquiries. Through various communication channels, such as disclosing investor-specific announcements, promptly answering investor queries via irm.cninfo.com.cn, and welcoming investors' research visits, Huaming has responded to investors' demands and inquiries, thereby safeguarding their interests.

Key Performance Indexes

- During the reporting period, Huaming held **95** institutional research sessions, received a total of **780** investors from over **680** institutions, including securities firms, funds, and individual investors, and actively communicated with them. Additionally, Huaming disclosed **49** announcements recording the investor relations research activities.
- Shareholder Return: Huaming has consistently prioritized shareholder return. During the reporting period, the Shareholder Return Plan for the Next Three Years (2023-2025) explicitly stated that, under the premise of meeting the dividend conditions, the Company will annually distribute a minimum of **60%** of the year's profit available for distribution in cash. In 2023, the Company paid a semi-annual dividend of RMB **242** million, an annual dividend of RMB **493** million, amounting to a total of RMB **735** million. This demonstrates a commitment to sharing the Company's value with the shareholders.

STRENGTHENING COMPLIANCE MANAGEMENT

Huaming has prioritized the reinforcement of its compliance management system, leading to the formulation and refinement of compliance management policies. During the reporting period, key documents such as the Compliance Evaluation Control Procedures and the Control Procedures for Laws, Regulations and Other Requirements were revised, driving the implementation of regulations and policies. Additionally, the Company has continued to standardize its contract signing and execution review processes, aiming to enhance the quality and efficiency of reviews, thus ensuring that all major decisions adhere to legal and regulatory standards. There were no major legal liability disputes during the reporting period.

During the reporting period, to further streamline the process of identifying relevant business laws and regulations, Huaming has introduced the Management System for Acquisition, Identification, Evaluation, and Update of Laws, Regulations, and Other Requirements. This system is designed to empower Huaming to efficiently acquire, assess, and update legal and regulatory information pertinent to its operational areas, enabling prompt updates to internal management documents.

COMPLIANCE CULTURE DEVELOPMENT

During the reporting period, Huaming prioritized the development of a robust compliance culture by conducting tailored training sessions for its financial and sales teams. These sessions focused on clarifying compliance responsibilities across various areas, including adherence to legal frameworks, standardized contract execution, safeguarding intellectual property rights, and maintaining data and information confidentiality. The objective of the training was to empower personnel with a deep understanding of policy frameworks, enable them to identify potential risks, and equip them with effective countermeasures to mitigate those risks.



Compliance Training PPT

ADHERE TO BUSINESS ETHICS

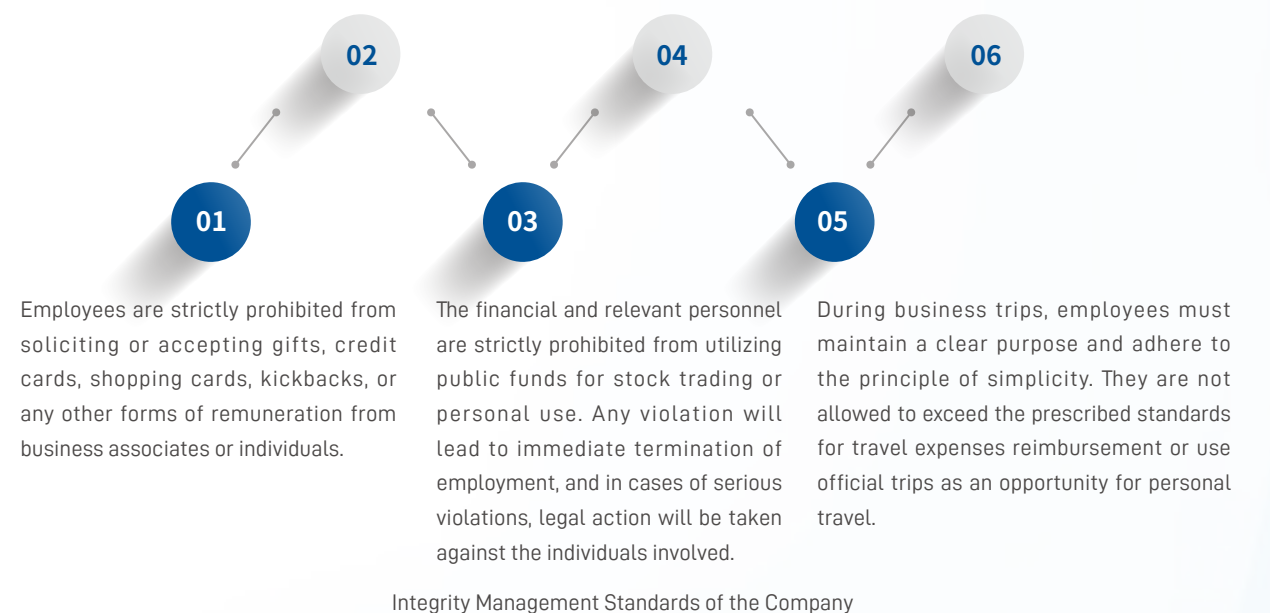
Huaming adheres strictly to laws and regulations, including the Anti-Unfair Competition Law of the People's Republic of China and the Basic Norms for Enterprise Internal Control. It implements rigorous anti-commercial bribery measures, fostering a favorable internal and external environment while standing firmly against any form of corruption and commercial bribery.

To further enhance its internal environment and mitigate issues such as commercial bribery and illegal misappropriation of company assets for personal gain, which can potentially undermine the interests of the Company and its shareholders, Huaming has introduced the Anti-Fraud Management System of Huaming Electric Power Equipment Co., Ltd.. This system aims to prevent, detect, and address fraudulent behavior in a timely, comprehensive, and effective manner. The HR department plays a pivotal role in collaborating with relevant departments to gather, organize, analyze, disseminate, and exchange information related to anti-fraud efforts. Additionally, it's responsible for executing, monitoring, publishing, and documenting the outcomes of anti-fraud handling. In cases involving serious fraud, the department promptly reports the relevant information to the Company's leadership and audit department.

The exploitation of work for personal gain, such as business banquet, taking, demanding, or engaging in unethical conduct, is strictly forbidden. Similarly, using position to secure benefits for relatives and friends is strictly prohibited, and any business transactions must avoid involving relatives or friends with whom there is a potential conflict of interest.

Employees are not permitted to participate in entertainment activities, such as commercial dance halls, nightclubs, leisure or tourism arranged by customers, suppliers, or other business partners. Additionally, they are prohibited from seeking reimbursement for personal expenses from business partners.

Employees who are aware of acts of favoritism, abuse of power, commercial bribery, or any other behaviors that harm the interests of the Company are required to promptly report them. Failure to do so will be considered as concealment of fraudulent behavior.



Huaming has established an anti-corruption email address and an anonymous anti-corruption hotline, accessible to both internal and external stakeholders, for receiving complaints and reports from employees, suppliers, agent companies, and regular customers affiliated with the organization. To ensure the meticulous handling of these complaints and reports, the Company has designated a team of professionals to record and investigate all pertinent matters. All complaints and reports will be treated with utmost confidentiality, safeguarding the interests of the complainant or reporter, and preventing any retaliation against them. In 2023, Huaming handled a total of three anti-corruption cases. One case was successfully transferred to the procuratorate for further investigation and prosecution, another was officially registered by the police and is currently under investigation stage, and the remaining case was amicably resolved through negotiations between the involved parties, with a processing rate of 100%.

Anti-corruption Whistleblowing Channels:

Phone: 021-58995505
Email: jubao@huaming.com



SUPPLIER BUSINESS ETHICS MANAGEMENT

To mitigate any unethical or illegal behaviors seeking improper benefits in procurement activities, Huaming has implemented a signing mechanism for both the Supplier Integrity Commitment and the Integrity Agreement with all suppliers. These agreements must be signed concurrently with contract executions. The clauses within these agreements explicitly outline various responsibilities and robust disciplinary measures to regulate supplier conduct and minimize procurement compliance risks.

INFORMATION SECURITY PROTECTION

INFORMATION SECURITY MANAGEMENT

Huaming holds its own information security and the protection of customer privacy in high regard. It strictly adheres to laws and regulations, including the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Telecommunications and Internet User Personal Information Protection Regulations. Huaming has established a dedicated network and information security group, composed of the information security office and department heads. In terms of systems, the Company carries out information security protection work in strict accordance with its Network and Information Security Management System.



Main Responsibilities of the Information Security Leadership Team

In terms of data security protection, Huaming has implemented a comprehensive data leakage prevention system to encrypt vital technical materials, encompassing office documents and graphic files. Furthermore, Huaming has embarked on a multifaceted approach, encompassing the optimization of its existing architecture, the intensification of staff training in network security, the conduct of rigorous security audits and risk assessments, and the establishment of an information sharing platform. These efforts aim to elevate employees' awareness of network information security, bolster the Company's network security protection capabilities and response speeds, and ultimately safeguard the integrity of company's information assets and the interests of the customers.

Improving Existing Network Security Architecture

Enhancing the establishment of network firewalls, intrusion detection and prevention systems, as well as security monitoring systems; Routinely upgrading security equipment and addressing vulnerabilities.

Enhancing Employee Network Security Training

Organizing HM enterprise-specific network security training to elevate employees' awareness and preventative mindset towards network security.

Enhancing Network Security Management Framework

Formulating and executing rigorous network security management protocols, encompassing network device administration, data backup and restoration, and the handling of network security incidents.



Regular Security Audits and Risk Assessments

Conducting thorough analyses and evaluations of the company's network system to identify potential security risks and vulnerabilities, promptly implementing remedial and optimization measures.

Strengthening Data Protection

Employing encryption technology and robust data backup strategies to safeguard the security and integrity of data during transmission and storage. Regularly performing data backup and restoration exercises to validate the usability and recoverability of backups.

Establishing an Information Sharing Mechanism

Facilitating information sharing and collaboration among employees to bolster overall network security awareness and defense capabilities. Clarifying the parameters and accountabilities of information sharing to prevent the disclosure of sensitive information and intellectual property concerns.

Measures to Enhance Information Security



Cybersecurity Training PPT



Cybersecurity Training

With regards to privacy protection, the General Manager's Office holds the responsibility of overseeing confidentiality efforts, encompassing the inspection and supervision of encryption and decryption activities. The organization has established numerous policies to safeguard information confidentiality, including the Shanghai Huaming Electric Power Equipment Manufacturing Co., Ltd. Privacy Policy, the Employee Privacy Protection Regulations, the Customer Information Confidentiality System, the Management System of Company Computer Usage and the Privacy Protection Process Norms. These policies outline the methodologies and measures for handling customer and employee data securely. Furthermore, the Company has instituted regulations governing the decryption of documents and contingency plans to address privacy breaches. All files stored on company computers are encrypted, and when there is a need for external transmission, these files must undergo decryption in a designated archive room prior to dissemination. Additionally, all employees are required to sign confidentiality agreements, ensuring the strict adherence to privacy protocols. During the reporting period, Huaming did not experience any cybersecurity incidents or information leakage incidents.

02

ANCHORING IN CORE BUSINESS AND ENHANCING PRODUCTS AND SERVICES

Adhering to rigorous quality management standards, Huaming ensures that every aspect of the product lifecycle, from conceptualization to production, aligns with customer expectations. In terms of customer service, Huaming strives for prompt responsiveness and expertise, aiming to bolster client satisfaction and foster enduring partnerships. Technological innovation is the core pursuit of Huaming. Through consistent investment in R&D as well as technological collaborations and exchanges, the Company continually enhances the performance of its products, safeguarding its position as a leader in the industry. Concurrently, Huaming maintains strong relationships with its suppliers to ensure the stability of its supply chain. Furthermore, Huaming actively promotes sustainable procurement practices that facilitate efficient resource utilization, laying the groundwork for achieving long-term sustainability goals.

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ENHANCING PRODUCT QUALITY

Huaming maintains rigorous quality and safety standards, guided by the business philosophy of establishing an international brand and fostering a long-lasting enterprise, to achieve customer satisfaction through scientific management, cutting-edge technology, and consistently reliable product quality. Adhering to stringent criteria and demands, the Company ensures the superiority of our products, driving the high-quality development of the power equipment industry.

QUALITY MANAGEMENT SYSTEM

Huaming employs a comprehensive quality management system to regulate and control all aspects of the manufacturing process. This system is supported by various manuals and guidelines, including the Integrated Management Manual for Quality/Environment/Occupational Health and Safety, Quality Management System for Product Part Processing, and Quality Management System for Product Assembly. A triple-tiered quality management structure has been established, with the General Manager leading the way, the quality control department taking charge, and the quality inspection department executing the necessary tasks. The quality control department is tasked with implementing and operating the integrated management system, while also regularly overseeing, inspecting, and improving its operational status. To further enhance quality management, the Company has established a robust inspection and patrol mechanism that covers all crucial production aspects. This mechanism involves conducting at least three routine inspections per month, ensuring a thorough and effective daily management approach. During the reporting period, all major subsidiaries successfully obtained ISO9001 Quality Management System Certification.

THE PROCESS OF QUALITY MANAGEMENT

Huaming adheres to the PDCA principle (Plan-Do-Check-Act) to achieve efficient management throughout all stages of the quality lifecycle.

P (Plan) Planning Stage

Develop comprehensive quality policies and objectives, plan the management system, clearly define responsibilities and authorities, and accurately determine resource requirements.



C (Check) Checking Stage

Measure, monitor, and analyze the operation of the aforementioned processes.

D (Do) Doing Stage

Effectively disseminate and implement the established quality objectives, thoroughly prepare procedural documents, conduct targeted training for relevant activities, and provide seamless services throughout the production process.

A (Act) Acting Stage

Proactively take measures to achieve the desired results of process planning and continuously strive for the improvement of procedures.

During the production process, Huaming adheres strictly to the principle of "triple-nos", encompassing the refusal to receive, produce, or dispatch any non-conforming products.



Refuse receiving non-conforming products

Prior to commencing production and processing, employees are mandated to conduct thorough inspections of products handed down from the preceding stage to ascertain their compliance with regulatory standards. Upon discovery of any issues, they are authorized to decline acceptance and promptly notify the preceding stage. Personnel from the previous stage must promptly halt processing, investigate the root cause, and promptly rectify the quality concern to prevent wasteful continuation of non-conforming product manufacturing.



Refuse producing non-conforming products

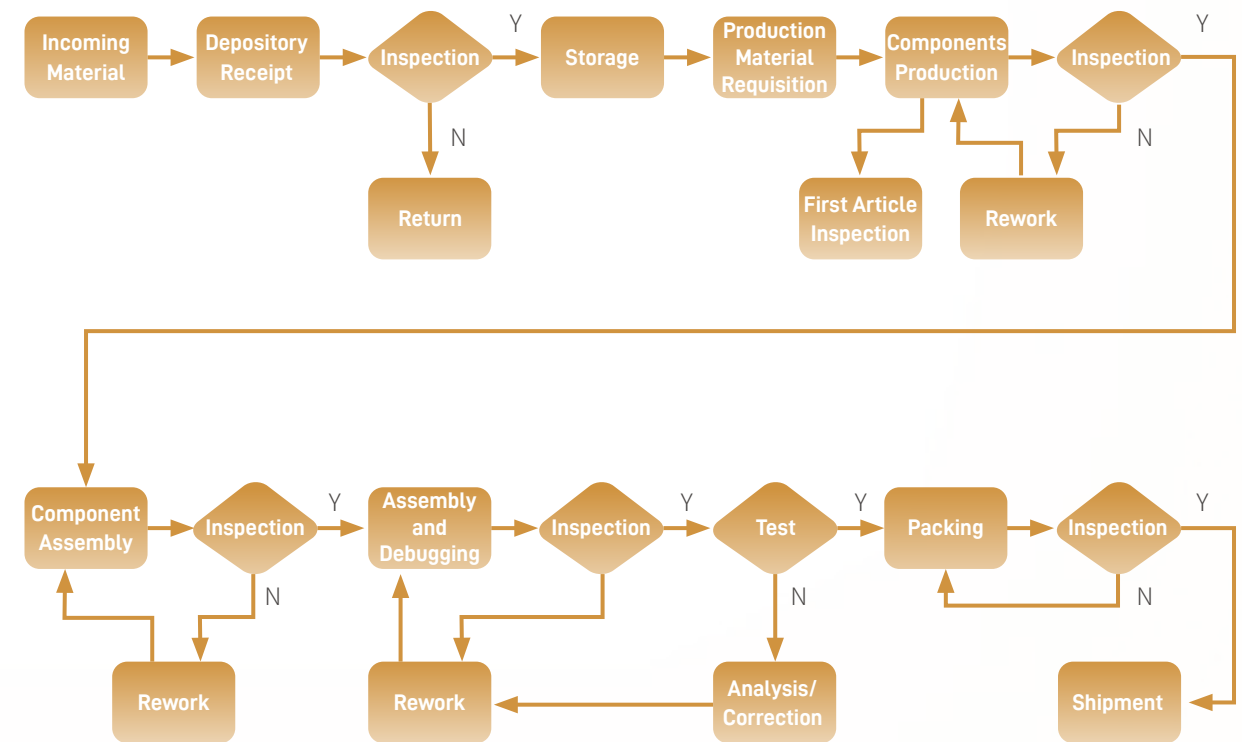
Upon receiving qualified products from the preceding stage, employees must strictly adhere to operational specifications within their designated roles to ensure product quality. Adequate preparatory measures, including pre-operation inspections and confirmations, must be undertaken to minimize the likelihood of non-conforming products.



Refuse dispatching non-conforming products

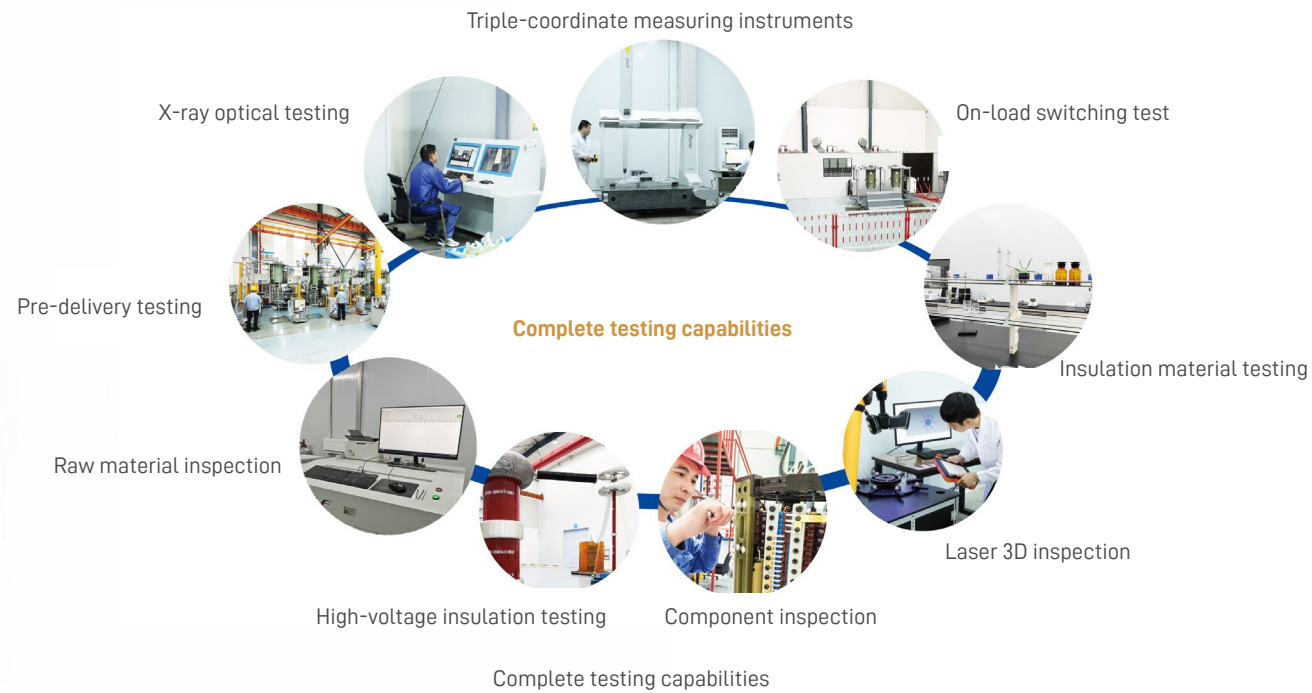
Upon completion of the respective processing stages, employees are required to conduct quality inspections and confirmations. Upon discovery of any non-conforming products, the defective product disposal procedure will be initiated by pressing the lamp system, and the quality control department promptly implements corrective and preventive measures to address the issue.

Furthermore, Huaming firmly upholds its quality policy, emphasizing technological innovation, the pursuit of exceptional quality, and the fulfillment of customer needs. Huaming prioritizes enhancing customer experience to refine both product and service quality, while maintaining rigorous quality control throughout the entire production process. All functional departments collaborate seamlessly to oversee the quality of every step, from raw material procurement to design, production, and service, thereby establishing Huaming's reputation as a brand synonymous with high standards and exceptional quality.



Product Quality Control System

During the product testing process, Huaming has implemented rigorous standards for evaluating its products, utilizing diverse testing methods including triple-coordinate measuring instruments, high-voltage insulation testing, and laser 3D inspection. Furthermore, the Company's tap changer testing center has been accredited by the China National Accreditation Service for Conformity Assessment (CNAS), ensuring that its test results are globally recognized and mutually accepted by the International Laboratory Accreditation Cooperation (ILAC).



QUALITY CULTURE

Huaming emphasis on fostering a robust quality culture in high regard. Through various platforms such as quality groups, regular meetings, and morning briefings, employees are kept informed of the Company's quality principles and product quality standards. This ensures prompt and effective feedback on quality concerns, thereby strengthening the quality consciousness among all employees and fostering an environment where quality is highly valued and actively pursued.



Quality Training and Regular Meetings

PROVIDING QUALITY SERVICES

Huaming is committed to serving each customer sincerely, tailored to their unique needs, while continuously enhancing its service standards. Guided by a customer-centered approach, Huaming has established a robust customer service guarantee system and implemented regulations, including the Control Procedure for Customer-Related Processes, to ensure that every aspect of the customer journey is effectively managed.

CUSTOMER REQUIREMENTS MANAGEMENT

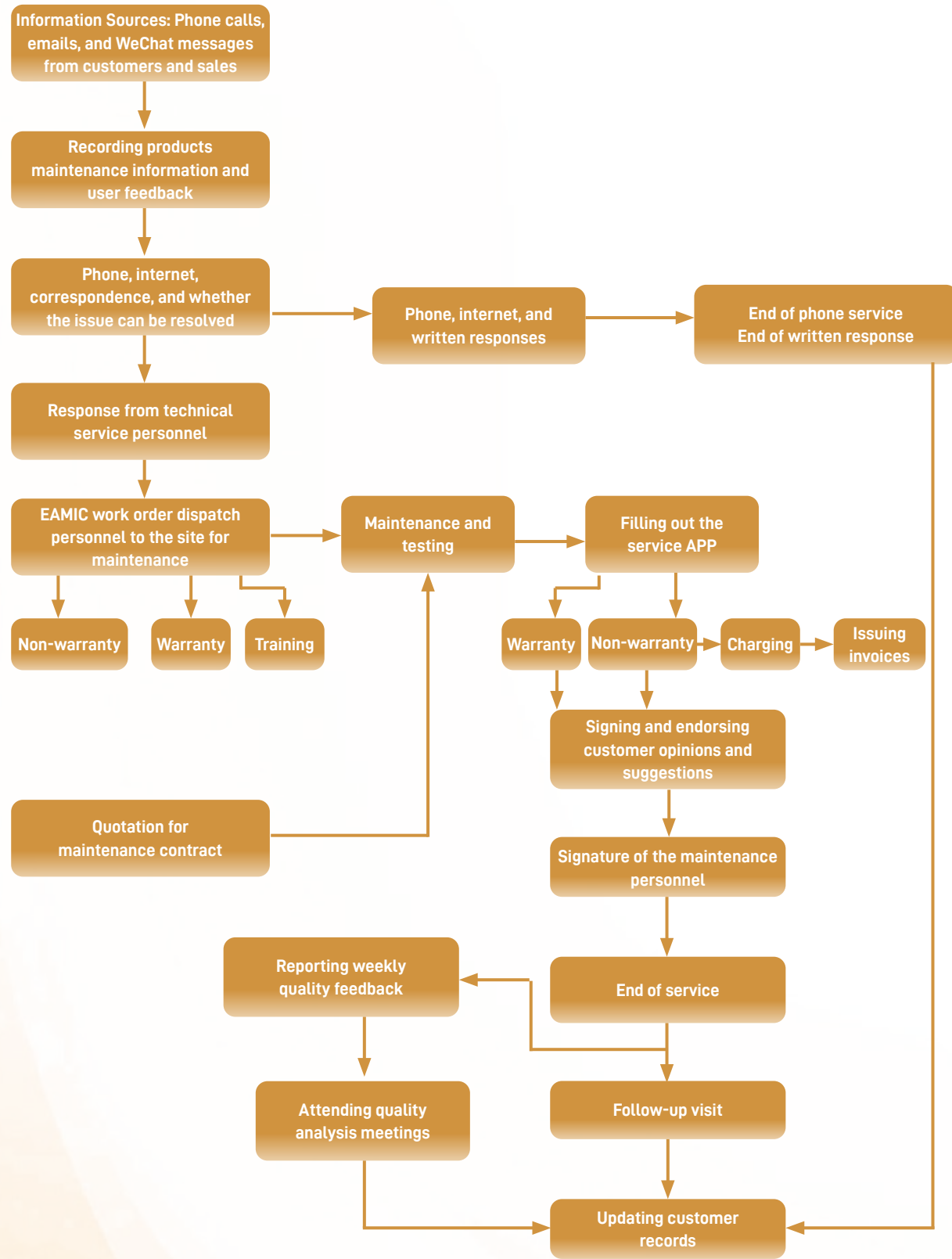
Huaming continuously refines its customer demand response mechanism, actively listening to customer feedback and addressing their requests through onsite visits, surveys, and various other channels. This approach allows for a deeper understanding of customers' latent needs, innovation in product functionalities, strengthened customer engagement, and ultimately, increased customer loyalty. The Customer Service Department regularly summarizes and analyzes service personnel's performance data, reporting key insights to relevant departments. By analyzing these insights, Huaming identifies customer needs and areas for improvement, collaborating with the technical department to implement corrective, preventive, and enhancement measures, thereby elevating the quality of its products and services. Furthermore, to enhance the competitiveness offerings, the Company adopts a targeted approach in managing diverse customer segments.

CUSTOMER COMPLAINTS AND HANDLING

To facilitate seamless communication, Huaming has established a 24-hour service hotline, accessible via multiple channels including artificial customer service and WeChat. This dedicated line receives inquiries, maintenance complaints, and other relevant information from our customers. All incoming emails, phone calls, and other forms of communication are registered and promptly handled, with the details and specific requirements of each customer being timely recorded.



Customer Complaints Handling Procedure



Customer Complaint Handling Procedure

CUSTOMER SATISFACTION EVALUATION

Annually, Huaming undertakes a comprehensive customer satisfaction survey to gather feedback and insights on various key aspects, including product performance and safety, delivery timelines, pricing, customer service quality, and emerging product needs. This survey aims to ensure that we are aligned with our customers' expectations and are responsive to their evolving requirements. In 2023, Huaming achieved a customer satisfaction rate of approximately 97%, coupled with a 100% customer complaint resolution rate.



Honors and Awards



Responsible Marketing

Huaming rigidly adheres to various laws and regulations, encompassing the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Advertising Law of the People's Republic of China. It unequivocally prohibits any exaggeration or misrepresentation in product marketing. Furthermore, it adheres to various internal policies during contract signing, product sales, and brand promotion, ensuring the elimination of any unfair competitive practices.

ADHERE TO INNOVATION LEADERSHIP

Huaming underscores the significance of technological leadership, viewing technological innovation as a pivotal driver for the enterprise's sustainable growth. Rooted in technological R&D, Huaming remains market-oriented, continuously fostering innovation, and enhancing its technological edge. It has established a R&D hub in Shanghai and an industrial base in Zunyi. Numerous subsidiaries have been acknowledged as national high-tech enterprises, with the wholly-owned subsidiary, Shanghai Huaming, recognized as a "specialized, special and new" SME in Shanghai and a national-level "specialized, special and new" little giant enterprise. In 2023, the Company achieved remarkable advancements in new product R&D, investing a total of RMB 78.47 million in R&D and employing 202 R&D personnel.

R&D MANAGEMENT

Huaming has established a comprehensive R&D management system, led by a technical center under the guidance of its Board of Directors. This ensures that the management level remains fully accountable for the R&D efforts across all affiliated companies. An expert committee, headed by the deputy general manager who also serves as the director of the technical center, oversees the system's operations. Various departments, including the Product Technology Department, New Product Development Department, Process Department, Quality Inspection Department, and Information Technology and Archives Management, collaborate closely to enhance R&D management. To further strengthen its technological capabilities, the Company has formulated two key policies, namely the Measures for the Administration of Scientific and Technological Project Establishment and the Innovation Incentive and Reward System. These policies establish an open innovation mechanism, facilitate the organization and implementation of technological achievements transformation, and implement a reward system to recognize and reward outstanding contributions. Moreover, to attract top-tier talents to join its technological R&D team, Huaming has introduced the Performance Appraisal and Reward System for Scientific and Technological Personnel and the Scientific and Technological Talent Training and Promotion Management System. These systems effectively regulate the training, skill enhancement, rewards, and other aspects of scientific researchers, thereby enhancing the Company's competitiveness in attracting and retaining exceptional talents.

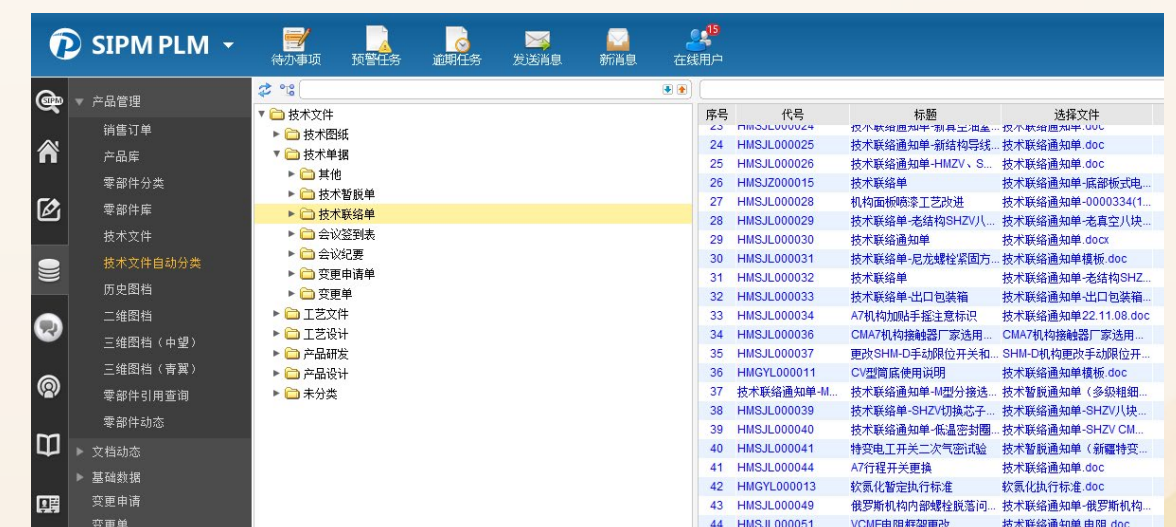
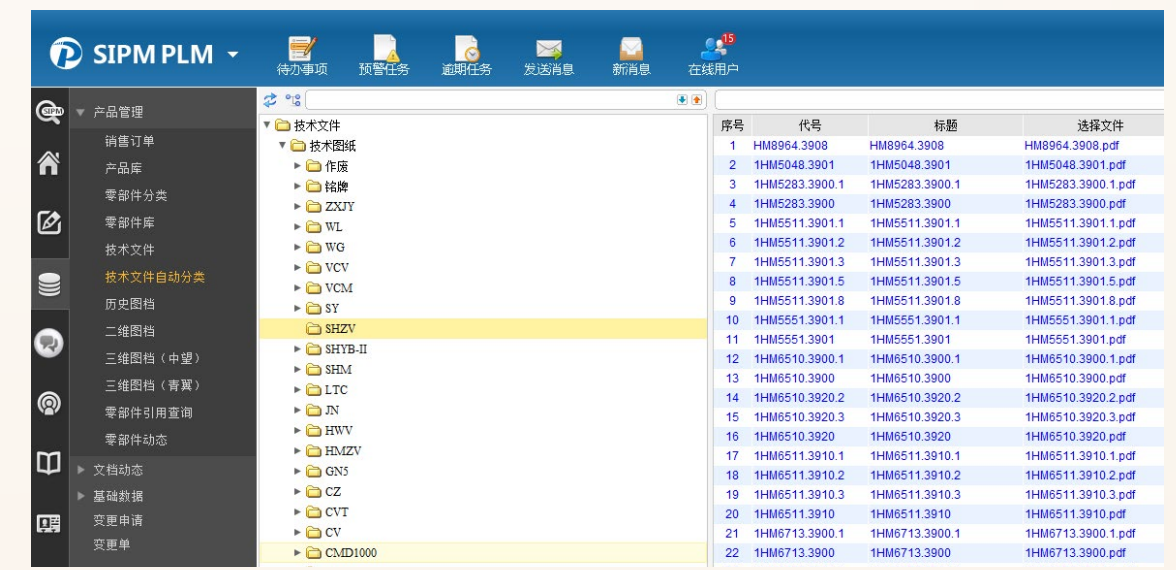
Hauming's R&D management is centered on innovation and relentless improvement, leveraging efficient project management and cross-departmental collaboration to facilitate technological advancements and product innovations. To accomplish this, the Company has established a structured R&D process, adhering strictly to predefined quality standards and schedules, encompassing all stages from market research to product design, development, testing, and ultimately market promotion.

During the design phase of new products, Huaming incorporates sustainability considerations and applies green principles in both design and manufacturing. It consistently enhances the automation, intelligence, and sophistication of its products throughout the production process, developing visual inspection systems that elevate the automatic detection and processing capabilities of its offerings.

Case Study:PLM Management System

The introduction of the PLM management system can achieve centralized data management, enhancing data consistency and accuracy while mitigating information silos and data redundancy. **Process Management Optimization:** The system streamlines enterprise processes, elevating efficiency in design reviews, change controls, and version management. It minimizes errors and delays, while ensuring strict adherence to standardized procedures by all relevant personnel. **Collaborative Capabilities Enhancement:** The system facilitates cross-departmental and cross-regional teamwork, guaranteeing that all relevant stakeholders have real-time access and update product information. This expedites product development, enhances product quality, and fosters better communication and decision-making.

Traceability Improvement: The system documents the entire life-cycle of a product, spanning from design to manufacturing, sales, and service. This facilitates effortless tracking of product history, change details, and associated documentation, ultimately contributing to enhanced product quality and customer satisfaction.



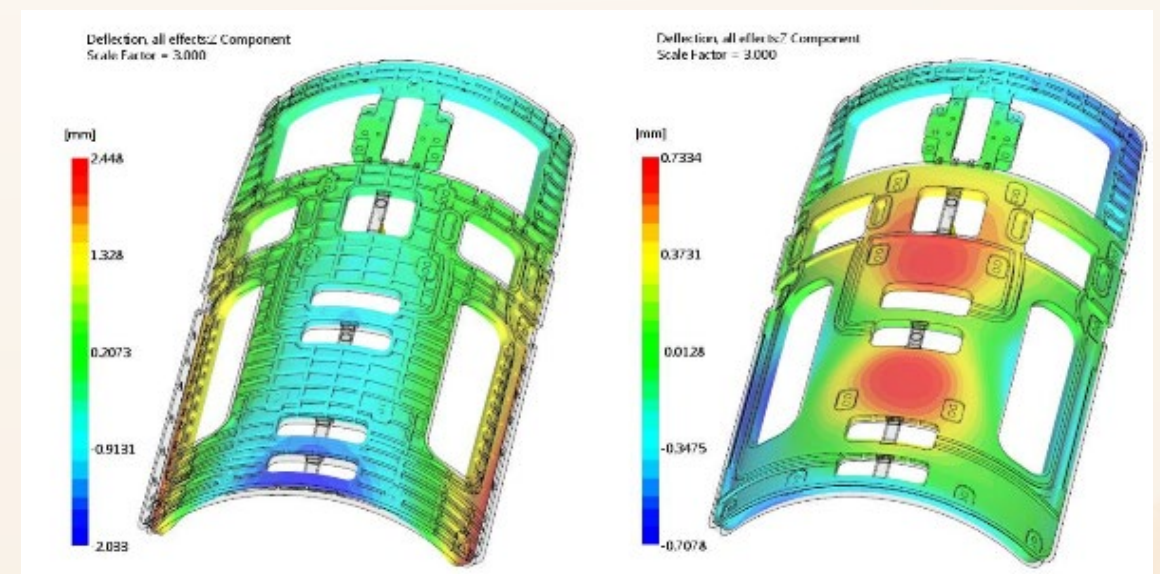
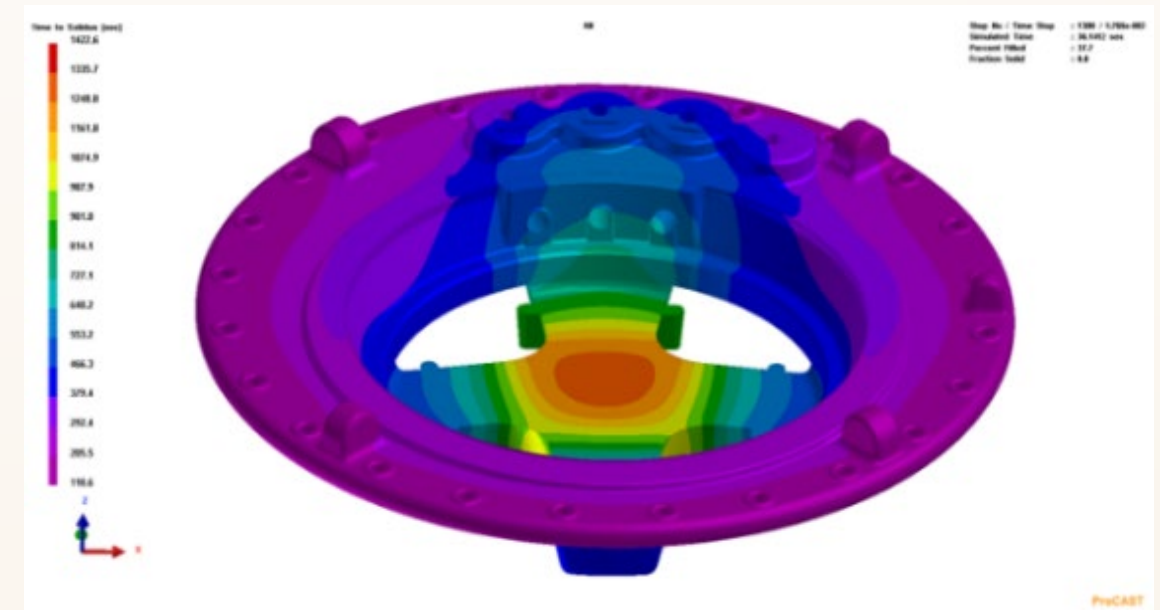
Case Study: The VCME Vacuum On-load Tap-changer

On November 8, 2023, the VCME vacuum on-load tap-changer, a new innovation from Shanghai Huaming Power Equipment Manufacturing Co., Ltd., successfully cleared the evaluation hurdle at the new product technology evaluation meeting organized by the China Machinery Industry Federation. This accomplishment marked the product's comprehensive performance indicators reaching the international advanced level among its peers. The VCME vacuum on-load tap-changer boasts a rational design and incorporates cutting-edge technology. Its installation plate and support bars are constructed using high-temperature-resistant thermoplastic composite materials, ensuring durability and resilience. The device features a large-angle quick mechanism, allowing for swift and efficient operations. Central to its functionality is the switching changer, which employs a vacuum tube arc extinguishing device and a "split-type" isolation contact. The vacuum tube's opening and closing actions are smoothly actuated by a cam lever mechanism, ensuring precise and reliable performance. Additionally, all rotating joints are equipped with rolling bearings, significantly enhancing the switch's mechanical life to 1.5 million times and electrical life to 360,000 times. Furthermore, the VCME vacuum on-load tap-changer has successfully undergone rigorous testing, including a test of opening and closing capacity at twice the rated current for 100 times. This rigorous testing demonstrates the switch's exceptional overload and short-circuit resistance, high-frequency switching capability, and minimal maintenance requirements. These attributes significantly enhance the switch's overload capacity, overall reliability, and stability during continuous operation.



Case Study: Mold Flow Analysis Software Adoption

To enhance the success rate of mold design and expedite the R&D cycle, Huaming has adopted state-of-the-art mold flow analysis software. This sophisticated tool simulates the entire injection molding process, anticipates potential defects, and enables their optimization in the initial design stages. This approach not only elevates the accuracy and quality of the mold but also mitigates the need for repeated trials and repairs, thereby reducing the time from product development to market launch. Furthermore, the software allows for the adjustment of crucial parameters such as the gate, runner, and cooling system, optimizing the overall quality and efficiency of the injection molding process.



Schematic Diagram of Mold Flow Analysis Software

DIGITAL AND INTELLIGENT PRODUCTION

Huaming actively implements the intelligent manufacturing strategy to bolster the competitiveness of its product quality and service offerings. Focusing on the seamless integration of digital intelligence technology with electrical equipment manufacturing, Huaming vigorously promotes intelligent manufacturing practices, comprehensively enhances data utilization, and endeavors to chart a clear path for digital transformation.

Case Study: Smart Manufacturing (MES System)

Amidst the continued advancements in network information technology, Industry 4.0, the industrial internet, the internet of things, big data, cloud computing, and artificial intelligence have garnered robust fundamental support. Consequently, the urgency for the digital transformation has escalated. Commencing in September 2023, Huaming's Fengxian production base embarked on the research and blueprint design for the MES system, culminating in its trial operation in November. This system encompasses data collection from over 300 pieces of equipment and workstations, including 28 diverse functional and management modules.

Huaming seamlessly integrates MES with ERP to facilitate the scheduling of intelligent workshop production plans. MES interprets the production management plans within the ERP system and translates them into practical workshop production plans. Upon receiving directives from the ERP system, MES promptly transforms the primary production plan into executable digital instructions tailored for the workshop, leveraging technical documents like product processing process flows. Concurrently, MES accurately disseminates the production plan to processing personnel and workstations, taking into account the workshop personnel's production capacity, intelligent equipment, and the production line's work cycle. Information pertaining to logistics, processing progress, component processing status, product assembly, and warehousing is fed into MES via 5G+ related equipment, while processing quality information data is synchronized into MES through 5G+ detection equipment. This achieves a seamless, bidirectional connection between the ERP main production plan and the MES plan scheduling, ultimately realizing the integration of MES and ERP. By integrating these systems, Huaming ensures the smooth flow of workshop processing data throughout the entire system, fostering information traceability and application, and enabling digital and visual progress management for the enterprise.

Huaming has achieved a comprehensive informatization across all workshops and stages, from raw material procurement to parts warehousing, leveraging the MES system. This system enables seamless querying and monitoring of the production status of parts in each workshop, as well as tracking the completion status of various production batches. Additionally, a unified production scheduling platform has been established for application across all workshops, providing real-time control and management of production progress in each factory. This platform assists the production management department in gaining a comprehensive understanding of the overall progress of production capacity and tasks across all workshops.



Case Study: Injection Molding Workshop Transformation

As thermoplastic technology has advanced and become increasingly utilized, injection molding has emerged as a pivotal approach for Huaming in its pursuit of green manufacturing, attributed to its notable efficiency in production, minimal energy consumption, and recyclability. During the reporting period, Huaming embarked on an extensive upgrade and transformation of its injection molding workshop. Tailored to production requirements, four additional injection molding machines were introduced to cater to the diverse production needs of parts of varying specifications. Furthermore, the installation of a centralized feeding system and injection molding manipulator significantly enhanced the workshop's overall production efficiency.



Advantages of Centralized Feeding System

High efficiency: The centralized feeding system is capable of automatically supplying a diverse range of raw materials to numerous injection molding machines, achieving a superior level of automatic control and monitoring, while fulfilling the requirement for uninterrupted 24-hour production.

Energy conservation: This system necessitates only a single operator to manage the feeding needs of the entire workshop. Furthermore, it reduces the necessity for raw material bags and associated auxiliary equipment situated near the injection molding machines, thereby enhancing space utilization. Additionally, centralized power feeding contributes to significant electricity savings.

Advantages of Injection Molding Manipulator

High safety: The injection molding manipulator effectively replaces human labor in removing products from molds, thereby eliminating potential safety hazards such as worker injuries.

Prevention of product damage: In the event that the manipulator fails to retrieve the product, it is programmed to automatically trigger an alarm and shut down, preventing any potential damage to the mold.

Stable quality: Since the manipulator removes products at a predetermined and consistent time, it ensures the uniformity and stability of product quality.

Case Study: Smart Tool Cabinet Management

During the reporting period, Huaming made significant strides in enhancing the efficiency and precision of tool management by adopting smart tool cabinets as a replacement for manual management. These cabinets, equipped with intelligent access and monitoring systems, ensure accurate classification, storage, and tracking of tools, thus reducing the time spent searching for and replacing tools, and optimizing production workflows. Furthermore, the smart tool cabinets aid the Company in mitigating issues such as over-purchasing and inventory backlog through precise inventory management, resulting in cost savings. Additionally, they bolster workplace safety by preventing improper tool usage and potential accident hazards.



Case Study:OA System

The introduction of an OA system can significantly enhance Huaming's operational efficiency, enabling office process automation, bolstering internal communication, optimizing resource allocation, standardizing business processes, and providing crucial data support for management. This ultimately enables Huaming in achieving sustainable development and bolstering its competitiveness.



Case Study: Kingdee Management Software

The introduction of the Kingdee management software system is a pivotal strategic move for Huaming to elevate the operational efficiency and competitiveness. This system markedly boosts operational efficiency and accuracy by automating business processes, integrating internal resources, optimizing financial management, refining supply chain management, strengthening customer relationship management, and offering decision-making support. Additionally, the Kingdee system boasts robust data security measures, safeguarding the security and integrity of Huaming's data. Beyond optimizing business processes, the Kingdee system also enhances collaboration efficiency among employees and the effectiveness of training, thereby granting Huaming a comprehensive competitive edge and an elevated market position.



Case Study:China Merchants Bank- Payroll Service HR Management System

Huaming has integrated a HR management system, namely Payroll Service, which has achieved digital management across various aspects of human resources, including organizational structure, personnel records, compensation, and more. This transition has led to significant gains in work efficiency and data accuracy. The system's ability to integrate various types of data further provides crucial support for the decision-making processes. The system offers timely and convenient assistance for contract signing, employee information updates, automatic salary calculations, and tax withholding, optimizing employee management while ensuring compliance with legal regulations. The digitization of various personnel management processes has also reduced the reliance on manual operations and paper documents, resulting in cost savings.



ENHANCING COLLABORATIVE PARTNERSHIPS

Huaming steadfastly embraces the new development concept, integrates its advantageous resources, and actively pursues diversified cooperation with governments, renowned enterprises, research institutions, and other stakeholders. This collaboration aims to continuously foster strategic partnerships across various aspects, fields, and depths, achieving mutual benefits, information sharing, and win-win outcomes in terms of resources. Huaming strives to grow alongside its development partners, fostering a symbiotic and prosperous ecosystem.

Case Study: Signing a Strategic Framework Agreement with CEEC

During the reporting period, Huaming formalized a Strategic Cooperation Framework Agreement with China Electric Equipment Group Supply Chain Technology Co., Ltd. Centering on the core product of on-load tap-changer, the parties have deepened their strategic collaboration, jointly upholding the principles of "mutual trust, continuity, and stability" in their cooperation. Under this agreement, Huaming aims to enhance its decision-making mechanisms for centralized procurement and individual contract execution, thus offering improved-quality products and services to the various production entities under the umbrella of China Electric Equipment Group.

Following the successful conclusion of the signing ceremony, the delegation led by China Electric Equipment Group leaders toured Huaming's comprehensive production base in Fengxian, expressing their high regard for the company's exceptional production capacity and technological prowess. Going forward, the parties will foster a multifaceted and mutually beneficial relationship encompassing technology-driven advancements and supply chain development, striving to achieve a new level of enterprise collaboration and industrial synchronization.



Signing Ceremony of a Strategic Cooperation Framework Agreement

Case Study: Signing a Strategic Cooperation Agreement with Han's Laser

During the reporting period, Huaming has established a strategic partnership with Han's Laser, aiming to jointly develop an intelligent laser cutting production line specifically designed for H-shaped steel. In recent years, China's steel structure industry has witnessed remarkable growth. However, H-shaped steel, a crucial construction material, still faces challenges in terms of efficiency, energy consumption, and processing accuracy. The newly developed laser cutting production line addresses these issues effectively. It offers capabilities such as hole cutting, material cutting, and beveling for H-shaped steel, delivering unparalleled production efficiency, precision, stability, and reduced energy consumption. This innovation holds significant potential for enterprises to cut costs and enhance their competitive edge. The strategic cooperation with Han's Laser marks a significant step forward in promoting intelligent and efficient production within the steel structure industry in China.



Signing Ceremony of a Strategic Cooperation Agreement

Huaming's wholly-owned subsidiary has embarked on a profound collaboration with Shandong Jiaotong University and other institutions, fostering a robust college-enterprise cooperation. This collaboration has been mutually beneficial, as Huaming has gained valuable insights and innovative ideas from the fresh perspectives of faculty and students. Additionally, the engagement in practical projects has nurtured a cadre of industry-savvy professional and technical talents. This seamless integration of education and practical application has not only bolstered the technological innovation capabilities but also laid a solid foundation for executing its long-term talent development strategy. During the reporting period, Huaming engaged in technological collaboration with Xi'an Jiaotong University to conduct joint research on the optimal parametric selection technology for the wiring configuration of 35kV and 10kV on-load tap-changer switching test loop equipment. As a result, simulation software was developed to simulate the switching process of various models of vacuum on-load tap-changers.

INTELLECTUAL PROPERTY MANAGEMENT

Huaming adheres strictly to the legal frameworks outlined in the *Trademark Law*, *Patent Law*, and *Copyright Law of the People's Republic of China*. It views intellectual property protection as a fundamental driver of innovation and a crucial factor in maintaining its competitive edge. Huaming has established a comprehensive suite of internal regulations, encompassing the *Patent Management System*, *Intellectual Property Management System*, and an *Intellectual Property Emergency Plan*. It actively pursues patent filings and software copyright registrations with government authorities, ensuring comprehensive protection of its intellectual property. Simultaneously, the Company respects and avoids infringing on the intellectual property rights of others, fostering a corporate culture that respects knowledge, encourages creativity, and champions innovation.

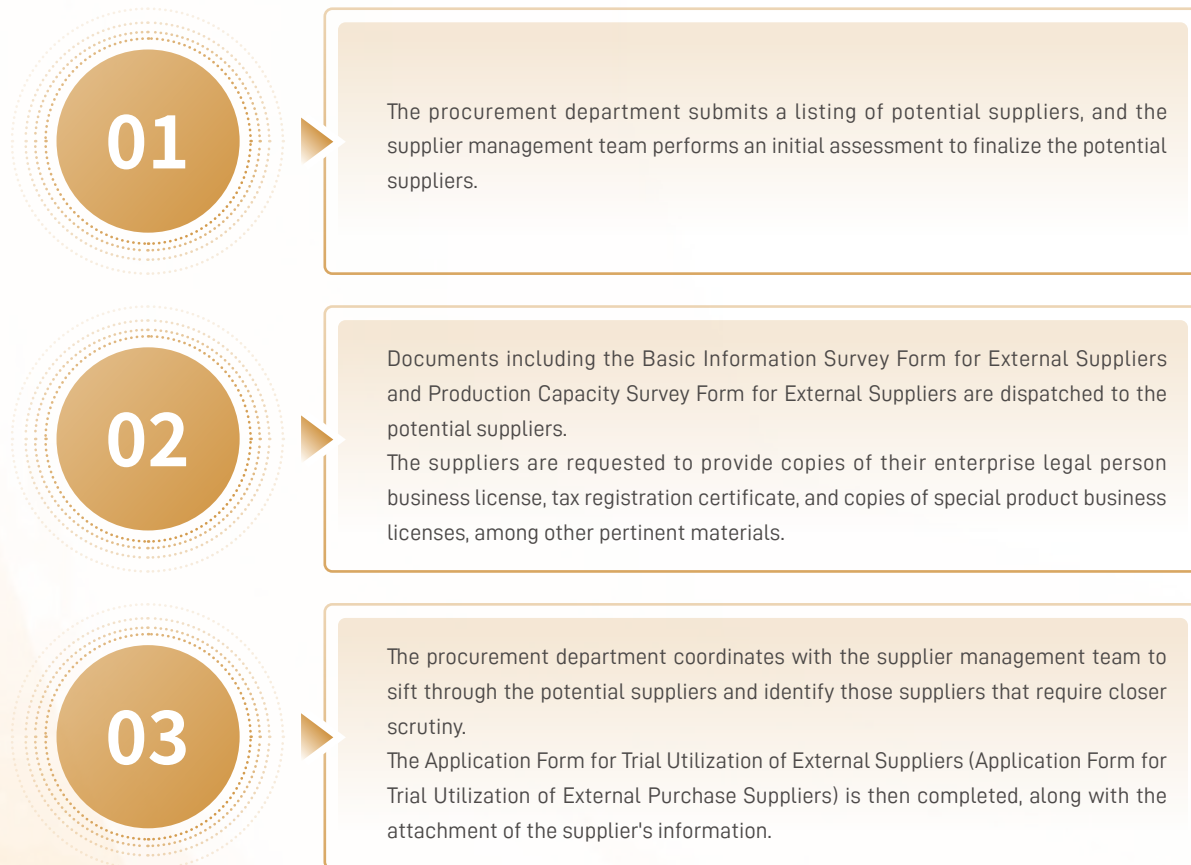
Key Performance Indexes

- As of the end of the reporting period, a total of **301** patents have been granted authorization, including **73** invention patents. Additionally, Huaming has obtained **23** software copyrights and **22** trademarks.

OPTIMIZING SUPPLY MANAGEMENT

SUPPLIER MANAGEMENT

In order to reinforce its supplier management, Huaming has established a supplier management team comprising the procurement department, technical department, process department, and quality department. Huaming has developed a set of working documents, including the Supplier Management System, Procurement Control Procedures, and Contract Management Procedures. These documents outline the fundamental principles, responsibilities, development methodologies, monthly appraisals, regular assessments, and the utilization of evaluation outcomes, as well as the maintenance of supplier relationships within the context of supplier management. These documents serve as a guide for the development, assessment, evaluation, and maintenance of suppliers.



Supplier Selection Mechanism

SUPPLIER EVALUATION

Huaming facilitates regular and on-site supplier evaluations, overseen by the procurement department and executed by a designated representative from the supplier management team. This rigorous process ensures the consistent and steady improvement of material quality from our primary suppliers, aligning with the stringent quality standards. Suppliers who fail to meet these standards are temporarily excluded from the List of Qualified Suppliers. Subsequently, the supplier management team reaches a consensus and completes the Application Form for Cancellation of Unqualified Suppliers.

SUPPLIER ASSESSMENT

The supplier management team performs monthly assessments of suppliers, referencing the List of Qualified Suppliers. These assessments are comprehensive, encompassing the qualification rate of inspections, the promptness of delivery, the quality of service, and the price level. Based on these comprehensive metrics, the Monthly Supplier Assessment Form is then duly completed.

SUPPLIER RELATIONSHIP MAINTENANCE

Annually, the quality department organizes educational sessions for suppliers, focusing on the ISO9001 quality system standard. Suppliers are encouraged to devise implementation plans aligned with this standard. Whenever necessary, support is extended to assist suppliers in establishing and enhancing their quality assurance systems, thereby elevating the quality of their offerings. Concurrently, the procurement department hosts at least two supplier meetings per year, fostering effective communication and collaboration between both parties.



Contractor Safety Training



The Quality Department organizes Training on the ISO9001 Quality System Standard for Suppliers

Case Study: in the Modern Collaborative Activities in Industrial Chain Integration of State Grid's New Power System

On November 30, 2023, Huaming participated in the event focused on the modern collaborative activities in industrial chain integration within State Grid's groundbreaking new power system. Alongside the press conference unveiling the open cooperation initiative for this industrial chain, the gathering served as a supporting theme activity for the inaugural Chain Expo. The objective of this gathering was to foster a professional platform that encourages mutually beneficial collaborations and win-win outcomes between upstream and downstream enterprises across the industrial chain. Additionally, it aimed to provide upstream, midstream, and downstream enterprises with market, cooperation, and innovation opportunities to collaborate and grow together, ultimately enhancing the stability and fluidity of the global industrial chain supply chain. Over 300 representatives from state-owned enterprises, industry associations, think tanks, universities, research institutions, and other entities attended this significant event.



03

ENVIRONMENTAL PROTECTION AND IMPLEMENTATION OF LOW-CARBON DEVELOPMENT

Adhering to the concept of green development, Huaming is committed to promoting the harmonious coexistence between human beings and nature. Huaming attaches great importance to environmental management, constantly improves its environmental management system, vigorously promotes energy conservation, emission reduction, and waste management, and fulfills the relevant requirements of national environmental management regulations with practical actions. Huaming regularly carries out environmental risk factor assessment and detection and hidden danger inspections, establishes a comprehensive emergency management system. Through continuous environmental education and training, Huaming actively cultivates employees' profound awareness of environmental protection.

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IMPROVING ENVIRONMENTAL MANAGEMENT

Huaming remains steadfast in pursuing green development, adhering strictly to national laws and regulations, including the Environmental Protection Law, the Law on Environmental Impact Assessment, the Regulations on Planning Environmental Impact Assessment, and the Measures for the Administration of Ecological and Environmental Standards. Drawing upon international standards like ISO14001 and integrating them with our company's unique context, Huaming formulated a comprehensive suite of environmental management documents. These documents include the Quality/Environment/Occupational Health and Safety Management System Manual, outlining our holistic approach to sustainability, the Procedure for Identification and Evaluation of Environmental Factors, guiding our assessment of potential environmental impacts, the Regulations on Environmental Protection Responsibility, clarifying individual and collective duties in environmental stewardship, the Regulations on Environmental Protection Management, establishing a framework for our daily environmental practices, and the Regulations on the Storage Places of Hazardous Wastes, ensuring the safe and compliant handling of hazardous materials. These regulations have not only clarified our organizational structure and responsibilities but have also institutionalized our environmental management practices, ensuring a standardized and consistent approach across all our production activities. Huaming and its major subsidiaries have successfully obtained ISO14001 Environmental Management System certification during the reporting period.



According to Huaming's size and unique business attributes, a comprehensive and hierarchical environmental management organizational structure has been erected. This structure aims to designate clear responsibilities and duties for environmental management, reinforce accountability for environmental stewardship, and comprehensively enhance the company's environmental protection efforts.



Environmental Management Structure

Huaming remains vigilant in addressing and responding to unforeseen environmental emergencies. It continually enhances its risk mitigation and environmental contingency mechanisms while disseminating and executing the Emergency Response Plan for Unexpected Environmental Events across all subsidiary and production units. Actively engaging in risk screening initiatives, Huaming thoroughly evaluates and catalogues the findings, pinpointing exemplar environmental hazard scenarios. Additionally, it establishes dedicated emergency response teams, equips them with comprehensive emergency facilities and essential supplies, regularly conducts emergency drills, and takes proactive measures to prevent and mitigate various accidents. Furthermore, the Company places significant emphasis on fostering employees' awareness of environmental risk prevention and control. In 2023, all subsidiaries have implemented environmental protection training programs aimed at bolstering the environmental consciousness and management capabilities of all personnel.



Environmental Protection Training

DEEPENING ENERGY CONSERVATION AND EMISSION REDUCTION

In terms of energy management, Huaming has established a comprehensive energy management system, drawing upon the framework of its environmental management system. This system is complemented by institutional documents, including the Energy Resource Management System, designed to continuously foster innovative enhancements in energy efficiency, emission reduction, and resource preservation. Additionally, designated personnel are tasked with regularly documenting and analyzing the utilization of energy resources, ensuring the effective stewardship of energy.

ENERGY CONSERVATION TRANSFORMATION

Aligned with national directives on energy conservation, Huaming has formulated stringent energy conservation and consumption reduction control measures. These measures serve as a standard and guide for energy conservation efforts across the company and its various factories. Annually, based on actual conditions, energy conservation objectives and improvement plans are outlined. Furthermore, each subsidiary and factory establishes its own energy conservation goals tailored to their specific production and operational landscapes, and continuously tracks the achievement of the goals.

Case Study: Adoption of High-efficiency Servo Motors

During the reporting period, Huaming embarked on a standardization and modularization drive for product components, significantly enhancing both design and production efficiencies. By uniformly adopting efficient servo motors in the power system of processing equipment, energy consumption is significantly reduced while ensuring power output. The servo motors, renowned for their precision control and superior energy efficiency, have been instrumental in boosting the product's market competitiveness and aligning with environmental protection policies.

Case Study: Low carbon emissions, more environmentally friendly and safer

As part of its ongoing efforts to enhance production capabilities and environmental sustainability, Huaming invested in two state-of-the-art 800kg resistance furnaces during the reporting period. These modern furnaces, designed with advanced technology, aim to improve production efficiency while significantly curbing energy consumption and environmental pollution. Compared to traditional 3T biomass particle furnaces, the new resistance furnaces offer superior energy efficiency and reduced emissions. The original biomass particle furnaces produced a large amount of exhaust emissions during production and operation, but zero exhaust emissions have been achieved after being converted to resistance furnaces. Their precision temperature control and faster heating capabilities have significantly improved the efficiency and quality of metal smelting, further advancing the green manufacturing transformation.

Consolidating Three Wastes Management

Huaming strictly adheres to the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. It has established the Waste Control Procedure to clarify the regulations governing the entire waste management process, encompassing classification, storage, compliant disposal, and record-keeping. Huaming strives to reduce the generation of pollutants and waste through technological advancements and recycling initiatives.

Exhaust Gas Management

Huaming rigidly upholds the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other pertinent regulations and policy directives. It implements classified monitoring and treatment for various exhaust gases emitted during each production stage, enhancing the quality and effectiveness of ultra-low emission transformation efforts. Additionally, it intensifies comprehensive measures to tackle atmospheric pollution. Huaming mandates all subsidiaries to comprehensively identify and manage environmental factors. For the primary exhaust gas pollutants arising from the production process, each facility utilizes online monitoring equipment for real-time surveillance and control, ensuring 100% compliant emissions. During the reporting period, Huaming actively pursued the transformation and upgrading of ultra-low emissions, encompassing various aspects such as production optimization, upgrading, evaluation, and testing.

Case: Upgrading Exhaust Gas Treatment Equipment and Implementing an Online Monitoring System

To mitigate the environmental risks associated with organic exhaust gases (VOCs) emitted during the production cycles, Huaming has invested approximately RMB 4 million in upgrading its exhaust gas treatment equipment. These new facilities incorporate industry-leading technologies that efficiently convert or decompose harmful substances present in organic exhaust gases, thereby significantly reducing their atmospheric pollution. Moreover, Huaming has implemented an online monitoring system to ensure continuous compliance with both national and local environmental protection standards. This real-time monitoring mechanism not only enhances the controllability and transparency of the entire environmental emission process but also significantly boosts management efficiency and response speed.

Waste Management

Huaming implements strict classified management for waste, and divides waste into hazardous waste and general waste according to relevant regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Measures for the Transfer and Management of Hazardous Waste. The Company has issued a series of waste management and disposal systems, including the Waste Management Measures and the Solid Waste Control Procedures, to ensure the compliance of waste disposal. For hazardous waste, Huaming tries to reduce the generation of hazardous waste from the source. Each subsidiary has also formulated a list of hazardous waste, clearly recording the type of hazardous waste, the generation process, the dangerous toxicity, and the disposal unit and method. Huaming has issued the Hazardous Waste Management Measures to clarify the requirements for each link of collection, storage, transportation, and disposal.

Disclosed Item	Unit	2023
Total amount of solid waste	Ton	969.29
Total amount of general solid waste	Ton	868.31
Recycled amount of general solid waste	Ton	445
Total amount of hazardous waste	Ton	100.98
Hazardous waste disposal volume	Ton	100.98

Huaming's solid waste mainly consists of general industrial waste and household waste, as well as paint packaging, residual paper from paint applications, waste organic solvents, used activated carbon and filtration media for waste gas treatment, waste mineral oil, and cutting fluids resulting from painting and surface spraying operations. It implements source classification, standardized storage practices, and compliant disposal methods. Domestic garbage is segregated and then disposed of by the environmental hygiene department. Additionally, general industrial waste, like waste iron filings produced during steel plate welding and part processing, is considered a renewable resource and entrusted to a third-party for comprehensive utilization. Hazardous waste is entrusted to a qualified third-party unit for either comprehensive utilization or proper disposal.

Wastewater Management

Regarding wastewater management, Huaming strictly adheres to laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Regulations on Urban Drainage and Sewage Treatment. It has established internal wastewater management systems to standardize and optimize wastewater treatment. Based on the specific types of wastewater pollutants generated by various production processes within each factory area, Huaming employs tailored and effective wastewater treatment techniques to ensure that the discharged wastewater meets both national and local discharge standards, thereby minimizing its environmental impact. Furthermore, the Company contracts qualified external environmental monitoring agencies to conduct annual environmental monitoring of wastewater discharge at each of its factories.

Huaming has constructed efficient wastewater treatment stations, encompassing both comprehensive and specialized cyanide-containing wastewater treatment systems. The comprehensive system ensures that the treated wastewater attains the required discharge standards, while the cyanide-containing system effectively eliminates harmful cyanides, enabling water resource recycling. This approach not only mitigates environmental pollution but also enhances resource efficiency.



Implementing Green Operations

Water Resource Management

The water resources utilized by Huaming throughout its production and operational processes are sourced from municipal water supplies and recycled water. Aligning with the national initiative to foster a water-conserving society, Huaming places significant emphasis on the reuse of water resources. Tailored approaches to water recycling and reuse are implemented, taking into account the specific conditions of production and operation, to ensure efficient utilization, conservation, and safeguarding of water resources. During the reporting period, Huaming and its subsidiaries have embarked on a series of water conservation measures aimed at enhancing the efficiency of water utilization and mitigating wastage during the production process. Additionally, to bolster water management and promote rational water consumption, the Company has established a dedicated water-saving leadership team responsible for coordinating and advancing water resource management efforts, revising pertinent policies, and enhancing overall water resource management.

Case: Updating the Powder Spraying Line




The previous powder recovery system suffered from inadequate design, leading to inadequate working conditions for staff, low recovery rates, and compromised quality of the recovered powder. During the reporting period, Huaming embarked on an upgrade of the powder recovery system. The new cyclone recovery system introduced boasts an impressive powder recovery rate of up to 98%, facilitating seamless color changes, eliminating dust spillage, and enhancing powder utilization by 20%. Furthermore, the drying tunnel's length has been optimized, delivering a 20% increase in productivity compared to similarly-sized drying tunnels of other companies, thereby achieving a 20% efficiency boost. Concurrently, the cleaning line's cleaning process has undergone significant improvements and optimizations, resulting in a notable 33% increase in quality and a remarkable 120% surge in cleaning efficiency. By embracing comprehensive water reuse strategies, the Company has successfully reduced water consumption by 60%. Additionally, the activity level of the cleaning solution has surged by 300%, indicating a significant enhancement in its cleaning capabilities. These environmental protection efforts have not only minimized operational costs but also significantly reduced the overall operating cost of the production line by 25%.



New Powder Spraying Production Line Equipment

Green Office

Huaming places significant emphasis on mitigating the environmental impact of office operations and actively aligns with national initiatives aimed at energy conservation and carbon reduction. It champions the green office concept internally, fostering a culture that prioritizes sustainability. Huaming has established a comprehensive set of internal policies, including the Green Office Guidelines, which encourage daily practices such as electricity conservation, paper reduction, and environmentally friendly commuting methods. These efforts collectively contribute to creating a low-carbon and environmentally conscious office environment.

Advocating Green Office	Advocating Electricity Conservation	Advocating Green Transportation
 <p>Huaming issues notifications mainly through collaborative networks and QQ groups. Documents to be archived are not printed unless necessary, and non-critical documents are printed on the back of waste paper (such as expired single-sided printed materials). Double-sided printing is encouraged for printing paper, and single-sided sheets of expired materials (such as bidding documents) can be used for printing on the reverse side.</p>	 <p>Office lighting has been adjusted from two lights to one, and energy-efficient LED lights are used. During the summer, air conditioning may only be used when the indoor temperature exceeds 32°C from June 1st, and the set temperature must not be lower than 26°C. During the winter, air conditioning may be used when the indoor temperature is below 15°C starting from November 15th, and the set temperature must not exceed 18°C.</p>	 <p>When employees go out to work and a few work overtime, Huaming encourages them to use electric vehicles for transportation.</p>

Green Office Initiatives



Green Culture Promotion



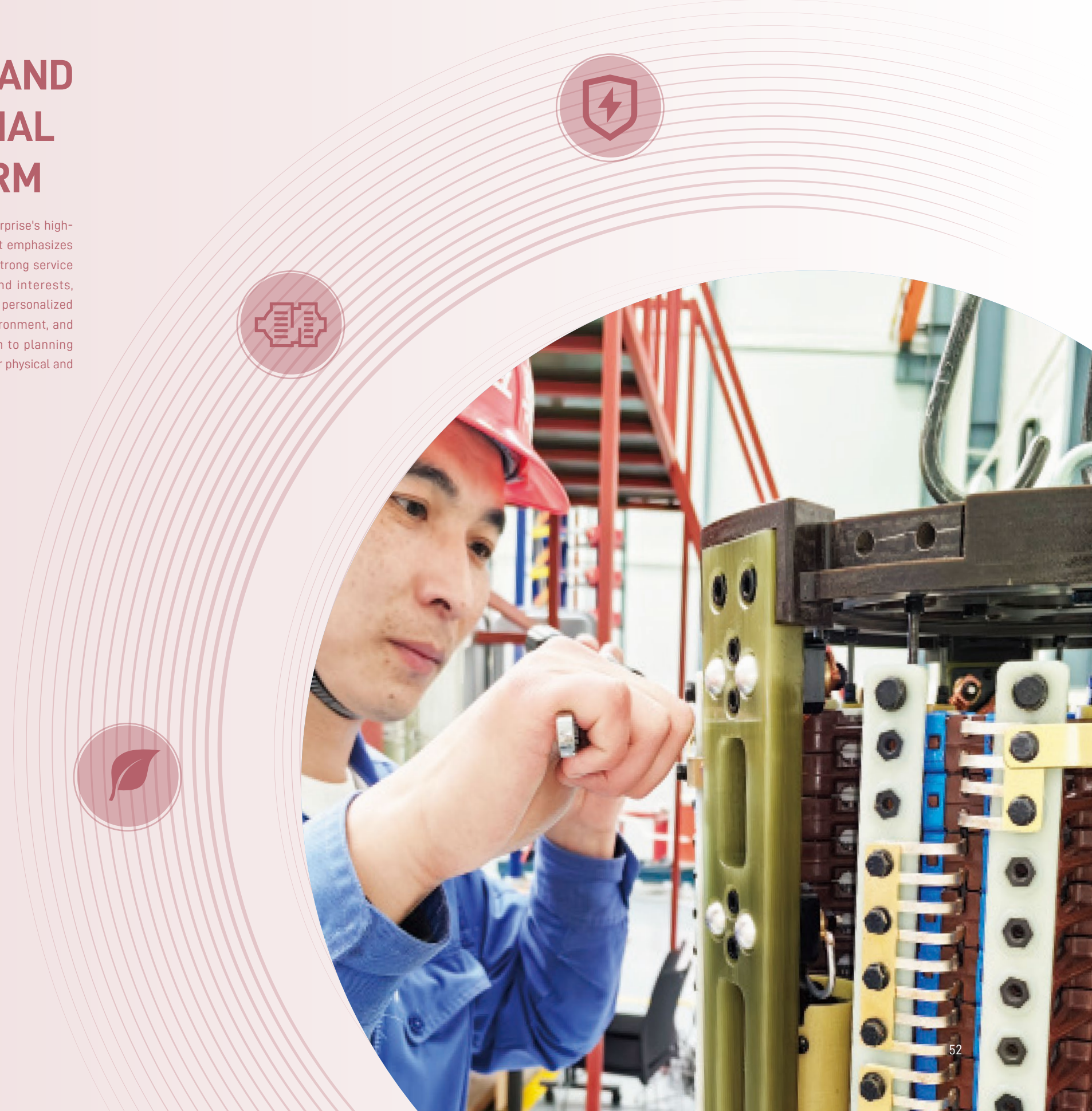
Fengxian greening renovation materials

04

EMPOWERING TALENTS AND FORGING AN EXCEPTIONAL DEVELOPMENT PLATFORM

Huaming profoundly recognizes the significance of talent in driving the enterprise's high-quality development. Therefore, it adheres to an employment philosophy that emphasizes excellent character, collaborative team spirit, professional excellence, and strong service awareness. Huaming comprehensively safeguards employees' rights and interests, establishes a fair and equitable employment management system, provides personalized training and logical promotion mechanisms, creates a secure working environment, and cultivates an open, inclusive, and diverse cultural atmosphere. In addition to planning employees' career development, the Company also pays close attention to their physical and mental well-being.

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Safeguarding Employees' Rights and Interests	53
Emphasizing Talent Cultivation	55
Implementing Employee Care	58
Occupational Health and Safety	59



Standardizing Employee Employment

Huaming adheres strictly to laws and regulations such as the Labor Law of the People's Republic of China, the Civil Code of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China. It ensures that job applicants and employees are treated without discrimination based on factors such as skin color, ethnicity, race, nationality, social background, disability, religious belief, gender, marital status, or age. Huaming prohibits the employment of child labor and firmly opposes any form of coercion that restricts employees' physical and mental freedom or forces them to perform tasks against their will. Additionally, the Company respects employee diversity and strives to create an inclusive work environment.

Huaming has crafted a comprehensive suite of employment-related policies and regulations, encompassing the Protection System for Female and Minor Workers, the Regulations on Labor Contract Management, the Employee Recruitment and Hiring Measures, as well as the Employee Resignation Management Regulations, among others. These policies aim to standardize and consolidate the recruitment process, along with various employment matters, ensuring a seamless and compliant workflow. During the reporting period, Huaming has maintained a zero-tolerance policy towards any instances of employing or utilizing child labor or forced labor.



Safeguarding Employees' Rights and Interests

Huaming upholds the people-centered principle, safeguarding and protecting employees' legitimate rights and interests. It has established comprehensive rules and regulations such as the Salary Calculation and Payment Policy, Overtime Administration Guidelines, Attendance Management Policy, Implementation Measures for Paid Annual Leave, and Employee Welfare Management Framework covering areas like working hours, compensation, welfare, vacations, and performance. Huaming continuously enhances its salary and welfare system and democratic management mechanisms, aiming to boost employees' sense of job security and strengthen their sense of belonging and identification.

Salary and Welfare

Huaming endeavors to establish medium- and long-term incentive mechanisms to effectively spark the enthusiasm and creativity among its outstanding employees. To enhance adaptability to market fluctuations and enterprise growth aspirations, Huaming has introduced a tailored broadband compensation policy that caters to the factory's functional requirements. This policy underscores the pivotal role of personal capabilities and performance within the compensation framework, motivating employees to consistently upgrade their work abilities and skills, thereby fostering the mutual progress of both individuals and the organization. The broadband compensation policy comprises two principal components are compensation and welfare. Regarding compensation, it encompasses basic salary, performance-linked incentives, and annual bonuses, aiming to comprehensively capture employees' work contributions and value, fostering a culture of hard work and reward. On the welfare front, Huaming offers benefits such as staff housing, rental subsidies, and commercial insurance, alongside human-centric services like birthday celebrations, residence registration assistance, and staff cafeterias. Additionally, regular training sessions and free skill enhancement opportunities are provided to enhance employees' professional proficiency, fostering a sense of belonging and satisfaction.

In determining job roles and salary scales, Huaming takes into account employees' job responsibilities, capabilities, and performance, while referring to the salary policy and industry benchmarks to ensure the fairness and competitiveness of compensation, enabling employees to reap the benefits of the Company's growth.

Through the implementation of this broadband compensation policy, Huaming has not only broadened the compensation spectrum and enriched welfare provisions for employees, but also achieved noteworthy outcomes in harnessing employees' potential and fostering greater work enthusiasm, laying a robust foundation for the Company's sustained development and enhanced market competitiveness.

Case Study: Implementing Third-Party Commercial Medical Insurance for Employees

As the business continues to grow and the workforce expands, Huaming recognized the importance of ensuring both the operational stability of the organization and the safeguarding of employees' rights and interests. Therefore, during the reporting period, Huaming conducted a thorough and comprehensive analysis of its commercial insurance needs, taking into account the business scale and the number of employees. This analysis led to the provision of multi-faceted protections, including medical, accident, and pension coverage, to employees. Such coverage covers expenses arising from major illnesses or hospitalizations, effectively mitigating the risks faced by employees. This not only allows employees to focus on their work with greater peace of mind but also ensures that the insurance purchased aligns with the actual needs.



Commercial Medical Insurance

Democratic Management

Huaming upholds the principles outlined in the Law of the People's Republic of China on Trade Unions, the Constitution of the Chinese Trade Unions, and the Regulations on the Congress of Grassroots Trade Union Members. It establishes trade unions and implements the Trade Union Funds Management System to ensure transparency and accountability. In promoting employee communication, Huaming resolutely safeguards employees' rights to be informed, participate, and oversee operations. The trade union committee handles employee inquiries, complaints, and accusations, mediates labor disputes, and employees can also raise grievances with the labor inspection committee. As of the end of the reporting period, all employees of Huaming's major subsidiaries were members of the trade union.

Emphasizing Talent Cultivation

Huaming holds a profound commitment to enhancing the capabilities and career development of its employees. It continuously explores innovative talent cultivation strategies, leveraging management and professional skills training to elevate the overall quality of its workforce. Simultaneously, it creates a conducive environment for talent growth, providing ease and convenience across all levels.



Huaming places significant emphasis on nurturing employees' lifelong employment. Tailored to diverse talents, it has established a comprehensive employee growth mechanism, enhancing a comprehensive performance management system covering all employees. This system aims to fully ignite the vitality within the workforce. Furthermore, the Company has outlined distinct career development paths with defined objectives, effectively broadening the growth horizons for employees and fostering an environment where everyone can maximize their talents and expertise.

Talent echelon construction

The construction of a talent echelon is a crucial driver for the sustainable development of Huaming. Given the intricate operations across the entire industrial chain, Huaming recognizes the significance of investing in talent acquisition and cultivation. As a result, Huaming has established a unique talent echelon system, where its core competitiveness stems from the integration of management and professional capabilities and the employees with potential are precisely identified and nurtured through a systematic approach. The implementation of a dual-track career development path facilitates the mutual integration of skills, supporting employees' personal growth and contributing to the enterprise's sustained innovation vitality and competitive edge. This aligns with the evolving needs and promotes its diversified development.

Huaming upholds the talent philosophy of "recruitment, optimal utilization, and retention" and strive to attract and retain the industry's top talents. Considering the unique nature of our industry, where small-batch customization and consistent product quality are fundamental, the employees must possess exceptional skills, a rigorous work ethic, and a constant pursuit of

improvement. Huaming continuously enhances skill training and quality awareness education, ensuring that every aspect of the operations meets the highest quality standards.

Huaming has undertaken a series of initiatives to effectively enhance the functions and roles of the human resources. For employees, Huaming has established educational and vocational skill enhancement plans, alongside tailored programs for talent promotion. To achieve this, Huaming offers not only competitive salaries and benefits but also prioritizes employees' career progression and skill development. By establishing a comprehensive training framework and providing diverse career pathways, Huaming ensures that every individual can discover their growth potential and realize their ambitions within the organization.

Employee career development paths:



Training Control Procedure. Through a blend of online and offline platforms, it conducts diverse training programs such as job skills enhancement, three-tiered training for newcomers, new technology workshops, apprenticeship programs, and overseas electrical technology training. These initiatives aim to optimize job skills and foster team cohesion.

During the reporting period

Internal and external training in total

92

Accumulated number of participants

3591

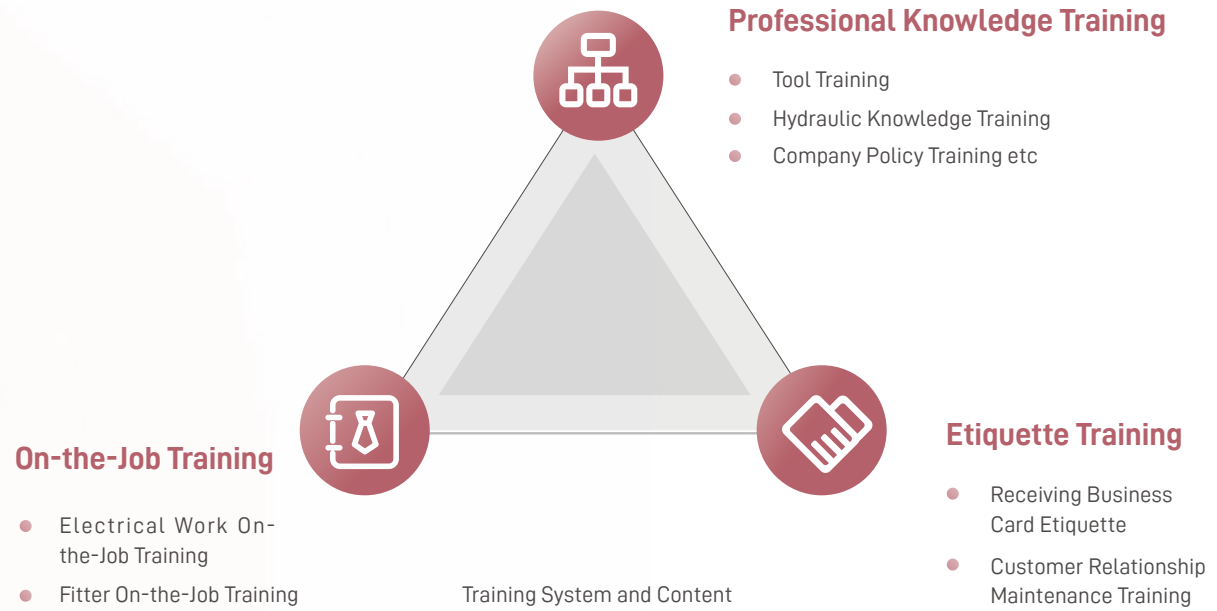
Training coverage rate

Over 85%

Case Study: Enhancing Employee Skill Levels through Novel Apprenticeship Training

During the reporting period, Huaming adheres to relevant national policies on apprentice development, leveraging the strengths of technical colleges in skilled talent training. It embarked on a school-enterprise collaboration with Jinan No.2 Machine Tool Technical School for the training and development of new apprentice staff. This encompassed 38 employees across two job roles, namely fitter and electrician. The scope of training encompassed a diverse array of courses, including general quality development courses such as professional basics, safety production norms, professional ethics, mental health education, human resource management, and modern enterprise systems. Additionally, there are practical operation courses tailored to enhance hands-on skills. To ensure the effectiveness of the training, a dedicated trainer formulated a bespoke New Apprenticeship Training Plan. This plan was crafted through a mix of field research, thematic discussions, school-enterprise dialogues, and expert guidance. The curriculum was structured into three key components, 12% dedicated to general vocational quality courses, 28% to professional basic courses, and 60% to operational skills courses respectively. The training significantly elevated the comprehensive quality of the employees, actively contributed to the development of a robust corporate culture, and established a solid talent pool to support the company's sustainable growth.





Elevation of Career Credentials



Professional Qualification Certificate



Continuing Education to Enhance Academic Qualifications



Improvement of On-the-Job Professional Skills



Machining Certification Training



Practical Skills Training

Implementing Employee Care

Huaming offers a comprehensive range of welfare benefits to its employees, encompassing birthday greetings, transportation allowances, and housing subsidies. Annually, during the celebration of International Women's Day, Huaming arranges for physical examinations for its female workforce. In times of illness, when an employee or their immediate family member requires hospitalization, Huaming extends its support through condolence gifts. For newlywed young employees, the Company presents congratulatory gifts to mark this special occasion. In the event of the passing of an employee or their immediate family member, the Company provides funeral gifts as a token of condolence. Moreover, the union conducts regular visits and offers condolences to families experiencing extreme poverty, addressing their daily challenges with compassion and support. For families that meet the criteria, the union facilitates the application process for a local certificate of extreme poverty, enabling them to access government benefits and subsidies.

Concurrently, Huaming promotes a healthy work-life balance for its employees. It actively organizes a diverse range of cultural and sports activities, including basketball tournaments, handcraft workshops, badminton competitions, and staff gatherings. These activities not only create avenues for employees to pursue their interests and hobbies but also enrich their leisure time, contributing to their overall physical and mental well-being.



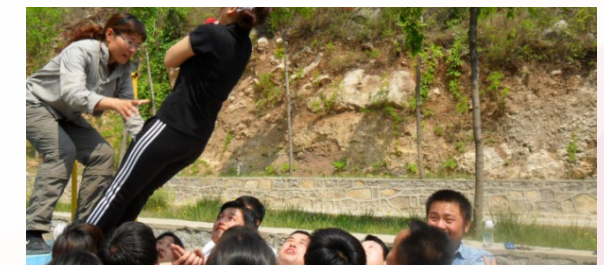
Basketball Competition



Visit to Coin Mint



Safety Buckle Handcraft Activity



Employee Networking Activities

Occupational Health and Safety

Huaming strictly adheres to the Law of the People's Republic of China on Safe Production and the People's Republic of China's Occupational Disease Prevention and Control Law, along with other pertinent legal provisions. The Company strives to continually enhance our safety management framework and effectively enforce safety production policies, prioritizing the well-being of our employees. The goal is to establish a comprehensive health management system that offers comprehensive safeguards for the occupational health and safety of our workforce.

Safety Production

The occupational health and safety management system is comprehensive, encompassing objective systems, responsibility and institutional frameworks, inspection and evaluation mechanisms, as well as systems for training improvement and addressing potential hazards. Annually, we outline our safety and environmental protection targets, tasks, and measures, which are then monitored monthly through rigorous 6S inspections and assessments. We have compiled the Safety and Environmental Protection System Compilation as a authoritative guide for safety management. Additionally, we have established and refined our safety production responsibility system, specifying the roles, responsibilities, reward and punishment criteria for designated personnel, and overseeing performance appraisals. During the reporting period, Huaming also organized the revision and formulation of various systems, including the Fire Safety Responsibility Regulations, Safety Production Reward and Punishment Regulations, and the Regulations Concerning Morning Meetings and Post-Work Production Site Management.

Safety Production Objectives for FIN CNC Subsidiary in 2023

- Achieve a 100% signing rate for safety, fire protection, and environmental protection responsibility letters.
- Ensure a 100% signing rate of safety, environmental protection, and occupational health responsibility agreements with all relevant parties.
- Maintain a 100% education and training rate for enterprise managers, new hires, and personnel engaged in specialized operations,
- along with a 100% safety education coverage for all employees.
- Zero major accident hazards
- achieve a 100% rectification rate for identified hidden dangers.
- Secure a 100% inspection qualification rate for special equipment
- a 100% qualification rate for special operation personnel holding valid certificates.
- Maintain a 100% qualification rate for fire-fighting facilities and equipment.
- Ensure a 100% qualification rate for occupational hazard detection
- a 100% occupational health examination rate.

Huaming's legal representative serves as the primary individual accountable for safety production and occupational health, overseeing the organization and implementation of pertinent national laws and regulations. Managers across all levels are entrusted with the tasks of planning, arranging, inspecting, summarizing, and evaluating safety-related endeavors, ensuring both their own and others' personal safety and occupational health.

Annually, Huaming produces a comprehensive "Safety and Occupational Health Management Review Report" at the beginning of each year. This report identifies and evaluates potential hazards within the organization through a rigorous process of risk identification and evaluation. Subsequently, a risk inventory is compiled to address these hazards. Utilizing the job hazard analysis method known as LEC, the Company performs accident risk assessments on the identified hazards. Based on its capability to respond to unexpected safety production accidents, the Company also devises the necessary types and frameworks for safety production emergency plans. As of the end of the reporting period, Huaming invested approximately RMB 2.27 million in safety production endeavors, achieving zero major safety production accidents and no work-related injuries or fatalities.



ISO 45001:2018 Occupational Health and Safety Management System Certification

Safety Education and Training

Huaming has instituted a comprehensive training program dedicated to occupational health and safety. This program involves organizing all employees to engage in studies and assessments, ensuring they are thoroughly acquainted with their job-specific safety responsibilities and potential hazards. Through this training, employees' safety awareness and skills are significantly enhanced.



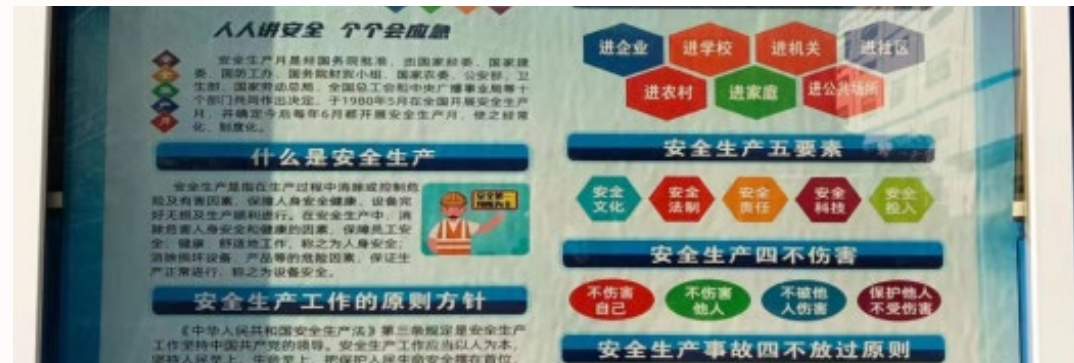
Safety Education and Training

Promotion of Safe Production Culture

As part of its annual endeavors, Huaming organizes a series of promotional activities under the banner of Work Safety Month. This year's activities including various initiatives such as conducting safety meetings, screening promotional videos and TV programs, executing 6S inspections for safe production, organizing risk assessments and hazard inspections across departments in alignment with the "dual system" requirements, staging emergency drills for safe production, and hosting safety knowledge competitions. These endeavors aim to disseminate knowledge about safe production, foster a strong culture of caring for and participating in safe production, and facilitate the resolution of underlying issues pertaining to safe production.



Safety Production Inspection



Work Safety Month



Safety Promotional Videos

Safety Emergency Drills

During the reporting period, Huaming has further reinforced its emergency management framework by establishing emergency response plans for safety-related incidents and refining the Emergency Response Plan for Production Safety Constructors. Huaming has enhanced its safety emergency response plans through three key areas including comprehensive emergency drills, tailored emergency rescue plans and site-specific disposal protocols. Furthermore, Huaming has seamlessly integrated its emergency drills with the actual production and operational scenarios, executing targeted and diversified exercises that cover on-site fire extinguishing, mechanical injury response, heatstroke management, as well as comprehensive emergency drills and fire evacuation simulations.



Fire Emergency Drill



Mechanical Injury Accident Emergency Drill

Occupational Health Protection

Huaming strictly adheres to the provisions of the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and regulations. It has developed comprehensive management systems, including the Occupational Health and Safety Operation Control Procedures and the Integrated Management Manual for Quality, Environment, and Occupational Health and Safety. The Company regularly organizes health screenings for its employees, maintains comprehensive health records, and provides them with labor protective equipment, facilities, and tools that meet the standards for occupational health protection. This ensures the comprehensive safeguarding of employees' occupational health.



Occupational Health Archive Establishment Training

Identification and Management of Occupational Hazard Factors



During the reporting period, Huaming embarked on the implementation of the "Safe Occupational Health System" initiative. This involved a thorough evaluation and hazard assessment of the production site, encompassing equipment and facilities, workplaces, as well as operational procedures. Critical operational points posing a potential risk of major accidents were designated as safety control points and incorporated into the List of Major Hazard Factors for enhanced management. Furthermore, Huaming conducted comprehensive assessments of its "basic safety management" practices and "occupational hazard risks". The corresponding evaluation materials, including reports, were made accessible to all employees, ensuring their complete understanding and adherence to the stipulated requirements.





隐患名称	检查车间	隐患图片	检查日期	整改后的照片	整改人	整改日期	隐患整改通知单号	预防整改措施
1. 切割设备防护罩不全	铸铝车间		9月28日		翁国强	10月15日	1	按照规定配齐防护罩。
2 电气开关箱带电线头裸露	装箱车间 (东) 空压机房		9月28日	此电箱已经断电，停止使用。	元培成	10月15日	2	应该尽快安全处理裸露线头。

Hazard Identification and Elimination Statistics

Workshop on-site 5S management and continuous improvement work

Since the implementation of 5S management in the workshop, Huaming has consistently adhered to the core principles of "organizing, rectifying, cleaning, and cultivating skills", comprehensively promoting the standardization and normalization of on-site management. As a result, the workshop's on-site environment has undergone significant improvements, leading to enhanced work efficiency and product quality. Through continuous 5S training and practical activities, Huaming has strengthened the self-discipline and teamwork spirit of its employees, fostering good work habits.

Problem Description	Measures	5S Purpose	Rectification Evaluation
Using a 3T biomass particle reflection furnace: 1. High environmental pollution: dust and smoke permeating all over the workshop 2. The flame directly faces the inside of the furnace, causing great harm to the molten aluminum, and the quality is not guaranteed 3. The annual maintenance cost is approximately RMB 120,000 per year	Replacement with resistance furnaces	Improving the environment of the production site and ensuring the product quality	Effective
		Before improvement	After improvement

Problem Description	Measures	5S Purpose	Rectification Evaluation
The centralized dust suction effect of the original grinding workstation was not good: The operators were covered in aluminum ash all over their heads and faces It does not comply with environmental impact assessment standards It does not comply with dust explosion-proof requirements	With the usage of wet grinding workstations, dust removal can be achieved on a single machine	Improving the environment of the production site and eliminating safety hazards	Employee feedback indicates reduced inhalation of dust. It meets the requirements of "safety and environmental impact assessment"
		Before improvement	After improvement
		Before improvement	After improvement

05

CONTRIBUTING TO SOCIETY AND FORGING A BRIGHTER FUTURE TOGETHER

As Huaming strives for economic prosperity, it remains committed to fulfilling its social obligations, dedicating itself to public welfare, and promoting societal progress. Huaming consistently contributes to building a harmonious and beautiful society, achieving a harmonious balance between social and economic values.

Rural Revitalization in Action

67

Building a Warm Community

68



Rural Revitalization in Action

Huaming actively promotes consumer assistance efforts and takes an active role in various social welfare initiatives, including infrastructure development in supported regions. During the reporting period, Huaming collaborated with Xintian Traditional Chinese Medicine Company to participate in the "Adopt an Acre of Dendrobium Nobile" initiative at the Chiyan Field Base in Chishui City. By adopting 2 acres of wild Dendrobium Nobile fields, the Company has made a noteworthy contribution to the pursuit of shared prosperity in Chishui.



Dendrobium Nobile Adoption and Certification Ceremony



Love Adoption Certificate

During the reporting period, Huaming actively engaged in numerous charitable initiatives in Malu Village, Zhuangxing Town, extending its support by donating rice worth tens of thousands of yuan to local residents. This gesture underscores the Company's commitment to fostering unity and cooperation with the local community in pursuit of a harmonious society. Looking ahead, Huaming remains steadfast in its dedication to societal welfare and giving back, devoting itself to contributing towards the revitalization of rural areas in China.



Rice Donation Scene

Building a Warm Community

Safety Production

Huaming remains steadfast in its commitment to public welfare and charity endeavors, embracing the spirit of dedication, friendship, and mutual assistance as the foundation of our charitable journey. We strive to promptly repay society's kindness through meaningful actions, fostering positive interaction and harmonious coexistence with our community, and jointly fostering a civilized and harmonious social atmosphere. During the reporting period, Huaming made a targeted donation of RMB 500,000 through a charity foundation to employees facing familial hardships and those battling major and malignant diseases.



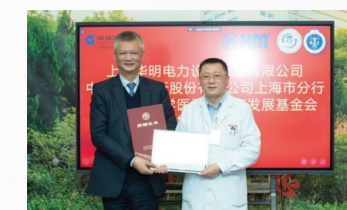
Establishment of an Educational Reward Fund



RMB 1 Million Donations to the Chongming Green Leaf Education Development Foundation



RMB 3 Million Donations to the Shanghai Children's Foundation



Huaming and Ruijin Hospital- Shanghai Jiaotong University School of Medicine Jointly Set Up the "Huaming Caring for the Elderly" Fund

Community Engagement and Public Service

During the reporting period, Huaming demonstrated a proactive approach in engaging with the community through participation in the "Civilized Star Connected Hearts" partnership and various community service initiatives. Our employees made personal visits to junior-level individuals, extending care and warmth to elderly community members, including those living alone, as well as dedicated community workers. Furthermore, Huaming actively contributed to the creation of civilized units and urban beautification efforts, striving to foster a beautiful and habitable community environment.



Condolences to Community Workers



Condolences to Elderly Party Members

Appendix

About The Report

This report is the first Environmental, Social and Governance (ESG) report issued by Huaming Power Equipment Co., Ltd. (hereinafter referred to as the "Company") to stakeholders.

Report Scope and Boundaries

The scope of disclosure in this report is consistent with the financial information disclosed in the Company's 2023 annual report, while some contents may extend to from previous years' policies and practices.

Data Source and Description

The data used in this report come from the Company's operational data, publicly accessible government statistics, annual financial data and internal statistical reports. The financial data in this report is dominated in RMB. In case of any inconsistency with the data of the financial report, the financial report shall prevail.

Reliability Assurance

The content of this report does not contain any false records, misleading statements, or significant omissions. We bear individual and joint liability for the authenticity, accuracy, and completeness of the Report's content.

Preparation Basis

Global Reporting Initiative the Sustainability Reporting Standards (GRI Standards)
China National Standard Social Responsibility Report Preparation Guide (GB/T 36001-2015)
Chinese CSR Report Preparation Guide issued by the Chinese Academy of Social Sciences (CASS-ESG 5.0)
Shenzhen Stock Exchange Shenzhen Stock Exchange Listed Companies Social Responsibility Guideline

Preparation Process

This report is based on the Company's ESG practice and follows the process of "project approval - collection of materials - preparation and revision - review by senior management - review by the Board of Directors - disclosure to the public". Active communications are carried out with relevant stakeholders in the process of project approval, preparation and revision, and discuss the structure and contents of the report.

Release Form

The electronic version of this report can be accessed from the official website of Huaming (www.huaming.com) and CNINFO website (www.cninfo.com.cn).

The Company will continue to improve its reporting disclosure standards and ESG management in the future. If you have any questions or suggestions regarding this report, please feel free to contact us at:

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Tel: 021-52708824
E-mail: dsh@huaming.com

GRI Content Index

Statement of use	Statement of use Huaming has reported the information cited in this GRI Content Index for the period January 1, 2023 to December 31, 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure		Corresponding Chapter or Section
GRI 2: General Disclosures 2021	2-1	Organizational details	About Huaming
	2-3	Reporting period, frequency and contact point	About The Report
	2-7	Employees	Empowering Talents and Forging an Exceptional Development Platform
	2-9	Governance structure and composition	Contributing to Society and Forging a Brighter Future Together
	2-12	Role of the highest governance body in overseeing the management of impacts	Contributing to Society and Forging a Brighter Future Together
	2-14	Role of the highest governance body in sustainability reporting	Contributing to Society and Forging a Brighter Future Together
	2-22	Statement on sustainable development strategy	ESG Management
	2-29	Approach to stakeholder engagement	ESG Management
GRI 3: Material Topics 2021	3-1	Process to determine material topics	ESG Management
	3-2	List of material topics	ESG Management
	3-3	Management of material topics	ESG Management
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	About Huaming
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Contributing to Society and Forging a Brighter Future Together
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Environmental Protection and Implementation of Low-carbon Development

GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Environmental Protection and Implementation of Low-carbon Development
	303-2	Management of water discharge-related impacts	Environmental Protection and Implementation of Low-carbon Development
	303-3	Water withdrawal	Environmental Protection and Implementation of Low-carbon Development
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Environmental Protection and Implementation of Low-carbon Development
	306-2	Management of significant waste-related impacts	Environmental Protection and Implementation of Low-carbon Development
	306-3	Waste generated	Environmental Protection and Implementation of Low-carbon Development
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Anchoring in Core Business and Enhancing Products and Services
GRI 401: Employment 2016	401-1	Minimum notice periods regarding operational changes	Empowering Talents and Forging an Exceptional Development Platform
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Empowering Talents and Forging an Exceptional Development Platform
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Empowering Talents and Forging an Exceptional Development Platform
	403-3	Occupational health services	Empowering Talents and Forging an Exceptional Development Platform
	403-4	Worker participation, consultation, and communication on occupational health and safety	Empowering Talents and Forging an Exceptional Development Platform
	403-5	Worker training on occupational health and safety	Empowering Talents and Forging an Exceptional Development Platform
	403-6	Promotion of worker health	Empowering Talents and Forging an Exceptional Development Platform
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Empowering Talents and Forging an Exceptional Development Platform
	403-10	Work-related ill health	Empowering Talents and Forging an Exceptional Development Platform
	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee
404-2		Programs for upgrading employee skills and transition assistance programs	Empowering Talents and Forging an Exceptional Development Platform
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Empowering Talents and Forging an Exceptional Development Platform
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Anchoring in Core Business and Enhancing Products and Services

Full Names and Abbreviations

Interpretation Item	Refers to	Interpretation Content
Company	Refers to	Huaming Power Equipment Co., Ltd.
Shanghai Huaming, Huaming Manufacturing	Refers to	Shanghai Huaming Electric Power Equipment Manufacturing Co., Ltd.
Huaming Group	Refers to	Shanghai Huaming Electric Power Equipment Group Co., Ltd.
Shanghai Chenting	Refers to	Shanghai Chenting Technology Development Co., Ltd.
Changzheng Electric	Refers to	Guizhou Changzheng Electric Co., Ltd.
Huaming Engineering	Refers to	Shanghai Huaming Electric Power Equipment Engineering Co., Ltd.
Shandong FIN	Refers to	Shandong FIN CNC Machine Co., Ltd.
Huaming High-Voltage	Refers to	Shanghai Huaming High-Voltage Electric Switch Manufacturing Co., Ltd.

Feedback and Suggestions

This report marks Huaming's first ESG report. To continuously enhance the ESG management and elevate the proficiency in fulfilling ESG obligations, your insights and suggestions are highly valued. Please complete the relevant questions in the survey and provide your feedback through the following methods.

1. What's your overall comment on this report?

Excellent Good Average Poor Bad

2. Does the report comprehensively and accurately reflect the Company's significant impacts on corporate governance, society, and environment?

Excellent Good Average Poor Bad

3. How do you rate the report's responsiveness and disclosure quality in addressing stakeholder concerns?

Excellent Good Average Poor Bad

4. How clear, accurate, and comprehensive are the information, indicators, and data disclosed in this report?

Excellent Good Average Poor Bad

5. How do you assess the readability of this report, including its logical flow, content design, language, and formatting?

Excellent Good Average Poor Bad

Open-ended questions

What is the most satisfying aspect of this report for you?

Please provide your suggestions for our future ESG reports.



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