



Morimatsu (Jiangsu) Heavy Industry Co., Ltd
(Morimatsu Energies and Materials)



2024

Environmental, Social and Governance Report

Morimatsu (Jiangsu) Heavy Industry Co., Ltd
(Morimatsu Energies and Materials)



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About This Report

Overview

Welcome to the *2024 Environmental, Social and Governance Report* (hereinafter referred to as the "Report" or "ESG Report") of Morimatsu Energies and Materials Business Sector (hereinafter referred to as the "Company", "Morimatsu Energies and Materials", "Morimatsu" or "we"). Under the co-ordination of Morimatsu International Holdings Limited (Stock Code: 2155.HK, hereinafter referred to as "Morimatsu International" or the "Group"), we have established our own ESG objectives and governance structure, and for the first time, we have focused on our ESG management system, progress of our work and performance in our ESG Report to demonstrate our commitment to sustainable development.

Reporting Period

This is an annual report covering the period from 1 January 2024 to 31 December 2024 (hereinafter referred to as "the reporting period", "this year" or "2024"). In order to enhance the completeness of the report, some of the contents have been retrospectively extended or extended backward as appropriate.

Preparation Basis

This report has been prepared with reference to the requirements of Appendix C2 *Environmental, Social and Governance Reporting Code* of the *Rules Governing the Listing of Securities* issued by the Stock Exchange of Hong Kong, and adheres to the reporting principles of materiality, quantitative, balance, and consistency. The report also makes reference to and responds to the relevant disclosure requirements of the Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (UNSDGs).

Scope of Reporting

This report covers the ESG performance of Morimatsu Energies and Materials business sector under Morimatsu International. The business sector includes Morimatsu (Jiangsu) Heavy Industry Co., Ltd., Shanghai Morimatsu Engineering Technology Co., Ltd., Shandong Keda Chemical Engineering Design Co., Ltd., Morimatsu Dialog (Malaysia) Sdn. Bhd. and their subsidiaries. It includes our subsidiaries operating in Hong Kong, Shanghai, Nantong, Weifang, Wuhan in China, as well as in Japan, the United States, Malaysia, and Singapore. For detailed information on corporate governance, please refer to the "Corporate Governance Report" section in Morimatsu International's 2024 Annual Report.

Sources of Information and Explanations

The information and data disclosed in this report are sourced from our official documents and statistical reports and have been reviewed by the relevant authorities. If the currency is not specifically stated, the data in the amount category in this report are all in RMB. In case of any inconsistency between the relevant data and the section "Environmental, Social and Governance Report" in Morimatsu International's 2024 Annual Report, please refer to the Annual Report of Morimatsu International.

Access and Feedback to the Report

This report is provided in both Simplified Chinese and English for readers' reference. In the event of any discrepancy between the two versions, the Simplified Chinese version shall prevail.

About Us

Company Profile

In 1990, Morimatsu was founded in Pudong New Area, Shanghai by Morimatsu Industry Co., Ltd. (now renamed as Morimatsu Holdings Co., Ltd.). As the first foreign-funded enterprise to settle in Pudong New Area after the Reform and Opening-up. After more than three decades of development and expansion, Morimatsu has achieved outstanding growth. Domestically, Morimatsu has successively established multiple affiliated companies in Shanghai, Nantong, Wuhan and Weifang, along with three large-scale manufacturing bases. Internationally, Morimatsu has set up affiliated companies in the United States, Japan, Malaysia and Singapore respectively, and one manufacturing base, evolving into a multinational enterprise with global business reach.

Over the last 3 decades, Morimatsu has achieved the first localization of key equipment in hydrometallurgy, PVC, PTA, BDO, PDH, acetic acid and many other industries. We have been committed to oil and gas, refining, petrochemicals, chemical, fine chemicals, hydrometallurgy, raw materials for power batteries, and green methanol (green hydrogen, green ammonia, green methanol, SAF) industries and fields, providing super-large and super-heavy core equipments, process modules, integrated engineering solutions, etc. for giant customers from all over the world. Morimatsu has realized the transformation from core equipment manufacturing to modular construction, integrated engineering solutions and digital-intelligent operation and maintenance services, and is committed to becoming a provider of comprehensive solutions for oil and gas, refining, petrochemicals, chemical, fine chemicals, hydrometallurgy, raw materials for power batteries, green energy (green hydrogen, green ammonia, green methanol, SAF) and other related industries.

Mission and Vision

Morimatsu is committed to becoming a global leader in providing core industrial equipment, value-added services, and digital-intelligent plant solutions and services.

We deliver core equipment, high value-added proprietary technology modular solutions, integrated digital-intelligent plant solutions, and continuous value-added services covering the full lifecycle of new material R&D and production. This includes joint R&D, technical consultation, process optimization, establishment of digital operation platforms, operational maintenance, and continuous improvement. Our solutions empower industries exploring, developing, and producing novel materials and synthesis technologies in their pursuit of healthier living, greener environments, and smarter societies.

Vision

We are committed to becoming the world's leading provider of core equipment, process systems and digital intelligence plant solutions.

We are continuously empowering material innovation and enabling downstream enterprises to cultivate a green world for human health.

Mission

Annual Honors and External Recognition

Leveraging decades-long accumulation of expertise and quality products and services, Morimatsu has earned industry-wide acclaim and multiple client recognitions, with selected honors and certifications including but not limited to:

Name of the Honor	JGC 2024 SAFE CONTRACTOR OF THE YEAR	Customer's Recognition of LiPF6 Project
Issuing Authority	JGC	PGT
Images of the Award		

Furthermore, we have received multiple letters of praise from global clients and earned client commendations in product performance, technical support and after-sales service.

Company Name	Commendation Type	Commendation Recipient
Zhejiang Huajian Engineering Management Co., Ltd.	Letter of Praise	Morimatsu (Jiangsu) Heavy Industry Co., Ltd.
JordProxa Pty Ltd	Letter of Appreciation	Morimatsu (Jiangsu) Heavy Industry Co., Ltd.
Guangxi Huayou New Materials Co., Ltd.	Commemorative Silk Banner	Morimatsu (Jiangsu) Heavy Industry Co., Ltd.
Shandong Hualu-Hengsheng Chemical Co., Ltd.	Commemorative Silk Banner	Morimatsu (Jiangsu) Heavy Industry Co., Ltd.

Morimatsu Client Commendations (Partial)

Sustainable Development Recognition and Awards



From Our CEO



CEO

Ye Sheng

As global sustainability issues grow in prominence, ESG has become one of the core strategies for corporate long-term development. Morimatsu Energies and Materials closely aligns with Morimatsu International's sustainable development strategy, supporting humanity's persistent pursuit of healthier living, greener environments, and smarter societies. We continue to intensify investments and innovations in environmental, social and governance (ESG), striving to achieve organic integration of economic returns with social and environmental benefits. Driven by our corporate responsibilities and mission, we remain steadfast practitioners and promoters of sustainable development.

Throughout our long-term development journey, we have established an efficient ESG governance structure as the guiding pillar for sustainable development. Under the Group's leadership, we comprehensively advance ESG management integration into top-level strategic planning, ensuring alignment between environmental, social, and governance objectives with business growth. We prioritize transparent communication with stakeholders, continuously enhancing information disclosure transparency to build societal trust and jointly create a sustainable future.

Climate change represents an urgent global challenge. We actively implement carbon audits and product carbon footprint (PCF) certifications while driving emission reductions through energy efficiency improvements. Our energy optimization initiatives include photovoltaic installations, with 10 MW capacity operational at the Nantong Plant, complemented by defined clean energy adoption targets.

Leveraging profound technical expertise and R&D capabilities, we deliver green solutions facilitating low-carbon transformation across pivotal industries including oil and gas, refining, petrochemicals, chemical, fine chemicals, hydrometallurgy, raw materials for power batteries, and green energy (green hydrogen, green ammonia, green methanol, SAF). Through modular engineering experience and critical equipment technologies, we drive industrial efficiency and environmental stewardship, fostering collaborative sustainability across value chains.

The Company consistently pursues excellence in quality, provides premium services to clients, and collaborates with upstream and downstream partners across industrial chains to create long-term value. We adhere to an innovation-driven development strategy, expand and extend industrial chains, develop service-oriented manufacturing models, promote energy revolution in high-end equipment sectors, and lead industry transformation through technological advancement. We rigorously control product quality, actively respond to client feedback, continuously optimize service processes, and enhance service standards. We proactively drive green transformation and sustainable development across supply chains, jointly committing to environmental protection and social responsibility fulfillment.

The Company always prioritizes people-centric principles and actively fulfills social responsibilities. We place high importance on safeguarding employee rights and fostering career development, providing safe, healthy, and comfortable working environments. We have established comprehensive compensation and benefits systems alongside fair promotion mechanisms, encouraging employees to continuously improve their competencies and achieve harmonious integration of personal growth with corporate development. Concurrently, we actively engage in social welfare initiatives, demonstrate societal care, and practice corporate citizenship through concrete actions.

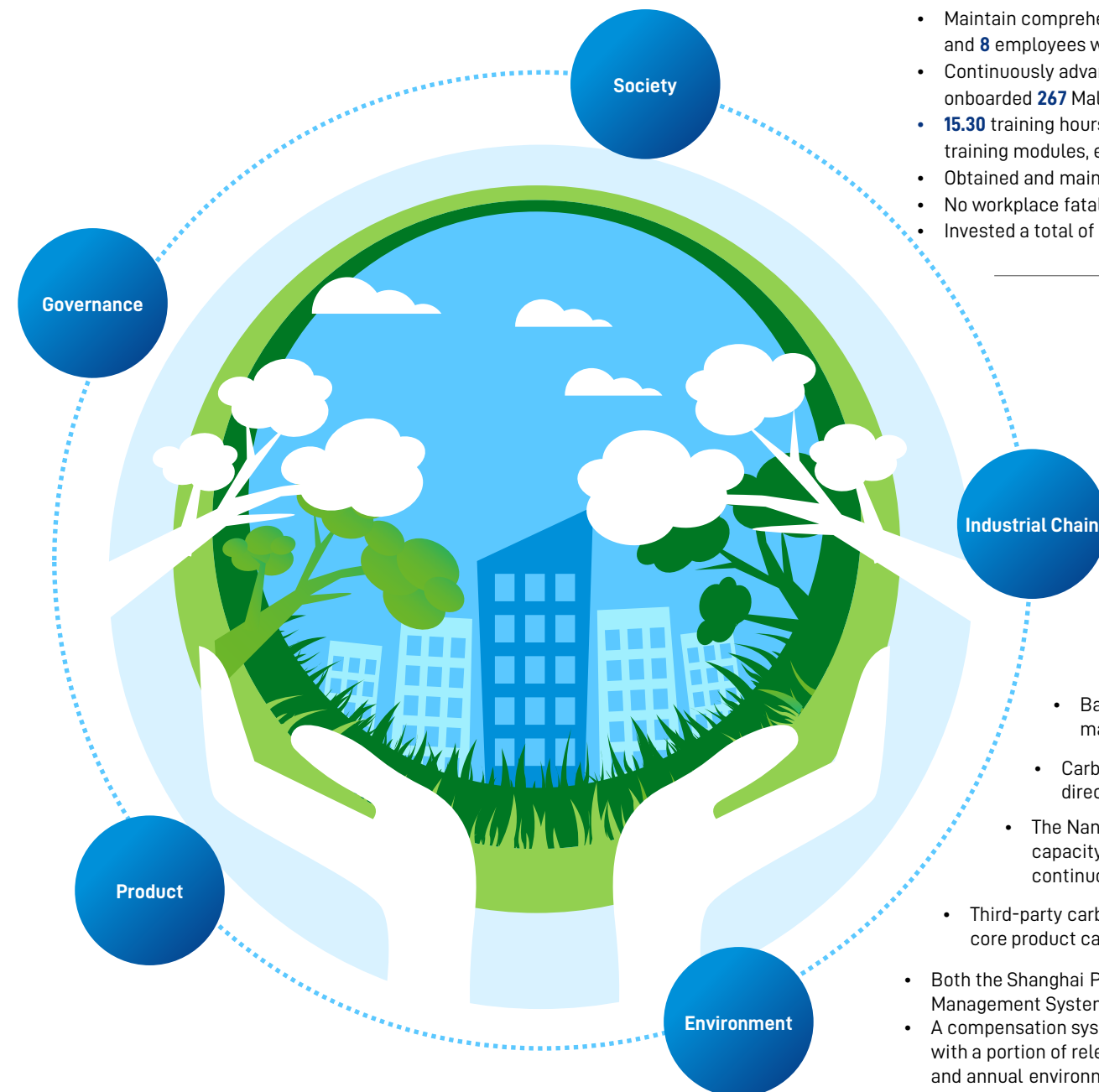
Corporate governance serves as the cornerstone for sustainable enterprise development. We continuously improve governance structures to ensure standardized, transparent, and efficient operations. We steadfastly maintain legal and regulatory compliance, strengthen internal audit oversight, and mitigate operational risks. We fully implement high-standard business ethics, conduct all operations with fairness and integrity, and embed anti-corruption culture and credibility throughout our business practices.

Looking ahead, we will continue upholding ESG principles, actively respond to the United Nations Sustainable Development Goals (SDGs), enhance our sustainable influence, and contribute to global sustainable development objectives. We will persistently advance green technology innovation, embrace a zero-carbon future, assist clients with green solutions, deliver premium products and services, care for employees and communities, and build a more competitive and sustainably developed enterprise.

2024 ESG Highlights

- Identified, merged, and screened out **20** ESG material topics by combining the enterprise development strategy and industry focus. After being reviewed and confirmed by the Company's senior management, we have formed our 2024 material topic matrix.
- Employees sign the *Letter of Commitment for Integrity and Self-discipline*.
- The soundness, completeness, and effective implementation of the internal control system is one of the important indicators in the performance assessment of relevant departments.
- There were no anti-corruption-related lawsuits or improper business behaviors in the Company's commercial activities.

- Obtained and maintained quality system certifications/production qualifications such as **ISO 9001:2015** Quality Management System Certification and **EN 1090-1** CE-Marking of steel structures.
- Independently developed the **iMES** management platform and actively used digital systems for production and project management throughout the product life cycle.
- Set high standard quality objectives and realized that the pass rate for the primary inspection of the products was over **97%** and the pass rate for the primary filming of welded seams was over **98.5%**.
- Actively listen to customer experience and feedback, and respond quickly to customer needs. During the reporting period, our overall customer satisfaction rate was **100%**.
- Maintained **ISO/IEC 27001:2013** Information Security Management System Certification.
- No significant information security and data leakage incidents occurred.



- Maintain comprehensive focus on building a diverse workforce with **16.67%** female employee representation and **8** employees with disabilities integrated into operations.
- Continuously advance local workforce recruitment and competency building, having successfully onboarded **267** Malaysian local employees.
- **15.30** training hours per employee through multidimensional learning ecosystems encompassing internal training modules, external certification programs, and academic advancement support mechanisms.
- Obtained and maintained **ISO 45001** Occupational Health and Safety Management System certification.
- No workplace fatalities or major workplace injury has occurred.
- Invested a total of RMB **2.22 million** in social welfare.

- Participate in industry exchange activities, share technologies, concepts, and market trends, promote the formulation of industry standards, and make important contributions to the sustainable development of the industry.
- Build an online Supplier Relationship Management (SRM platform) to further visualize and legalize supplier management.
- Formulate the *Supplier Code of Conduct* to conduct ESG inspections and management of suppliers from dimensions such as environmental management, anti-corruption and integrity, and labor management.
- Sign integrity agreements with our supplier.

- Based on the TCFD framework, we have identified four categories of climate risks and three major opportunities, and implemented corresponding mitigation measures.
- Carbon accounting has been conducted for key operational sites to clarify decarbonization directions, targets, and action plans.
- The Nantong Plant has completed the installation of photovoltaic (PV) facilities with a cumulative capacity of **10** MW, which is expected to generate **6.5 million** kWh of electricity annually, continuously increasing the proportion of renewable energy used within the industrial park.
- Third-party carbon footprint certification for "cradle-to-gate" emissions has been obtained for four typical core product categories: tanks, towers, heat exchangers, and reactors.
- Both the Shanghai Plant and Nantong Plant have obtained and maintained **ISO 14001** Environmental Management System certification.
- A compensation system linking environmental performance to executive incentives has been implemented, with a portion of relevant executives' salaries withheld monthly to establish an "HSE Risk Guarantee Fund," and annual environmental management performance integrated into executive remuneration.
- A total of approximately RMB **1.30 million** has been invested in environmental protection initiatives.
- Paperless office practices have been continuously promoted, with **210** OA approval process forms developed in 2024.
- We provide high-performance, low-emission solutions for industries and fields such as oil and gas, oil refining, petrochemicals, chemicals, fine chemicals, hydrometallurgy, raw materials for power batteries, and green energy (green hydrogen, green ammonia, green methanol, SAF).



Morimatsu practices the concept of sustainable development, continuously improves the ESG governance structure and management system, and integrates the concept of sustainable development into its operation and development in all aspects. We actively build stakeholder communication channels, listen to and receive the demands of all stakeholders, and endeavour to safeguard the rights and interests of the company's value chain partners and promote the company's sustainable development.

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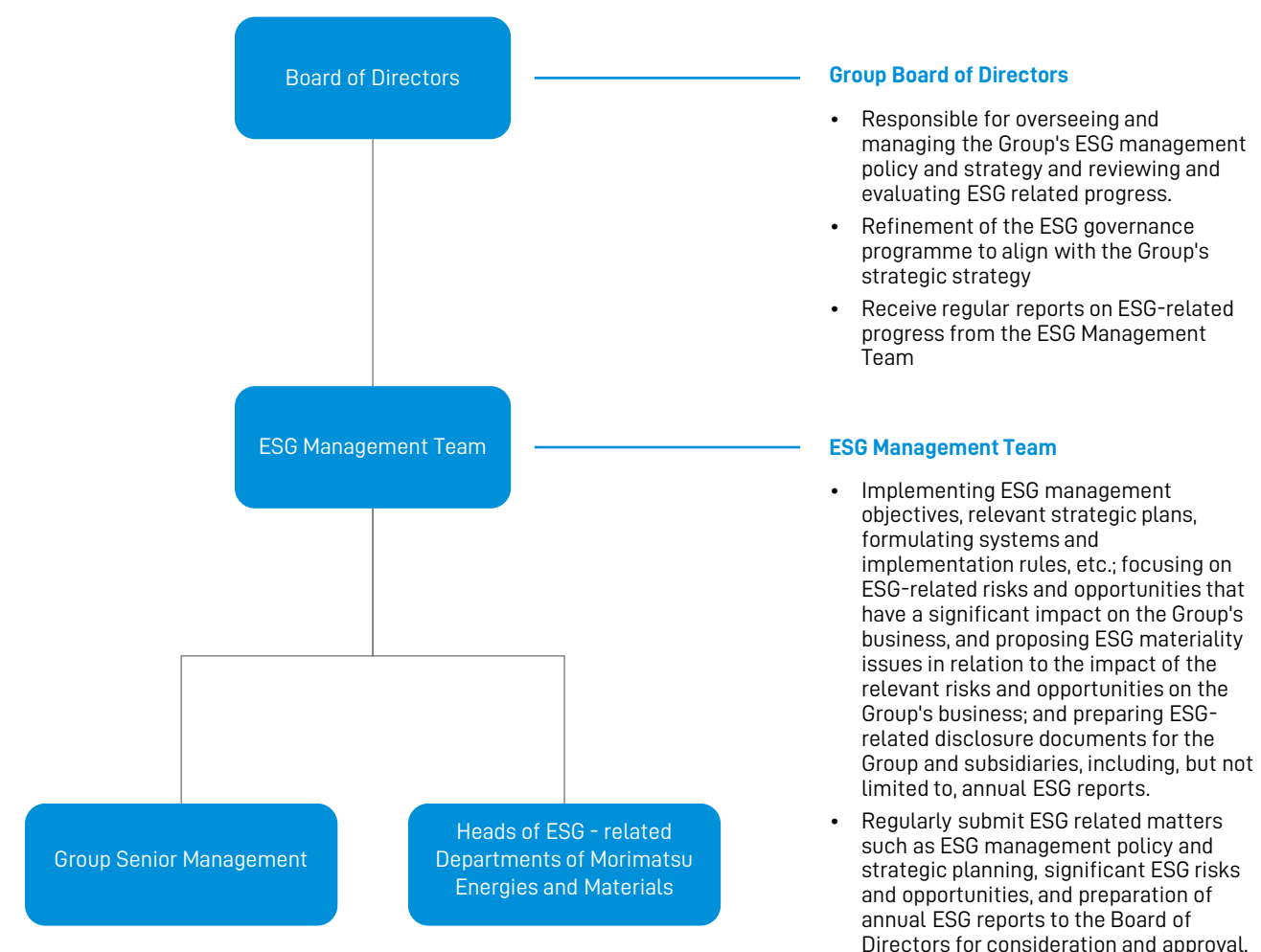
Implementing ESG Governance



ESG Governance Structure

The Board of Directors of Morimatsu International is responsible for formulating the Company's ESG strategy, assessing and identifying relevant risks, and ensuring that appropriate and effective risk management objectives and internal control systems are in place. At the Group level, Morimatsu has set up an ESG Management Team to implement the ESG strategies considered and approved by the Board of Directors based on the *Environmental, Social and Governance (ESG) Management Team Work System*.

Heads of ESG-related departments of Morimatsu Energies and Materials and the Group's senior management jointly constitute the ESG Management Team to implement the annual ESG-related work and ensure standardised management of ESG work. At the same time, the ESG Management Team of our group regularly reports to the Board of Directors of the Group on our ESG work, and continuously optimises and improves our ESG performance in accordance with the guidance and recommendations of the Board of Directors.



ESG Governance Structure and Responsibilities

Stakeholder Engagement

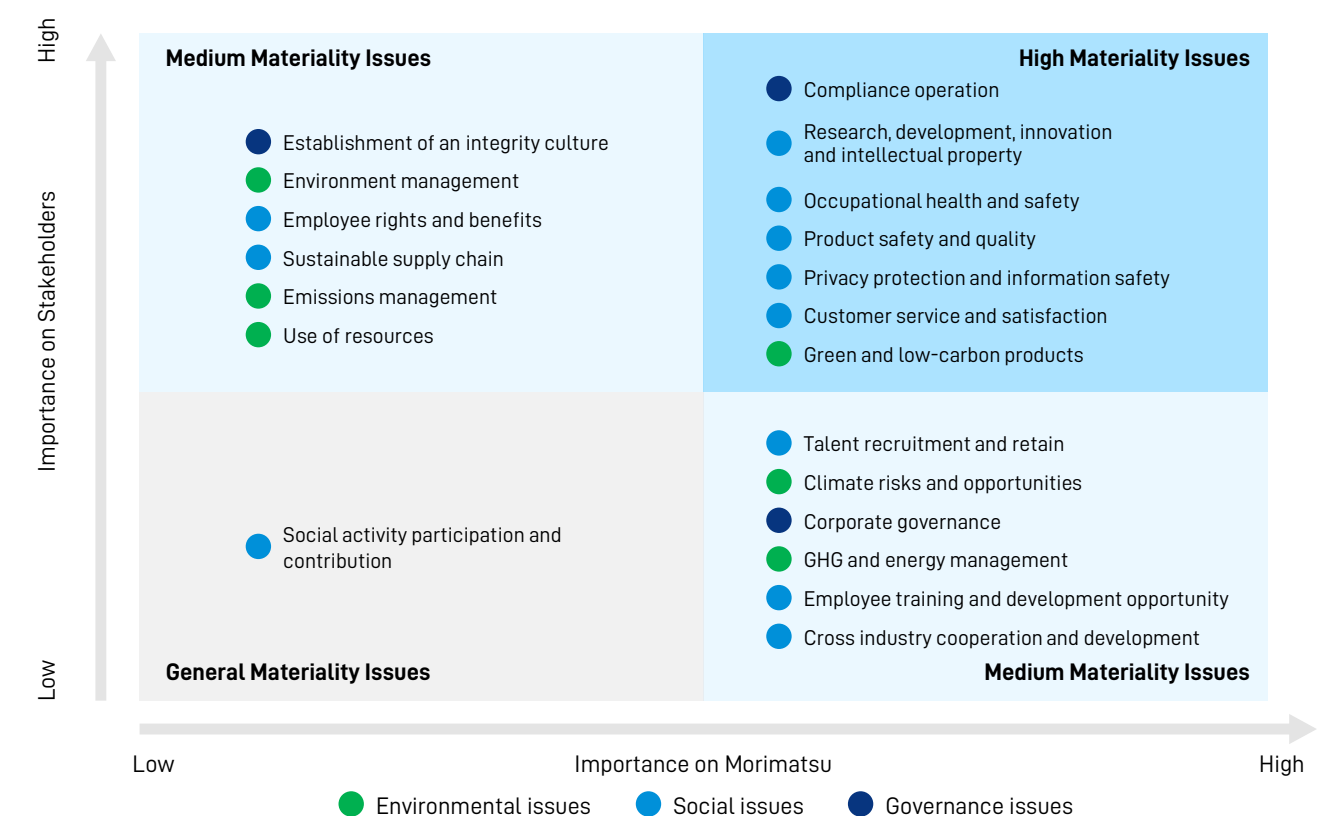
Morimatsu attaches great importance to multi-channel communication and exchanges with various stakeholders, and actively responds to the expectations and demands of various stakeholders such as government and regulatory authorities, shareholders and investors, employees, industry associations, customers, suppliers and partners, and the community, and takes them into account as an important consideration in the formulation of our ESG strategy, which will drive us to continuously improve our level of sustainable governance.

Stakeholders	Expectations for Morimatsu	Communication and Response in Morimatsu
Government and Regulatory Authorities	<ul style="list-style-type: none"> Compliance with various laws and regulations Promote employment Pay taxes according to law Clean production 	<ul style="list-style-type: none"> Comply with the laws and regulations in the place of operation and implement relevant policies Accept supervision and inspection Strengthen compliance management and operation for enterprises Timely reporting and disclosure of information
Investors and Shareholders	<ul style="list-style-type: none"> Financial performance Development strategy Exploration of new business Sustainable corporate development Technology and Innovation 	<ul style="list-style-type: none"> Convene regular general meetings and Board meetings Investor research and communication Make timely disclosure of statutory matters and business updates Deepen product and technology innovation and continuously expand new business
Customers	<ul style="list-style-type: none"> Provide products and services that meet the needs and create greater value for our customers. Intellectual Property Protection Information Security Assurance Bear corporate social responsibility 	<ul style="list-style-type: none"> Improve the quality of products and services Improve customer satisfaction Protect customer data and information Actively cooperate with customer to perform enterprise social responsibility audit
Employers	<ul style="list-style-type: none"> Protection of rights and interests Remunerations and benefits Safety and health Career development Corporate culture 	<ul style="list-style-type: none"> Protect the rights and interests of employees and enhance employee benefits Improve the working environment of employees Enhance employee health and safety related training and facility investment Provide employees with better training related to career development Actively communicate with employees
Suppliers and Partners	<ul style="list-style-type: none"> Comply with business ethics and national laws and regulations Openness and fairness Commitment Work with suppliers to promote sustainable development of the supply chain and achieve win-win cooperation 	<ul style="list-style-type: none"> Improve the communication platform for suppliers Optimize the supplier selection mechanism Establish an open and transparent tendering mechanism Provide equal opportunity for suppliers to compete Improve supplier evaluation
Industry Association	<ul style="list-style-type: none"> Facilitate industry development 	<ul style="list-style-type: none"> Promote sustainable industry development Promote fair competition in the industry
Community	<ul style="list-style-type: none"> Actively participate in community construction Actively devote to public welfare undertakings 	<ul style="list-style-type: none"> Commences employee volunteer activities Contribution to support education Provide more employment opportunities Charity donations

Morimatsu Stakeholder Communication Mechanism

Materiality Issues

Morimatsu collects opinions from various parties through questionnaires, emails and communication interviews to identify the key concerns of stakeholders. During the reporting period, we identified, consolidated and screened out 20 ESG materiality issues based on our previous years' materiality issues work in light of our corporate development strategy and industry focus, which were reviewed and confirmed by the Company's senior management to form our 2024 materiality issues matrix, which guides our ESG specific strategies and actions.



Morimatsu Energies and Materials 2024 Criticality Issues Matrix



Amidst the increasingly apparent risks of global climate change, Morimatsu actively addresses the risks and opportunities presented by climate change while continuously increasing investment in research and development of green and low-carbon technologies. We are constantly exploring new pathways for energy conservation and emission reduction, and we collaborate with partners along the supply chain and stakeholders from all sectors of society to drive the Company towards a low-carbon and environmentally friendly development path, jointly striving to build a future with zero-carbon emissions.

02

Embracing a Zero-carbon Future



Climate Strategy

To more efficiently manage climate change-related matters, Morimatsu has established a climate governance structure. This structure is overseen by the Board of Directors as the highest regulatory body, ensuring that the climate change response strategy aligns with the overall strategic direction of Morimatsu International. The heads of the ESG-related departments of Morimatsu Energies and Materials, together with senior management of the group, form the ESG Management Team, which is specifically responsible for overseeing and managing the implementation of climate change-related projects and activities, and regularly reports progress to the Group's Board of Directors. The ESG Management Group, composed of heads of relevant departments across the Company, covering areas such as environmental and climate management, risk management, and corporate governance, ensures the effective implementation of the climate strategy deployed by the Board of Directors.

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and in combination with the production and operational characteristics of Morimatsu's business lines, we have identified the risks and opportunities presented by climate change and formulated targeted response measures.

Morimatsu consolidates the assessment results of relevant businesses, laws, regulations, and natural conditions across all its operating locations into the risk management team. Each construction site, both domestically and internationally, formulates targeted disaster risk response plans based on the specific regional conditions. Based on the assessment results and emergency plans, we integrate climate risks into the existing environmental risk management structure, compile and update the *Emergency Contingency Plan for Environmental Emergencies*, and guide the production units of our subsidiaries to implement climate response measures, such as implementing emergency response equipment and enhancing training for production personnel.

Simultaneously, our company integrates climate risks and opportunities into its corporate strategy, actively setting indicators and targets including carbon emission reductions, carbon neutrality, and increasing the proportion of photovoltaic power generation. During the reporting period, we have simultaneously promoted multiple initiatives such as the technological upgrading of production equipment and the construction of photovoltaic facilities to comprehensively enhance the efficiency of energy and resource utilization. For more information, please refer to the section on Carbon Emissions and Energy Management.

Category	Description of risks/opportunities		Strategies
Entity Risk	Flood	<ul style="list-style-type: none">Climate change will increase the frequency and severity of extreme weather events, such as floods, typhoons and droughts;	<ul style="list-style-type: none">During the construction of the project, the impact of climate risk is considered comprehensively, and its potential impact on our production seasons is avoided as much as possible at the site selection stage, and the operation site will be modified or even relocated based on the exposure to risk during the operation process;Constantly monitor the climate warning, based on the <i>Emergency Plan for Typhoon and Flood Prevention</i>, according to the different levels of warning signals issued by the meteorological department, activate the corresponding measures at different levels, report and adjust the production schedule at the right time;Establishment of an emergency response team and preparation of an "Emergency Contingency Plan for Environmental Emergencies", safety modifications to the operating site and purchase of emergency equipment and materials to minimise the risk of safety, economic loss and disruption of operations;Regular staff training on emergency response to extreme weather is carried out to fully publicise the Company's risk management policies and emergency response methods, and insurance is purchased at domestic and overseas operating locations to enhance protection in multiple ways.
	Typhoon	<ul style="list-style-type: none">Extreme weather will likely damage the plant's production equipment, leading to economic losses as well as production interruptions;The normal operation of the supply chain will be disrupted and the transport of raw materials/finished products as well as warehousing may be put on hold for long periods of time due to extreme weather;	
	Drought	<ul style="list-style-type: none">The lives and health of employees will be threatened, productivity and product delivery service cannot be guaranteed;	
	Extreme Heat, Cold and Rising Average Temperatures	<ul style="list-style-type: none">In the long term, climate change will bring chronic climate risks, such as rising sea levels that will lead to land inundation, disruption of transport and water scarcity due to salinisation of water sources, which may have an impact on the Company's normal production operations.	
Transformation Risks/ Opportunities	Policy Change Risk	<ul style="list-style-type: none">With the introduction of carbon tariffs and carbon pricing policies led by the markets of developed countries around the world, as well as the fact that some industries are being brought into the scope of the carbon trading market domestically, the business areas in which Morimatsu is involved will be exposed to the risk of higher operational and financial costs.	<ul style="list-style-type: none">Morimatsu's relevant departments monitor in real time the laws, regulations and compliance requirements of the places where the business is operated, and strengthen the communication with customers, government and other stakeholders to carry out compliance risk prevention initiatives in advance and reduce compliance-related risks;The Company has carried out carbon inventory work and product carbon footprint certification for its key operational sites, as well as energy-saving technological improvements and other types of carbon reduction initiatives to reduce our carbon emissions;We have initiated a number of photovoltaic equipment construction projects, which will greatly enhance clean energy applications and ensure that we can fully meet the needs of downstream customers for green products;Morimatsu actively participates in customers' green, low-carbon and environmentally friendly projects, implements relevant measures into the production and delivery process of Morimatsu products, provides reliable equipment and devices for customers', and accumulates green project experience in actual case co-operation.
	Market Risks and Opportunities	<ul style="list-style-type: none">Against the backdrop of China's "30-60" dual-carbon target and global green development, more and more consumers are paying attention to green products, green-labelled low-carbon products and services, and this demand will gradually spread to different levels of the supply chain.	
	Technology Transformation Risks and Opportunities	<ul style="list-style-type: none">The demand for green development is both a challenge and an opportunity. Morimatsu needs to analyse customer demand for green technological reform, green factory certification, clean energy use and other transformation initiatives, and at the same time, actively research and develop and create products, equipment and services that are more in line with the market demand, in order to satisfy the needs of end-consumers as well as the trend of the world's green transformation.	

Carbon Emissions and Energy Management

The main types of energy used by the Company include purchased electricity, natural gas used in heat treatment furnaces and canteens, etc., diesel for forklift trucks and gasoline for business vehicles. We are achieving the dual objectives of energy management and carbon emission control of the Company by optimising the energy structure, enhancing the efficiency of energy use and promoting low carbon technologies. We have formulated the *Regulations on Resource and Energy Management* and other systems to guide the Company to reduce its environmental impact while safeguarding its normal operations, and to promote the transformation of the Company to a greener and more sustainable mode of development.

During the reporting period, Morimatsu has facilitated carbon accounting at key operating locations to quantitatively understand the current status of our carbon emissions, which has guided our further energy-saving and carbon-reduction initiatives and clarified the direction of our carbon emission reduction and carbon neutrality targets. Each operation site will break down its annual work objectives based on its actual situation and gradually carry out energy-saving and emission-reduction work.



Greenhouse Gas Inventory Certification

Based on the statistical results, we found a large carbon reduction potential in energy use, and the preliminary estimation of greenhouse gases generated from direct energy use is about 64.57% of the total greenhouse gases generated in the operation process. Therefore, we plan to carry out energy structure optimisation through the application of photovoltaic equipment, and gradually use clean energy to replace purchased electricity, so as to explore a multi-effective carbon-neutral path. During the reporting period, we have completed a cumulative total of 10 MW of photovoltaic equipment construction projects at our Nantong Plant. Meanwhile, we actively carried out green commuting related initiatives, upgrading all business commuting vehicles to new energy vehicles and installing new energy charging piles to guide employees to travel green.

Morimatsu's Greenhouse Gas and Energy Management Targets

Actively respond to the global low-carbon transition and carbon neutrality trends by organizing carbon accounting at key operating facilities to understand the Company's greenhouse gas emission inventory and the current status of greenhouse gas management.

Actively enhance the utilization rates of diesel, gasoline, general electricity, and natural gas through green process upgrades and energy-saving technological transformations, continuously reducing energy consumption per unit of output value.

Continuously increase the proportion of clean energy applications by installing photovoltaic equipment and purchasing green electricity, thereby reducing indirect carbon emissions associated with energy use.

Morimatsu Photovoltaic Construction Project

To actively deepen the application of clean energy, the Nantong Plant has achieved a cumulative installed capacity of 10 MW under its phased solar photovoltaic construction plan. The photovoltaic energy system at the Nantong Plant is expected to generate 6.5 million kilowatt-hours of electricity annually.



Nantong Plant Photovoltaic Pictures

In addition, our company is comprehensively implementing energy-saving and carbon-reduction initiatives to promote carbon emission reduction and energy efficiency improvement from all aspects, ensuring the achievement of our established carbon emission and energy management targets.

Details of Morimatsu's Energy Saving and Consumption Reduction Initiatives

Energy Efficiency Monitoring System

We generate a plant energy consumption dashboard by performing a global review of plant energy consumption on a regular basis. This assists the management to have a global view of the plant data.

Application of Energy-saving Technologies and Equipment

The Nantong Plant effectively reduces energy waste by carrying out energy-saving renovation of production equipment, process optimisation and upgrading of some outdated equipment.

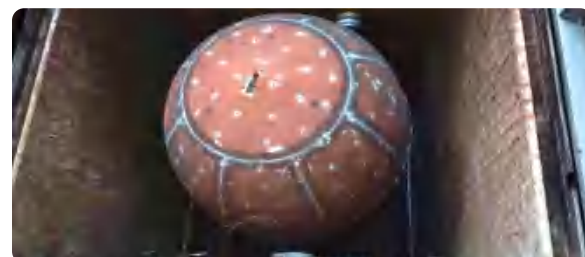
Workshop Lighting System Upgrade

We upgraded the lighting system in the production workshops of our Nantong Plant, achieving a halving of electricity consumption for lighting while ensuring lighting demand, with an estimated annual saving of 20,000 kWh.

Morimatsu Energy-Saving Technology and Equipment Application Cases

Equipment Applications and Upgrades

We expanded and upgraded the heat treatment furnace for PTA Reactor at our Nantong Plant. The modification enables the product to save more than one-third of energy consumption in the mass production stage. In addition, we have optimized the thermal gas circulation process for our titanium-cladded material reactor by replacing the electric heating method with internal thermal circulation method of the autoclave. This is expected to save more than 200,000 kWh of electricity per year and eliminates the risk of production disruptions caused by power restrictions in summer.



Thermal Cycling in the Furnace for Titanium Composite Plate Equipment

Efficient Equipment Applications

According to the demand of production orders, we have purchased a large-scale plate rolling machine which is twice larger compared with the existing machine, so that materials beyond the capacity of the original equipment do not need to go through the press pre-pressure and high-temperature preheating, and most of the plates can be directly cold rolled, which significantly saves energy consumption.



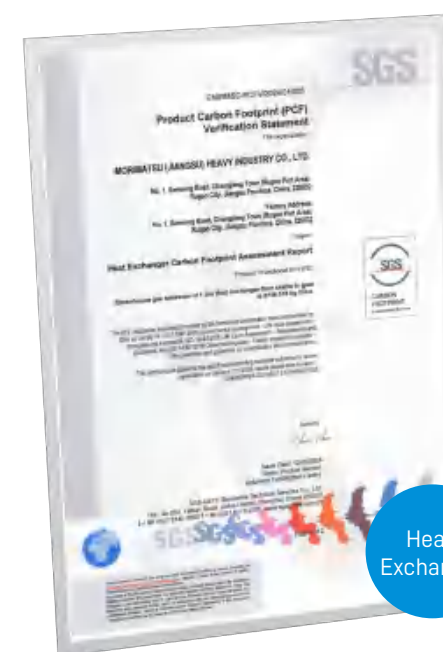
Images of the Rolling Machine

Morimatsu Energy Consumption Dashboard

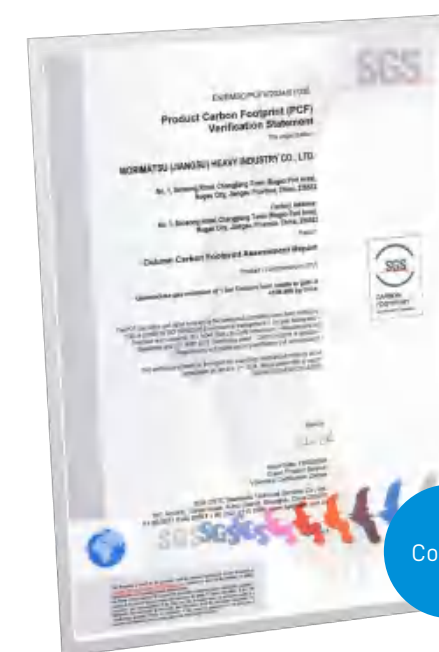
In 2024, Morimatsu's Nantong Plant conducted a comprehensive review of energy and resource consumption to develop an interactive consumption dashboard, enabling management to monitor real-time energy consumption across the facility, supporting the formulation of annual work plans, while establishing a data foundation for refined energy optimization and product carbon footprint tracking.



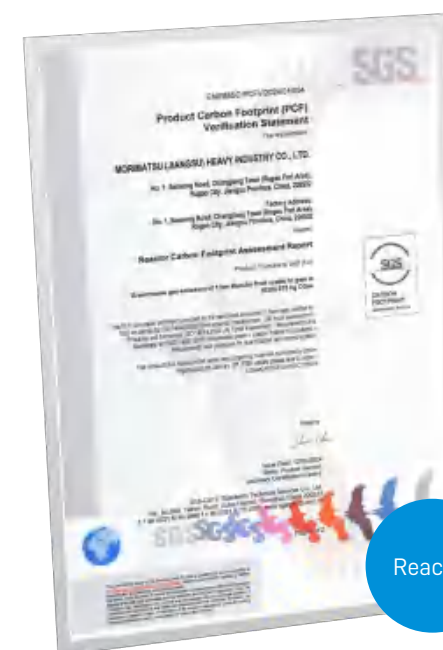
The company has obtained "cradle-to-gate" carbon footprint certification for selected products, covering four typical core equipment categories: vessels, columns, heat exchangers, and reactors.



Heat Exchanger



Column



Reactor



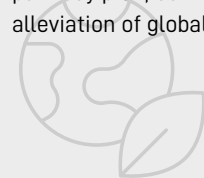
Vessel

Green Solutions

Morimatsu is committed to leading the industry forward through green and low-carbon technological innovation, increasing R&D investment, continuously exploring new paths for energy saving and emission reduction, efficient use of resources, and use of clean energy, and providing customers with more environmentally friendly and efficient green solutions to realise win-win situation in terms of economic and environmental benefits.

We provide high-performance, low-emission solutions for industries and fields such as oil and gas, oil refining, petrochemicals, chemicals, fine chemicals, hydrometallurgy, raw materials for power batteries, and green energy (green hydrogen, green ammonia, green methanol, SAF). These industries, as important pillars of economic development, not only play a central role in the production and processing of traditional energy, but are also an indispensable link in the new energy value chain. With the urgent global demand for low-carbon economic transformation and the rapid rise of the new energy industry, these industries are taking the lead in facing the serious challenge of low-carbon transformation. With our innovative and low-carbon technologies and green solutions, we help our customers realise green production, jointly meet the challenges of the low-carbon era, and drive the industry towards a more environmentally friendly and efficient direction.

During the reporting period, we obtained "cradle-to-gate" third-party carbon footprint certificates for four typical core products: vessel, column, heat exchanger and reactor. Through the in-depth implementation of carbon footprint analysis, we accurately identified the key aspects of energy consumption, and accordingly deployed a series of innovative decarbonisation solutions to form a long-term decarbonisation pathway plan, contributing positively to the alleviation of global warming trend.



Examples of Green Solutions

Sustainable Aviation Fuel (SAF)



Modular Engineering Solutions for Sustainable Aviation Fuel (SAF)

We provide advanced modular engineering solutions for the SAF Industry, committing to the green transformation of the aviation industry. Our modular engineering is capable of efficiently converting various sustainable feedstocks, such as waste oils and fats, non-food biomass, etc., into environmentally friendly aviation fuels. These solutions not only help reduce the aviation industry's dependence on fossil fuels, but also significantly reduce carbon emissions throughout the entire life cycle by up to 80%.

Green Hydrogen, Green Ammonia, and Green Methanol



Modular Units and Critical Equipment for Green Hydrogen, Green Ammonia and Green Methanol Industry

We actively develop and provide modular design, modular construction and critical equipment fabrication for green hydrogen, green ammonia, and green methanol industries, promoting the substitution of fossil fuels and contributing to emission reduction and environmental protection. Through the development of these technologies and equipment, we support global efforts to transition towards low-carbon, green and clean energy.

Hydrometallurgy



Serialisation and Standardisation of Hydrometallurgy

We have developed a digital, intelligent and modular 250m³ HPAL Unit for our client, which enables the continuous operation cycle to extend the production time by 2 months compared with similar plants through digital management. In terms of environmental performance, we adopt advanced recycling wastewater scrubber tower, which not only realises recycling of wastewater, but also effectively captures and purifies the exhaust emissions, which strongly guarantees the cleanliness and safety of the local environment. This series of green production measures won high recognition from the owner, and also gained wide praise from local residents, establishing a good image of corporate social responsibility.

Power Battery



Modular One-Stop Solution for Power Battery Raw Material Industry

We provide modular EPF (Engineering, Procurement and Fabrication) one-stop solution for power battery industry. Our advanced solution significantly increases the production scale of a single unit of plant, and through the enhancement of the reaction process and comprehensive utilisation of process heat, we have achieved a significant reduction in production cost and energy consumption, which has pushed forward the technological progress of the global power battery raw material industry.

Circular Economy



Modular Solution for Plastic Chemical Recycling Industry

We play an important role in plastics recycling, especially in the recycling of Polyethylene Terephthalate (PET) plastics, and our PET plastics recycling modules not only increase the efficiency of recycling, but also ensure that the recycled plastics are of high quality and purity. With these efficient recycling modules, we help our customers to realise recycling of plastics, reduce their environmental impact and support the sustainable production of plastic products.

Solar Photovoltaic



CVD Reactor Modules and CVD Reactor for Solar Photovoltaic Industry

As a leading domestic supplier of critical equipment and process modules for the photovoltaic polysilicon industry, we leverage our experience and expertise in process design in the chemical industry to significantly reduce production costs and energy consumption, and to promote technological advances in the solar photovoltaic industry. At the same time, we can also provide optimisation design according to the customer's own process needs.



Morimatsu has always integrated the concept of green development into its core strategy and is committed to building an environmentally friendly governance system. On the basis of strict compliance with environmental regulations, we actively carry out pollution control, environmental protection publicity and resource conservation measures. We take practical actions to continuously improve the level of environmental management, lay the foundation for the sustainable development of the company, ensure that production and operation go hand in hand with environmental protection, and join hands with all sectors to create a greener, healthier and more sustainable world.

03

Dedicated to Environmental Sustainability



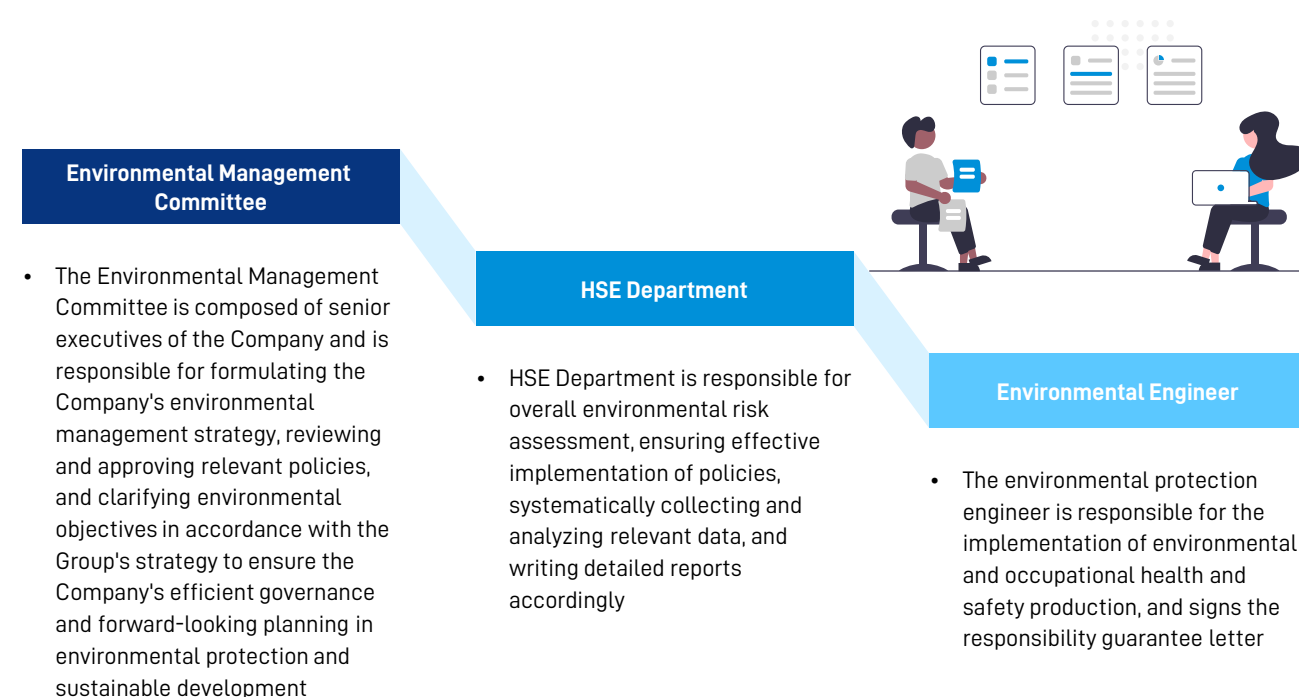
Environmental Management

Morimatsu is committed to building an environment-friendly enterprise, establishing a clear environmental responsibility mechanism through sound environmental management policies, and comprehensively identifying and assessing environmental impacts in production and operation based on environmental risk identification procedures. Through continuous optimization of the environmental management system, we have set specific and measurable environmental management objectives, actively adopted optimization measures such as emission reduction, resource recycling and energy efficiency improvement, effectively reduced environmental compliance risks, minimized the impact of the Company's production and operation on the environment, and jointly promoted the Company's green transformation with partners.

Environmental Management System

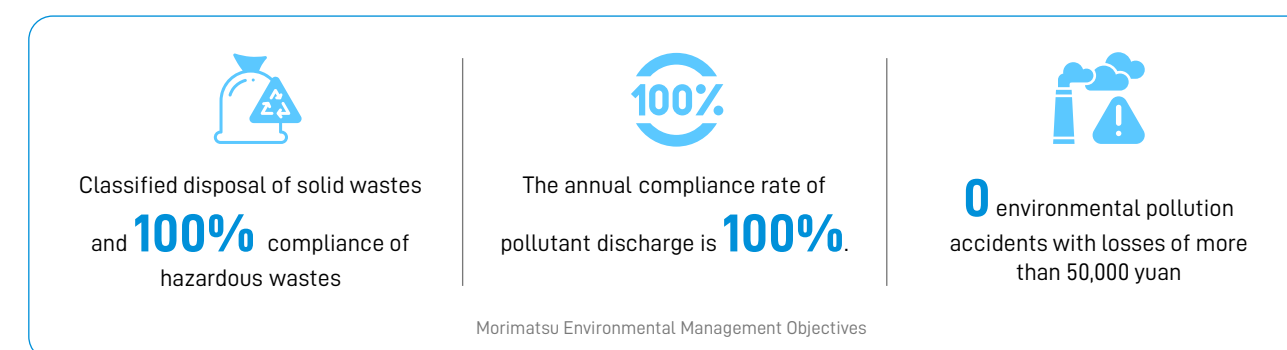
Morimatsu strictly abides by the *Environmental Protection Law of the People's Republic of China*, *Integrated Wastewater Discharge Standard*, *Integrated Emission Standard Of Air Pollutants* and other relevant laws and regulations of each operation site, and has formulated internal policies such as *Management Manual for Environmental, Occupational Health, and Safety Management System*, *Regulations on the Management of Air Pollution Prevention and Control* and *Regulations on the Management of Water Pollution Control* to guide the Company to carry out management work. During the reporting period, we did not have any environmental accidents or environmental violations, nor did we receive any environmental penalties.

In order to carry out environmental management work efficiently, Morimatsu has established a three-level environmental management system led by senior executives, and the top leadership directly manages and supervises environment-related matters. At the same time, we have implemented a remuneration system in which environmental performance is linked to the performance of senior executives. We will withdraw "HSE risk margin" from the remuneration of relevant responsible persons on a monthly basis, and reward or punish senior executives based on their annual safety production performance.



Morimatsu Environmental Management Structure

In order to guide the Company's relevant departments in strengthening environmental compliance management and implementing other measures, continuously reduce resource consumption, optimize waste management, and enhance energy efficiency, we have established the environmental management objectives for 2024. On the premise of ensuring compliance with all relevant laws, regulations, and emission standards at the operation site, we will continue to strive to reduce the generation of related emissions, eliminate the risk of environmental incidents, and achieve an environmentally friendly transformation in the process of production and operation.



The Company has established Environment Management System (EMS) and Environmental Management System based on International ISO 14001:2015 Environmental Management System Standard. The system integrates environmental system management procedures, classified work instructions and other documents to guide the department to carry out environmental management work with high standards. At the same time, we will connect our own environmental management system with the national pollutant discharge permit application subsystem, the self-monitoring information release platform of pollutant discharging units in Jiangsu Province, the life-cycle monitoring system of hazardous wastes in Jiangsu Province and other local government environmental management platforms, so as to achieve synchronous monitoring and management of environmental impacts with digital technology.

We have been actively promoted the establishment and certification of environmental management systems at all our operational sites. As of the reporting period, our Shanghai Plant and Nantong Plant have obtained and maintained ISO 14001 Environmental Management System certification.

During the reporting period, we conducted internal and external EHS (Environment, health and safety) system audit. After comprehensive review, the EHS of each production base of the Company complies with laws and regulations and ISO 14001 environmental management system standard certification requirements. We regularly entrust third parties to carry out monthly and quarterly sampling monitoring of wastewater, exhaust gas and noise to further supervise the Company's effective control of environmental impact, and no violations are found in the test results.

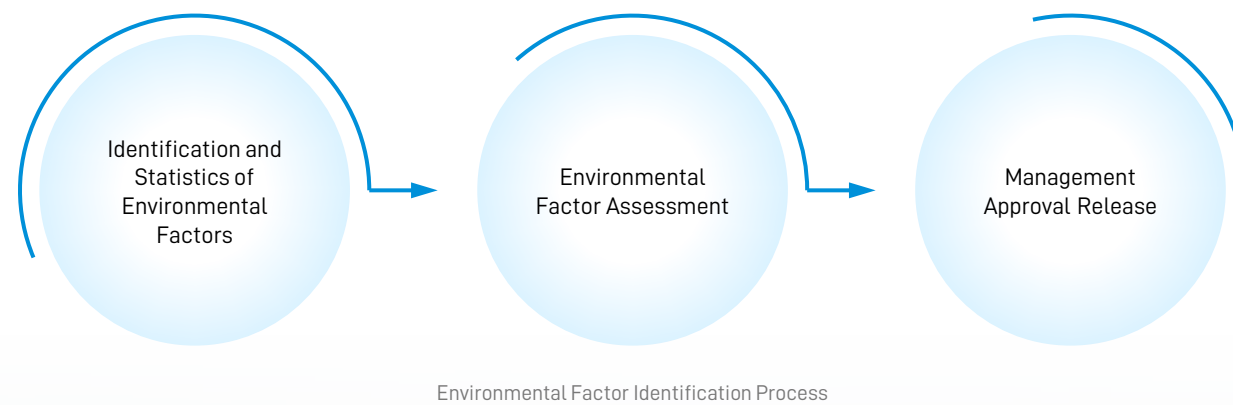
During the reporting period, our environmental protection expenditure mainly involved three aspects, with a cumulative investment of about 1.30 million yuan: (1) environmental protection tax and pollutant discharge fee; (2) Environmental protection equipment and construction in progress; (3) External service fees related to environmental protection purchased. Based on third-party monitoring statistics, the Company has successfully completed its annual environmental management objectives.



Morimatsu's Nantong Plant ISO 14001 Management Certification

Environmental Risk Management

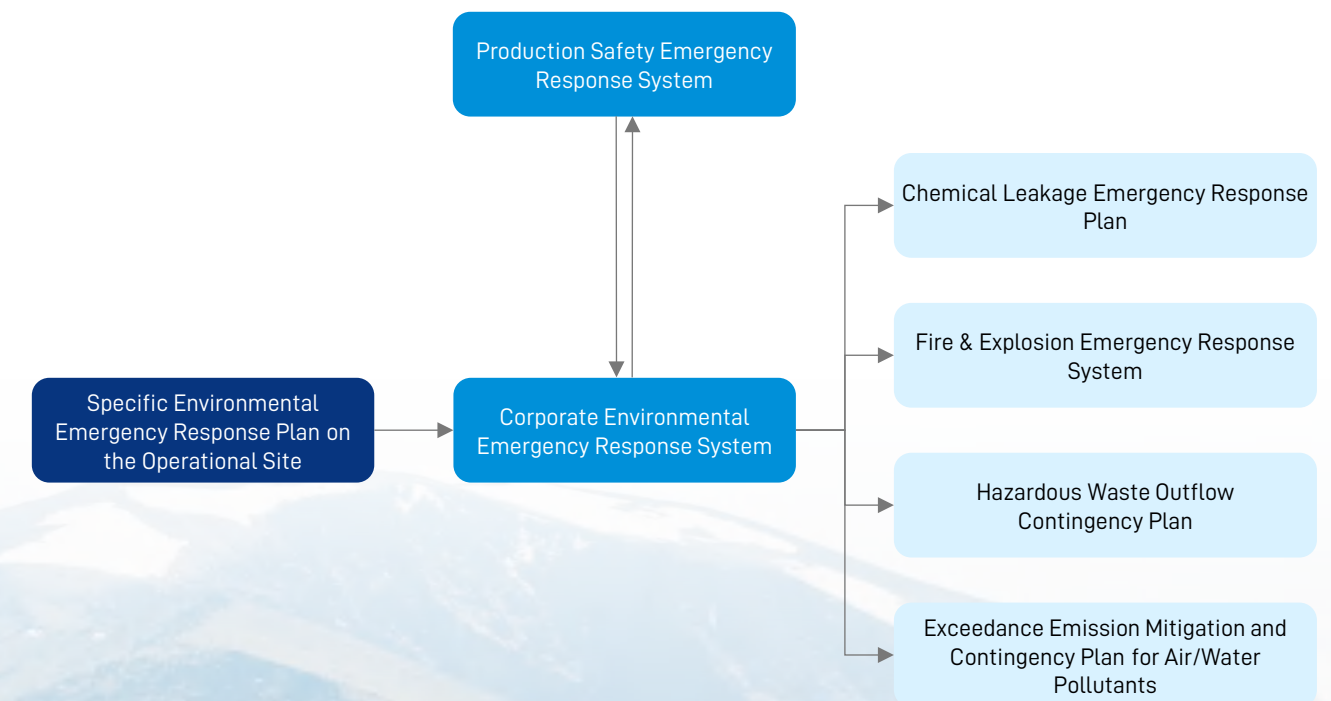
Morimatsu attaches great importance to environmental risk management and has established *Environmental Factor Identification and Assessment Procedure*. This procedure requires and guides each department to systematically identify and evaluate the whole life cycle of the Company's product production and operation activities (including welding, polishing, grinding, cutting, pickling, NDE and other production process and employees' daily activities in the office), and analyze their impact on the environment, including air, water quality, soil, resource utilization, emission and others.



Relying on this evaluation procedure, we annually compile and continuously maintain the *Summary Table of Relevant Laws, Regulations, and Standards* and the *Compliance Evaluation Comparison Table* from five aspects: regulatory compliance, frequency of occurrence, scope of influence, degree of impact, and community concern. This ensures that the Company strictly adheres to all external laws and regulations in its environmental management practices, clarifies the necessary control measures, and protects the ecological environment of the Company and its surrounding areas.

After completing a detailed assessment of various environmental factors, we have drafted internal documents such as the *Environmental Risk Assessment Report* and the *Safety Risk Grading Management and Control Report* in accordance with the *Jiangsu Regulation on Safety Production Risk Reporting of Industrial Enterprises*. These documents thoroughly analyze the various environmental risks involved in our operations, set risk identification thresholds for each risk category, classify the degree of risk, and propose targeted improvement measures and management plans to ensure effective control and prevention of environmental risks.

To enhance the environmental risk response capabilities and crisis awareness of each production unit, our company has guided them in compiling the *Emergency Contingency Plan for Environmental Emergencies*. This plan provides detailed guidance on responding to environmental risks such as pollutant discharges, natural disasters, and hazardous chemical leaks that may occur in production units, aiming to minimize the negative impacts of environmental emergencies.



Morimatsu Emergency Preparedness & Response System

Clean Production

Morimatsu is committed to achieving efficient resource utilization and compliant environmental management in the production process. We actively take emission reduction measures to minimize the impact of our production and operations on the natural environment. We also advocate for all employees to deeply understand and actively practice the ESG concept, gradually promoting the transformation of the Company towards a cleaner and more sustainable development model, and jointly building a green future.

Resource Utilization

The main resources utilized in our company's production and operations include packaging materials for products, energy used¹ in production, and water resources. Although we do not directly obtain natural resources, we still attach great importance to the conservation of various resources. To better manage the consumption of resources by internal production, living, and other activities, we have formulated the *Regulations on Resource and Energy Management*, which clarify the relevant responsibilities and management procedures of each department regarding resource management. We are committed to continuously improving the efficiency of resource utilization and conserving resources as much as possible, controlling resource consumption, as our business continues to develop.

In addition, adhering to the concept of minimizing resource use, we are dedicated to developing a circular economy in the product manufacturing process, reducing resource consumption, and enhancing the comprehensive utilization rate of resources. We encourage customers to recycle equipment at the end of its lifecycle. We collaborate with professional recycling companies to provide customers with convenient recycling channels. Recycled equipment is evaluated, and those that meet the criteria are refurbished or remanufactured for reuse. For equipment that cannot be refurbished or remanufactured, we disassemble and sort its material components, and recycle resources as much as possible.

Water Resources Management

The water used in our company's production and operations all comes from municipal water sources, and we do not face any water supply risks. Morimatsu strictly adheres to laws and regulations such as the *Water Law of the People's Republic of China* to establish water resource management policies. Based on management processes, we regularly monitor water usage and actively seek water conservation solutions. At the same time, we actively promote water conservation in our daily operations and implement multiple water-saving and water recycling measures, such as the use of water-saving spray balls and water recycling equipment.

Morimatsu's Rainwater Collection Facilities

The new plant area of the Nantong Plant is equipped with a rainwater reuse system, and the reclaimed rainwater is used for landscaping.



Pictures of Morimatsu Rainwater Collection Facility

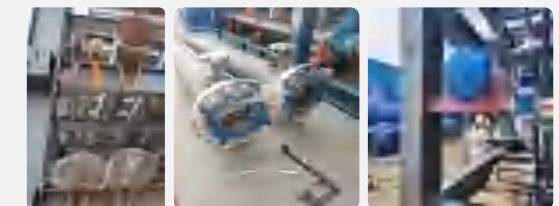
¹ Details of our energy usage can be found in the subsection on Carbon Emissions and Energy Management in this report.

Packaging Materials

Our company's products are mainly customized for customers, and during the delivery process, they are fully packaged based on the customers' product protection needs. The main packaging materials used include wooden crates, tarpaulins, iron pallets, wooden pallets, etc. Based on the working philosophy of improving the comprehensive utilization rate of resources, the production units under our company actively carry out resource conservation measures and reuse packaging materials that meet the conditions and are recyclable.

Optimization of Sealing Process for Module Production Department

To reduce the use and waste of packaging wood, Morimatsu has optimized the sealing solution for modular flange products, replacing wooden blind flanges with reusable custom plastic protective covers. This not only saves material and labor costs but also speeds up the sealing efficiency. Currently, this solution has been applied to multiple delivery projects, achieving an average cost savings of about 81% for sealing materials.



Pictures of Sealing Material Replacement

Reuse of Packaging Wood

Currently, materials such as valuable and fragile items sent by suppliers to Morimatsu are packaged in wooden crates. To better utilize the wood, wooden crates, and other packaging materials from cargo circulation and reduce resource waste, we have written the *Operating Procedures for the Reuse of Wooden Packaging Materials*. This procedure guides staff to quickly identify recyclable wood and wooden crates and reuse the packaging materials based on safety standards, reducing waste of transportation packaging materials. This system has been implemented for nearly three years, and the cumulative value of reclaimed wood, wooden crates, and other packaging wood has reached nearly 500,000 yuan.



Pictures of Wood and Wooden Box Recycling (Example)

Canopy Renovation Works

In our production and operation process, the stacking of materials involves the extensive use of tarpaulins, which need to be replaced every 5-6 months. To save on the use of tarpaulins and improve stacking efficiency, we have carried out a canopy renovation project. The renovated canopies can be replaced every two years, and the material stacking space and construction efficiency have been greatly improved.



Pictures of Canopy Renovation

Wastewater Management

During our company's production process, wastewater is generated from processes such as pickling, passivation, electrolytic polishing, and high-pressure water jet washing. The pollutants in this wastewater include elements such as sulfides, nitrogen oxides, and benzene. Morimatsu strictly adheres to laws and regulations such as the *Water Pollution Prevention and Control Law of the People's Republic of China* and has formulated the *Regulations on the Management of Water Pollution Control*. Each production unit carries out wastewater management in accordance with strict discharge standards and regularly entrusts external third-party environmental monitoring institutions to measure the water quality to ensure compliant wastewater discharge.

Based on internal management regulations, each production unit implements targeted treatment measures for different types of wastewater to maximize the recycling rate of wastewater. We collect and treat the reclaimed water for washing purposes. For highly polluted wastewater that requires treatment, such as that generated from the pickling process, we conduct in-depth treatment through advanced neutralization processes in the industry before reuse. To further prevent emergencies, the Company has built emergency water storage tanks at the plant. In the event of water treatment equipment failure, all production wastewater will be temporarily stored to minimize the risk of wastewater leakage. During the reporting period, we achieved 100% compliant wastewater discharge.



Waste Gas Management

During our company's production and operation processes, waste gases are generated from processes such as the combustion of natural gas in heat treatment furnaces, hot melt welding, and pulse welding. These waste gases contain elements such as volatile organic compounds (VOCs), sulfur-containing waste gases, and nitrogen-containing waste gases. Morimatsu strictly adheres to laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and the *Integrated emission standard of air pollutants* in Jiangsu Province, and has formulated the *Regulations on the Management of Air Pollution Prevention and Control*. These regulations clearly specify the emission standards for various types of air pollutants and require regular organization of emission monitoring to ensure 100% compliance with waste gas emissions.

We are continuously committed to optimizing production processes to reduce the potential generation of harmful gases during production and promoting the use of environmentally friendly raw materials to reduce waste gas emissions. We implement targeted treatment processes for different types of pollutants, such as sulfides, particulate matter, and benzene series compounds, to ensure that they are fully harmlessly treated before discharge. During the reporting period, we achieved 100% compliance with waste gas emissions.



In addition, during our company's production and operation processes, metal dust is generated by workshop personnel during production operations such as polishing, grinding, cutting, and heat treatment. To prevent emissions, we have installed dust collection devices and ventilation systems in the relevant construction areas of the production units. This further reduces emissions generated during the production process and fully safeguards the occupational health of employees. During the reporting period, we achieved 100% compliance with dust emissions.



Dust Collection Processor at Morimatsu's Nantong Plant

Waste Management

During the Company's production and operation processes, we implement waste classification management. Hazardous waste includes mineral oil, waste rags and packaging, waste fixing solution, waste developing solution, etc., while non-hazardous waste includes waste metal scraps, household waste, kitchen waste, and construction waste.

Morimatsu strictly adheres to relevant laws and regulations in the operating locations, such as the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and has formulated the *Waste Management Regulations* internally. These regulations clearly define the classification system and disposal methods for general waste and hazardous waste, guiding relevant departments in the production units to carry out waste management work. We adhere to internationally leading workplace safety management

practices, continuously organize and manage waste at production sites, clarify the responsibilities of various departments at production sites, and establish a management team for on-site supervision and assessment.

For non-hazardous waste, we store and dispose of household waste in accordance with the *Measures for the Management of Urban Household Waste* and entrust third parties for the transportation and disposal of general industrial solid waste. For hazardous waste, we require relevant personnel to use the *Waste Disposal Process Record Form* for tracking and recording, store it in specific containers and locations, and hand it over to qualified third parties for disposal. During the reporting period, we achieved the management goal of 100% disposal rate for project solid waste and 100% collection, transfer, and disposal rate for hazardous waste.

Green Operation

To implement Morimatsu's green transformation concept, the Company not only pursues environmental compliance in production and operations but also actively promotes energy-saving and carbon-reduction measures in production and operation sites. We extend the green concept to office processes, business commuting transportation, and customer online digital acceptance, striving to achieve a comprehensive green transformation and build a sustainable enterprise development model.

Green Travel

To advocate for low-carbon commuting, the Company has replaced business commuting vehicles with electrical vehicles.

To support employees' green commuting, the Company has added new energy charging piles for employees.



Official Electrical Vehicle



Charging Piles in the Parking Lot

Green Workplace

Reducing Paper Waste: Morimatsu promotes paperless office practices, covering operational paper documents such as repair requests and meal coupons. After a small-scale pilot test, it has been fully applied in the Company, significantly reducing the use of operational paper. At the same time, we continuously digitize the approval process to reduce paper waste in work processes. In 2024, we added a total of 210 OA approval process forms.

Reducing Energy Waste: We prioritize the purchase of energy-efficient appliances for production and office use and further reduce energy consumption by optimizing production scheduling. Energy-saving tips are posted next to commonly used high-power equipment switches to remind employees to reduce unnecessary energy consumption during production and office work. At the same time, employees are encouraged to turn off computer and peripheral equipment power when leaving their posts for more than one hour, and to keep doors and windows closed and adjust the temperature reasonably when using air conditioning in winter and summer.

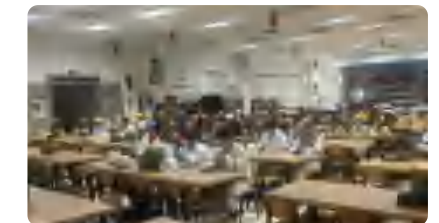
Reducing Water Waste: We actively advocate for employees to conserve water and conduct regular inspections and open channels for employee reporting to reduce water waste caused by equipment failures.

Key Initiatives of Morimatsu's Green Operation



Environmental Protection Training

On the occasion of World Environment Day on June 5th, Morimatsu organized environmental protection knowledge training for employees in positions involving environmental pollution and hazardous waste generation. The content covered environmental protection laws and regulations, standardized management of hazardous waste, and environmental protection penalty cases, effectively enhancing employees' environmental awareness. The employee participation rate reached 100%.



Environmental Protection
Knowledge Training

Green Advocacy

The Company regularly conducts publicity activities on the theme of sustainable development, calling on employees to save energy, water, and reduce paper waste. At the same time, we have launched an employee survey activity on the sustainable development plan, sincerely inviting all employees to contribute ideas and suggestions for the Company's ESG (Environmental, Social, and Governance) development. Twenty employees who proposed outstanding suggestions were awarded the "Suggestion Award" to comprehensively understand employees' needs and expectations.



Sustainable Development Theme Training



Sustainability Survey

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With excellent quality as the core driving force, the Company is committed to becoming a leading partner in the world. As a forward-looking enterprise with a high sense of responsibility, Morimatsu continues to promote innovation and provide customers with excellent products and services. At the same time, we build a stable and sustainable supply chain, actively deepen industry cooperation, work with all parties to create value, and promote the prosperity and development of the industry.

04

Collaborating for
Excellence



Product Liability

In its pursuit of excellent quality, Morimatsu relentlessly redefines its limits, focusing on the evolution of comprehensive ability and the pace of globalization. In the process of deepening globalization, the Company actively practices and deepens the innovative model of core equipment fabrication, modular construction, and one-stop engineering solution, transforming towards a service-oriented manufacturing model. This innovation-driven approach empowers downstream industries to achieve more efficient, sustainable, and healthier development with enhanced convenience and reduced environmental impact.

Innovative R&D

Morimatsu upholds innovation-driven leadership, actively explores the application of new technologies, new materials and new processes, and provides customers with efficient, environmentally friendly and high value-added solutions. We actively serve the continuous innovation needs of downstream industries, from a single (set) of equipment to integrated systematic solutions, empowering customized products based on individual needs in various fields with diversified value services.

We adhere to the innovation-driven development strategy, expand and extend the industrial chain on the basis of making high-quality products and equipment, focus on the high value-added links of the industrial chain, lead the industry transformation with innovation, and promote the energy revolution of high-end equipment.

We also place high importance on industry collaboration, actively partnering with stakeholders to conduct R&D projects, creating a synergistic ecosystem that combines complementary strengths and fosters co-innovation. We emphasize in-depth exchanges and cooperation with partners across technology, market development, talent cultivation, and other key areas. Through joint laboratories, industry-academia-research initiatives, and other collaborative models, we continuously deepen partnerships and elevate cooperation standards. By diversifying our industry collaborations, we accelerate the development of cutting-edge technologies, expand product application scenarios, and jointly explore frontier solutions with our partners.

R&D Cooperation Cases



- We have entered into a framework cooperation agreement with professors from the College of New Energy and Materials of China University of Petroleum to explore cutting-edge technologies in the field of new energy and to promote innovative R&D in the field of sustainable development.



- We cooperated with Zhejiang University in the field of key process optimisation, and are committed to improving technical efficiency and providing customers with more efficient and energy-saving solutions.



- We set up the "Qingmeibang & Morimatsu High Pressure Engineering Experimental Joint Research Centre" with our customers, focusing on the R&D and innovation of process technology and equipment technology, and jointly promoting the technological progress of the industry.

Key Innovative R&D Cases



Lithium Iron Phosphate and Lithium Ternary Roller Kiln

In the execution of process research and development, we use computational fluid dynamics (CFD) to carry out preliminary simulation analysis. Through the application of new thermal insulation materials, the optimization of kiln structure, the preheating of kiln gas and the recovery and utilization of exhaust waste heat, we integrate the optimal scheme of simulation analysis, material performance, process configuration and energy management to improve production capacity and reduce equipment power consumption on the premise of ensuring structural stability.



Printed Circuit Heat Exchanger (PCHE)

PCHE is a compact heat exchanger with high efficiency, high temperature resistance and high-pressure resistance. It is generally recognized as a heat exchange product more suitable for special industries such as floating liquefied natural gas system (FLNG), floating production storage and offloading (FPSO), nuclear power and aviation. Our PCHE has the advantages of small size, light weight, high temperature and pressure resistance, and enhanced safety.

Oil, Gas and Water Three-phase Separation Unit

Oil, gas and water three-phase separation unit is one of the core equipment of offshore platform, which conforms to our strategic vision of developing core equipment. Compared with the currently widely used horizontal three-phase separators, our vertical three-phase separators have significant advantages on offshore platforms due to their smaller footprint for the same separation task.



The Company has formulated internal policies such as the *Management Measures for R&D Projects*, the *Personnel Assessment Plan*, and the *Trial Implementation Regulations on Awards for Scientific and Technological Innovation, Product R&D and Investment*, to carry out standardized management for the whole process of R&D project research, budget, project establishment, organization and implementation, review, results acceptance and data storage, and to provide fair and transparent innovation incentives for R&D personnel, so as to stimulate the innovation motivation of R&D personnel. We not only regularly organize skills training for R&D and design personnel covering new technical standards, professional technologies, case studies and summaries, but also actively send R&D personnel to Japan to study for doctoral degrees, explore cutting-edge technologies in the industry, and promote the continuous progress of R&D teams. Currently, we have over 270 R&D personnel. During the reporting period, the Company invested a total of approximately RMB 269.49 million in research and development.

Intellectual Property Right

Morimatsu strictly abides by the relevant intellectual property laws and regulations such as the *Civil Code of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China*, and formulates internal management systems such as the *Measures for the Administration of Intellectual Property Rights* and the *Incentive System for Intellectual Property Rights*, so as to form an institutionalized and standardized management mechanism and incentive measures for intellectual property rights and continuously improve the Company's independent innovation ability. In order to ensure the efficient operation of intellectual property management, we have set up an intellectual property team, which is specifically responsible for the application and maintenance of intellectual property rights, risk investigation of R&D projects, tracking of cutting-edge patented technologies of peer competitors, prevention of patent infringement, patent training and support services.

In order to strengthen the use and protection of intellectual property rights and prevent patent risks, we actively explore R&D and innovative projects and file patent applications in a timely manner to continuously optimise our patent layout. We are also committed to the expansion of international markets and innovation protection, and actively pursue overseas patent applications and strategic layouts. Through in-depth analysis of international market demand and intellectual property protection trends, we have filed or are preparing to file patent applications in the key market countries where our business operates, so as to build up solid international patent barriers. At the end of the reporting period, the Company has accumulated 132 valid patents and 1 valid software copyright.

While strengthening the response to intellectual property risks, we also understand the necessity of improving intellectual property management capability, which requires an all-round approach to culture creation, professionalism and comprehensive capability enhancement. We provide internal and external training related to intellectual property rights for relevant employees every year, combining with the development of the industry, to improve the team's knowledge reserve in patent application, patent risk response, patent database search, etc., to strengthen the employees' intellectual property management ability, and to build a moat for the Company's patent protection.

At the same time, we place a high priority on the security and protection of our clients' technology and intellectual property at all stages of a project. Our Confidentiality Committee is responsible for the daily coordination, monitoring and checking of confidentiality to ensure the highest standards of data security and safety. We have developed and implemented management systems such as the *Confidentiality Implementation Rules*, which require employees to be aware of confidential information only within the scope of their duties, and clearly communicate the obligation and responsibility of all to keep relevant information confidential.

Quality Management

Product quality and safety are critical to Morimatsu's business operations, and a high level of quality management is the cornerstone of our sustainable development. We thoroughly implement the quality policy, establish and improve the quality management system, and continuously improve the quality assurance level of Morimatsu's products.

Adhering to the *Quality Management System Requirements*, combining with the operation of different businesses such as equipment and modules, Morimatsu has formulated and implemented quality management systems such as the *Quality Control Handbook*, the *Quality Control Procedures*, and the *Project Management Procedures*, and improve professional and standardized operation procedures and quality management specifications for different businesses such as equipment and modules.

Quality Policy

Engage all staff to participate in the whole process of quality management and continually improve to ensure the safety of product and meet the demand of users. Improve the core competitiveness of the Company and gain the full trust of customers.

Quality Objectives

In order to strengthen product quality assurance, we have set high standard quality objectives and established a daily monitoring mechanism for quality indicators. At the end of the reporting period, the quality objectives for the year had been achieved.

Annual Quality Objectives and Achievements

Annual Quality Objectives:

Pass rate for the primary inspection of the products reaches

95%

Pass rate for the primary filming of welded seams reaches

96%

Achievements:

Pass rate for the primary inspection of the products was over

97%

Pass rate for the primary filming of welded seams was over

98.5%

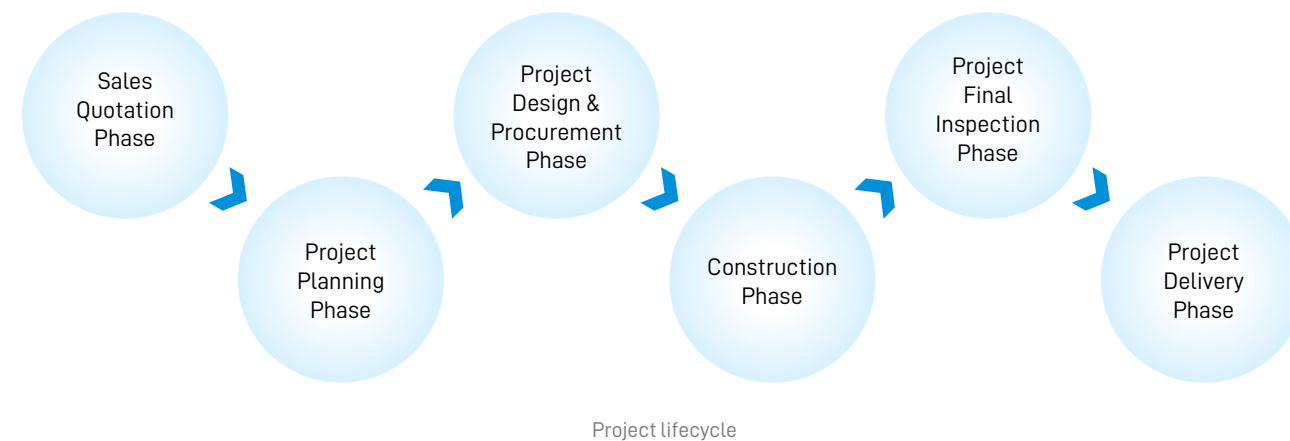
Quality System Certification

Morimatsu deeply recognizes the importance of improving the quality system for product quality, follows advanced quality experience and professional certification of quality management practices, and continuously improves product quality and safety management level. According to its own product and business characteristics, combined with the requirements of sales regions, the Company has built and continuously improved its quality management system, successfully obtained a number of international quality certifications, while ensuring their long-term validity through sustained audit verification.

Main Quality System Certification/Production Qualification Obtained by the Company

- ISO 9001:2015 Quality Management System Certification
- EN 1090-1 CE-Marking of Steel Structures
- ISO 3834-2 Quality Requirements for Fusion Welding of Metallic Materials Certification
- Production License of Special Equipment (Industrial Pipeline Installation GC1)
- Production License of Special Equipment (Industrial Pipeline Design GC1)
- Production License of Special Equipment (Pressure Vessel Manufacturing A1 and A6)
- Production License of Special Equipment (Pressure Vessel Design SAD)
- ASME "U", "U2", "U3" Certificate of Authorization
- R and NB Certificate of Authorization
- TSSA Pipe Fabrication Certification
- CSA W47.1 Fusion Welding of Steel Certificate
- South Korea KGS Certificate
- Construction Enterprise Qualification Certificate
- Safety Production License

Life Cycle Quality Management



We actively utilize digital systems for production and project management in the whole life cycle of products, aiming to build a more comprehensive and efficient quality management system. We have independently developed the iMES management platform, which integrates functions including sales and after-sales, project progress, design and process management, production scheduling management, inspection and flaw detection management, product integration report, safety management, document control management, personnel qualification management

Quality Testing

Morimatsu insists on the product quality testing, planning the project quality monitoring plan, quality requirements and other procedures, tracking the product quality indicators, and ensuring that the product quality testing in all links meets the specification requirements. We have CNAS and ISO 17025 accredited laboratories, a non-destructive testing center, and other quality inspection facilities, while continuously enhancing our in-house testing capabilities and technologies. Additionally, we employ a Total Quality Management (TQM) platform to promptly document and facilitate the rectification of quality risks during the product manufacturing process.

Quality Audit

We conduct internal and external quality audits on an annual basis to continuously monitor and optimize product quality management:



Internal audit of quality management system covering all businesses shall be carried out once a year to verify whether the quality management conforms to relevant provisions of quality policy, planning and arrangement, and quality management, evaluate the comprehensiveness and effectiveness of the quality system, and provide basis for continuous improvement of the quality management system.



Conduct external audits of ISO 9001 and other quality certifications on an annual basis to ensure continuous compliance with quality management system standards; Conduct external quality audit according to customer requirements, actively respond to customer needs, and enhance customer trust in product quality through quality audit.

Quality Culture

Morimatsu attaches importance to the construction of quality culture and implements the internal master and apprentice system. Newly recruited employees will be instructed by experienced masters for one year in order to quickly familiarize with the workflow and thus improve work efficiency and quality. The Company regularly conducts professional level assessment for workers, and motivates employees to improve their professional skills independently through the promotion and demotion system to ensure product quality and safety. We also provide regular quality training for quality management related employees, including quality management system training, special work instructions, raw material inspection, job qualification training and other types of training, to continuously strengthen the quality management capabilities of employees.

In addition, we hold monthly quality meetings with the participation of multiple departments to discuss and analyze the quality problems that occurred in the previous month, and formulate and implement targeted quality improvement measures to continuously optimize the level of quality management. During the reporting period, we actively planned and implemented diversified quality activities, which strongly promoted the construction and deepening of quality culture.

"Quality Month" Activity

Every year, we hold a "Quality Month" activity for all employees to comprehensively improve their quality awareness and operation skills through training, knowledge competition, excellent proposal collection, patrol inspection and other ways.

During the "Quality Month" activity in 2024, we organized 12 quality trainings, covering basic quality awareness, general process requirements for equipment manufacturing, welding operation specifications, etc. At the same time, we have also meticulously compiled a set of knowledge competition question bank covering the whole production process specification, and successfully held a knowledge competition, which has

attracted more than 300 active participants, and further consolidated the understanding and mastery of quality management by employees.

In order to actively encourage employees to participate in quality improvement, we held an excellent proposal collection activity and received 153 proposals with practical value, demonstrating employees' deep thinking and positive contributions to improving product quality.

In addition, we carry out 8 joint patrol inspections to regularly check the process specifications of the production workshop to ensure that strict and standardized quality management is implemented in the production process.

Product Safety

Morimatsu pays attention to product safety and ensures that our products meet relevant safety standards by formulating and implementing a series of strict management measures. We are committed to providing customers with safe and reliable products and services through scientific design, strict risk assessment, and effective management measures.

We have implemented the *Design Review Management Regulations*, collected the opinions of experts from all aspects, and formulated a scientific, reasonable, safe and economical design scheme. For the developed products of pressure vessels and chemical equipment, products with complex structures and products with special requirements of customers for equipment, we will carry out strict design reviews to further ensure the safety and reliability of related products with high requirements.

Based on business characteristics and product attributes, we do not involve product recall and traceability. If there are quality problems with the products, we will timely carry out necessary maintenance work to ensure that customers can use our products safely.

During the reporting period, we did not have any incidents of products and services affecting customer health and safety.

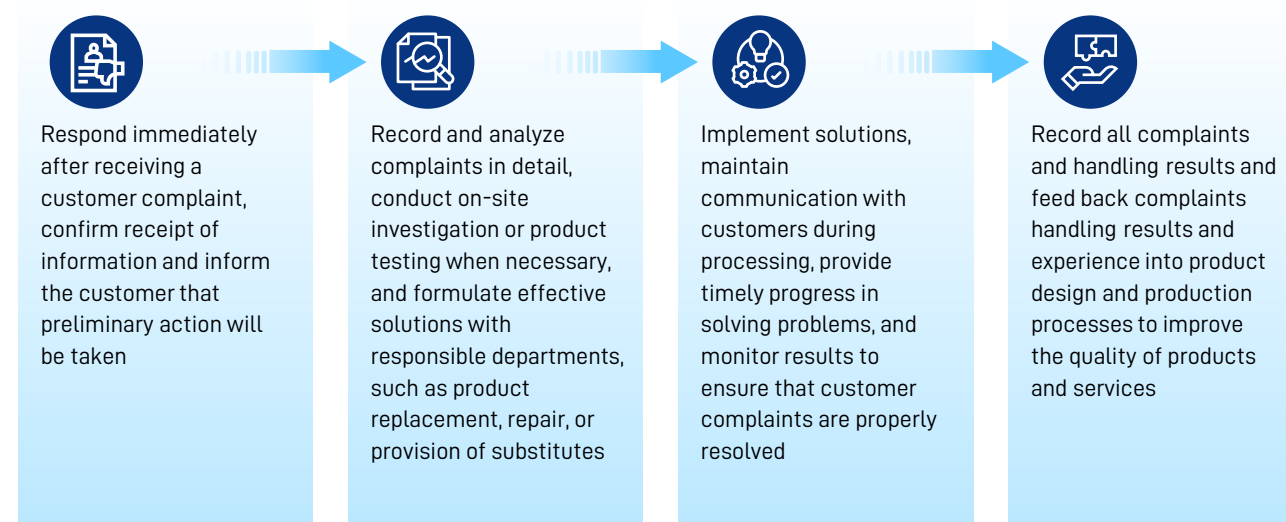
Customer Service

Morimatsu is committed to building a long-term stable and trusted partnership with customers, taking customer needs as the core of service. By continuously optimizing service processes and improving service quality, we ensure that we are capable of delivering a superior service experience to our customers. At the same time, we actively maintain close communication with customers, collect and feedback customers' opinions and suggestions in a timely manner, so as to continuously improve our services and provide customers with excellent and efficient service quality to meet and exceed customer expectations.

Service Management

The Company is deeply aware of the key role of customer management and after-sales service in business operations. We introduce an advanced customer relationship management (CRM) system to achieve efficient management of customer information, more accurate insight into the market and customer needs, improve the quality and efficiency of customer service, and continuously optimize customer experience.

We provide multi-channel customer service support including phone, email, social media, etc. We collect customer feedback through a wide range of after-sales service channels, respond quickly to customer needs, and effectively solve customer problems, thus improving customer satisfaction and retention.



Product Complaint Response, Investigation, and Handling Procedures

During the reporting period, we did not receive major products and services complaints.

In addition, in order to continuously improve customer service and accurately meet customer needs, the Company provides customized services for customer groups with different needs through careful customer segmentation, while providing comprehensive training and technical support to ensure that customers can make full use of our products, further consolidating the long-term trust relationship between customers and Morimatsu.

Satisfaction Survey

Morimatsu actively listens to customer experience and feedback, and regularly collects customer feedback on product quality, service response, customer support, delivery time and other aspects through satisfaction survey, so as to optimize and improve our product quality and service level.

Morimatsu distributes the *Customer Satisfaction Survey Forms* to customers every year to collect customer feedback. The assessment satisfaction is divided into A, i.e. very satisfied, B, i.e. satisfied, C, i.e. average, D, i.e. relatively dissatisfied, E, i.e. dissatisfied and give up. During the reporting period, the Company issued 504 *Customer Satisfaction Survey Forms*, of which 0 was rated as "give up", and the remaining satisfaction results were: 43% were rated as A, i.e. very satisfied; 56% were rated as B, i.e. satisfied; 1% were rated as C, i.e. average; 0% were rated as D, i.e. relatively dissatisfied; 0% were rated as E, i.e. dissatisfied; and the overall customer satisfaction rate was 100%.

Responsible Marketing

Morimatsu strictly follows the relevant marketing laws and regulations in the place where it operates, such as the *Advertising Law of the People's Republic of China*, to ensure the compliance of marketing related activities. The Company has established a dedicated compliance team to comprehensively review and monitor the accuracy and compliance of advertising, labeling and marketing activities. We also have an internal audit process in place to ensure that all advertising and marketing materials are reviewed for compliance prior to release.

In terms of product identification, we guarantee the transparency and compliance of product identification by marking product ingredients and procurement sources, detailing product composition, providing safe use guidance, guiding proper disposal, assessing environmental and social impacts, and reviewing promotional materials by the compliance team.

We regularly provide responsible marketing training for marketing personnel, covering legal and regulatory requirements, sales contract review, confidentiality requirements, etc., and continuously improve the high sense of responsibility, professionalism, and compliance awareness of marketing personnel.

During the reporting period, the Company did not have any incidents related to marketing communication violations, nor did it have any incidents related to information and labeling of products and services.

Responsible Brand

While practicing product responsibility and providing high-quality products and services, Morimatsu actively builds the brand management system, strengthens the shaping and dissemination of brand image, and strives to become a well-known brand widely recognized and trusted inside and outside the industry.

Information Security and Privacy Protection

With the updating and iteration of information technology, its convenience and efficiency for enterprises are increasing, and the importance of information security and privacy protection for enterprises is also gradually increasing. We strictly abide by the *Personal Information Protection Law of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China* and other domestic laws and regulations, as well as international privacy protection regulations, to safeguard the privacy rights and interests of customers around the world. We have established internal management systems such as *Information Security Policy and Strategy* and *Administrative Measures for Data Security* to regulate the information security management structure and lay a solid foundation for information security and privacy protection.

During the reporting period, Morimatsu successfully passed the review of ISO/IEC 27001:2013 Information Security Management System certification. During the reporting period, no significant information security and data leakage incidents occurred.



ISO 27001 Information Security
Management System Certification

We continue to strengthen information security and privacy protection capabilities by simulating phishing emails, configuring anti-virus software, information cloud backup, access control, etc. In addition, we regularly update management measures according to the latest regulations and technology development trends, organize internal and external information security audits and risk assessments, and formulate targeted improvement plans for potential risk items to ensure the effectiveness of relevant control measures.

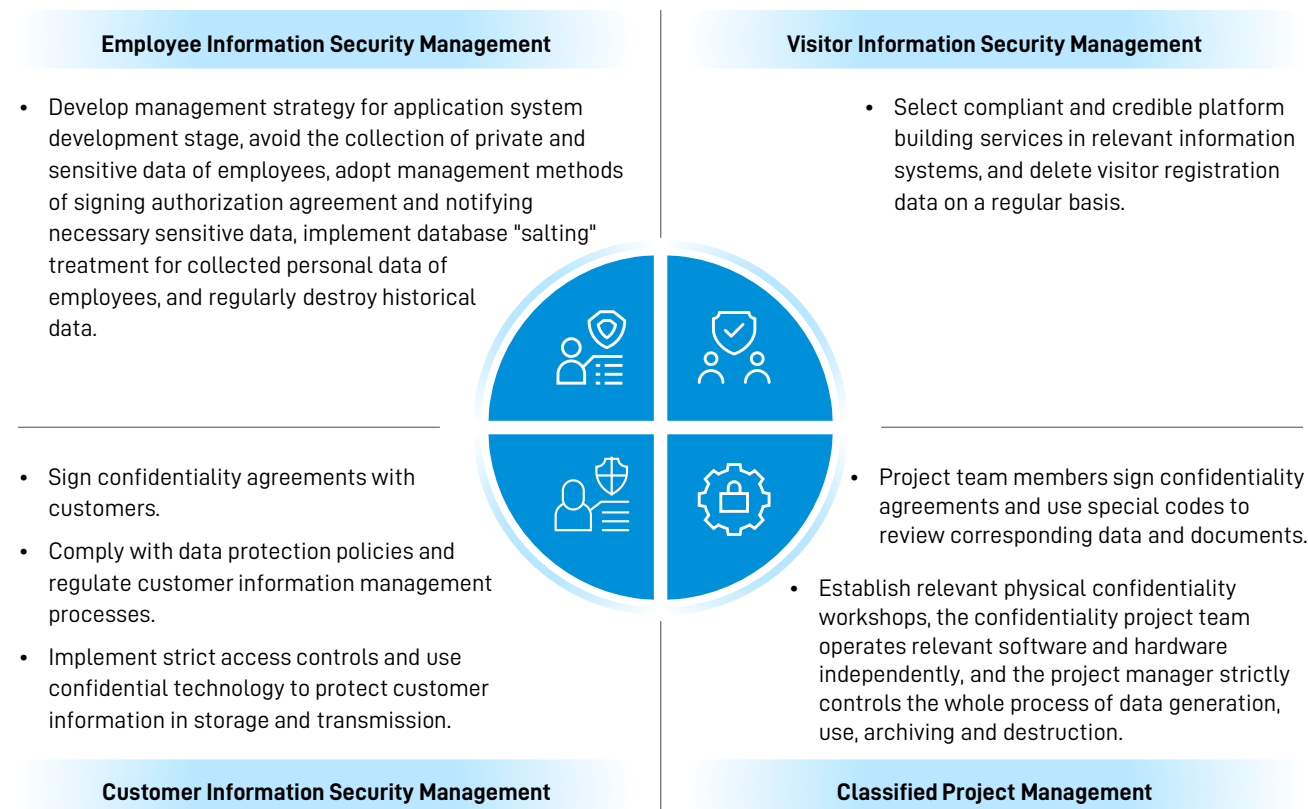
In order to prevent information security risks, we have formed an information security risk identification approach and organized an information security sentinel group to collect information on potential risks through multiple channels. We have formulated the *Information Security Reporting Regulations*, which require employees to report suspicious events in a timely manner and inform the risk management group of information security risks and discuss their handling.

In terms of emergency response, the Company formulates an emergency response plan, requiring employees to take effective measures in a timely manner in accordance with the plan when information security incidents occur, so as to improve their risk prevention capabilities.

Information Security Training

In order to continuously improve the Company's information security management level, we develop targeted information security training courses for employees of different levels. We continue to improve the professional competence of our technical staff in the Information Security Management Department by regularly inviting external third parties to provide them with targeted technical training and ensuring that each of them completes at least one technical growth certification each year.

We provide information security training to middle and senior management on a quarterly basis, focusing on topics such as trade secrets and cybersecurity. For new employees, we organize information security training at the time of onboarding, requiring them to learn relevant knowledge and pass the exam, so as to strengthen the awareness of information security and protection.



Information Security Management Measures

Collaborative Advancement

In terms of supply chain management, we focus on establishing long-term and stable cooperative relations with suppliers to jointly promote the green transformation and sustainable development of the supply chain. At the same time, the Company also actively participates in industry exchanges and cooperation, works hand in hand with all parties to jointly promote innovation and development of the industry.

Supplier Management

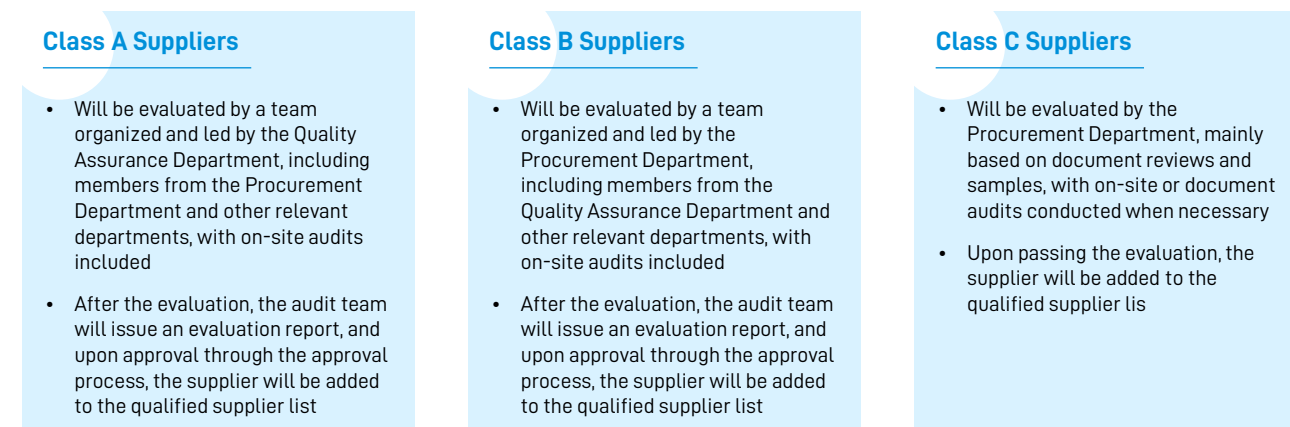
In accordance with the *Civil Code of the People's Republic of China*, the *Bidding Law of the People's Republic of China* and other laws and regulations and industry regulations, we have formulated internal systems such as *Supplier Development Procedure*, *Procedures for Handling Quality Issues of Suppliers*, *Regulations on the Management of Purchasing Inquiry and Comparison* and *Procurement Bidding System*, and improved the supplier management system by improving the procurement management mechanism and process. As of December 31, 2024, the Company had a total of 1,420 suppliers, with 1,116 located in the Chinese Mainland and 304 in the Hong Kong, Macao and Taiwan regions as well as overseas.

We continue to optimize the procurement process, build an online Supplier Relationship Management (SRM) to replace the original inefficient paper business process, save paper resources, not only improve the approval efficiency of the bidding process, but also further realize the visualization and standardization of supplier management. Since its use, the SRM platform has completed 20,000+online approvals, saving 40,000+days of circulation time and 100,000+sheets of paper.

We implement hierarchical management of suppliers according to product type and importance of products in the project. For material procurement suppliers, they are divided into A, B and C categories for management according to the impact of product quality on the final finished products. Outsourced suppliers are classified into Class A and Class B according to the importance of outsourced processes or special inspection items to the quality and performance of final products².

Supplier Qualification Approval

In the admittance stage, we have prepared the *Supplier Comprehensive Capability Review Form* to comprehensively evaluate 13 indicators such as supplier qualification, scale, product quality, risk control, compliance with laws and regulations, trade security, environmental protection approval and sustainable development, and strictly control the bidding management process of suppliers.



Supplier Qualification Approval

² According to the product type and the importance of the product in the project, we divide the suppliers into three categories: A, B and C suppliers. Class A suppliers are mainly the main material suppliers and subcontractors related to the main components of the project, Class B suppliers are mainly the auxiliary materials for manufacturing and installation of secondary works and subcontractors after the completion of the product, and Class C suppliers are all material suppliers except for Class A and Class B used in engineering construction.

Supplier Management

After reaching cooperation with suppliers, we will arrange personnel to visit the supplier's site from time to time to understand the supplier's situation and monitor and track the performance of the contract. For the quality problems occurred in the process of supervision, we will issue a non-conformance report, ask the supplier to provide cause analysis and corrective and preventive measures report, follow up the implementation of rectification, and suspend the qualification of qualified suppliers for suppliers with repeated quality problems or major quality problems. We develop an annual supplier review plan and conduct on-site reviews of key suppliers.



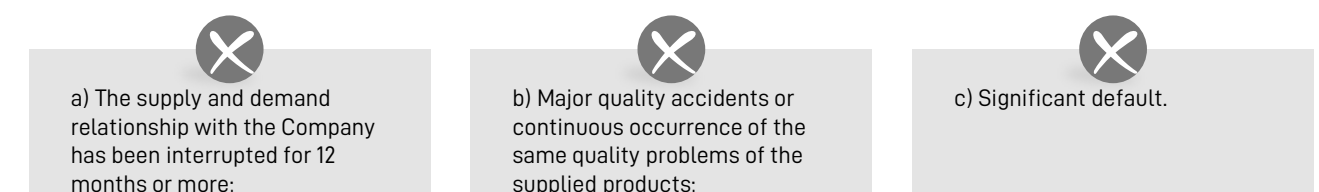
Supplier Review

We have established a supplier scoring and evaluation mechanism to evaluate eight indicators of suppliers' product quality management level, delivery date and technical ability annually, and finally generate annual supplier evaluation scores. We will divide suppliers into strategic suppliers, preferred suppliers and qualified suppliers according to the rating, and establish long-term stable cooperation with strategic suppliers first. If the supplier's comprehensive average score is lower than the group's regulations, the Company will remove it from the list of qualified suppliers.

We select suppliers annually, award quality medals to selected suppliers, and encourage them to continue to maintain excellent business cooperation and strive to become strategic suppliers. At the same time, the qualified suppliers are encouraged to learn from the preferred suppliers and continuously improve to become the preferred or strategic suppliers. Through the selection of high-quality suppliers, we aim to further improve the service and quality awareness of suppliers, increase the stability and resilience of the supply chain, and make more social contributions to the local region.

Supplier Disqualification

The Company will continue to strictly monitor and manage the partners who have obtained supplier qualification. If any of the following conditions is found, the management representative will organize on-site review at any time, and cancel the supplier qualification if necessary:



Supply Chain Risk Management

We pay close attention to supply chain risk management, deepen supply chain cooperation and prevent supply chain disruption. We set up a risk management team to continuously identify and monitor suppliers before risk identification, and set up risk response plans in advance. In addition, we cooperate with subcontractors of engineering services in accordance with the principle of "near before far", comprehensively improve the anti-risk ability of the supply chain and strengthen the resilience of the supply chain.



We maintain close communication and cooperation with suppliers, identify supplier quality problems in a timely manner, improve supplier quality through interviews, inspections, training and other means, establish more in-depth cooperation with suppliers, and build a stable supply chain ecological environment.

We hold regular internal quality meetings on a monthly basis to report and share the quality problems of suppliers, select some suppliers for interviews, and the interviews are recorded in the "Summary of Heavy Industry Quality Assurance Talks with Suppliers in 2024". We will conduct flight inspection on suppliers from time to time to urge suppliers to continuously improve their quality.

Forum on Production Quality Issues

We held a symposium with suppliers on production quality issues. At the symposium, we analyzed the problems that occurred during the suppliers' production process and provided targeted suggestions and requirements to help suppliers prevent similar problems in subsequent production, laying a solid foundation for establishing a robust and in-depth cooperative relationship in the future.



The Scene of the Symposium Exchange

Sustainable Supply Chain

We integrate the concept of sustainable supply chain into the management of suppliers. We have formulated the *Supplier Code of Conduct* to conduct ESG inspection and management of suppliers from the dimensions of environmental management, anti-corruption and integrity, labor management and so on, so as to ensure that suppliers take into account environmental and social responsibilities in the process of product production and construction.

In strict accordance with ISO 9001 and ESG low-carbon environmental protection assessment standards, the Company assesses suppliers from the aspects of supplier social responsibility behavior and guidelines, environmental protection approval, carbon emissions and the use of green energy.

Meanwhile, in the process of supplier selection, we will give priority to suppliers with good environmental protection and social responsibility performance, such as those with ISO 45001 certification and ISO 14001 certification.

Supplier Integrity Management

We are committed to working with partners to build a "green and sustainable" supply chain, requiring upstream and downstream suppliers to adhere to the ethical bottom line of business integrity and compliance management. In the admittance and review of suppliers, we will focus on reviewing their credit materials, and require all suppliers to sign integrity agreements.

Supplier Environmental Management

We require qualified suppliers to have the same values as Morimatsu. We regularly train employees on environmental protection knowledge, raise awareness of the importance of sustainable procurement, and encourage them to participate in green procurement activities and practice green procurement principles in their daily work. During the reporting period, the percentage of purchasers trained in sustainable procurement was 100 percent. In the next five years, we hope that more than 20% of our suppliers will implement measures to reduce greenhouse gas emissions, provide green raw materials and work together to build a green and sustainable supply chain.

In terms of supplier selection, the Company will give priority to energy-saving, environmental protection, long-life, low pollution or recyclable products and services. We encourage and support suppliers to continuously improve their sustainable performance, such as reducing waste generation and unnecessary packaging. For suppliers willing and able to make positive changes, we will provide necessary assistance and support, including but not limited to technical guidance, information sharing, etc.

The Company has established Regulations on *Contractor HSE Review Management* for the management of subcontractors, and conducts HSE review regularly according to the regulations. We require all subcontractors to sign *Occupational Health, Safety and Environmental Protection Agreement*. During the reporting period, the signing rate of *Occupational Health, Safety and Environmental Protection Agreement* is 100%.

Environmental Management Initiatives for Suppliers

We have established *Supplier Development Procedure* to conduct a questionnaire survey on the environmental impact of products on suppliers to determine whether suppliers identify potential environmental risks in a timely manner during product production. In addition, during on-site supplier review, we will focus on reviewing the environmental management of suppliers and include it in the review report.

Supplier Labor and Occupational Health Management

We promise to respect internationally recognized human rights principles in procurement activities, fully consider their labor and human rights management performance in supplier selection, and urge suppliers to build a fair, safe and healthy working environment for their employees. We provide necessary safety facilities and equipment for all relevant parties entering the Morimatsu's Plant area, and require them to strictly abide by our occupational health and safety related management systems and regulations to ensure the safety of construction operations.

Labor Safety Management Initiatives for Suppliers

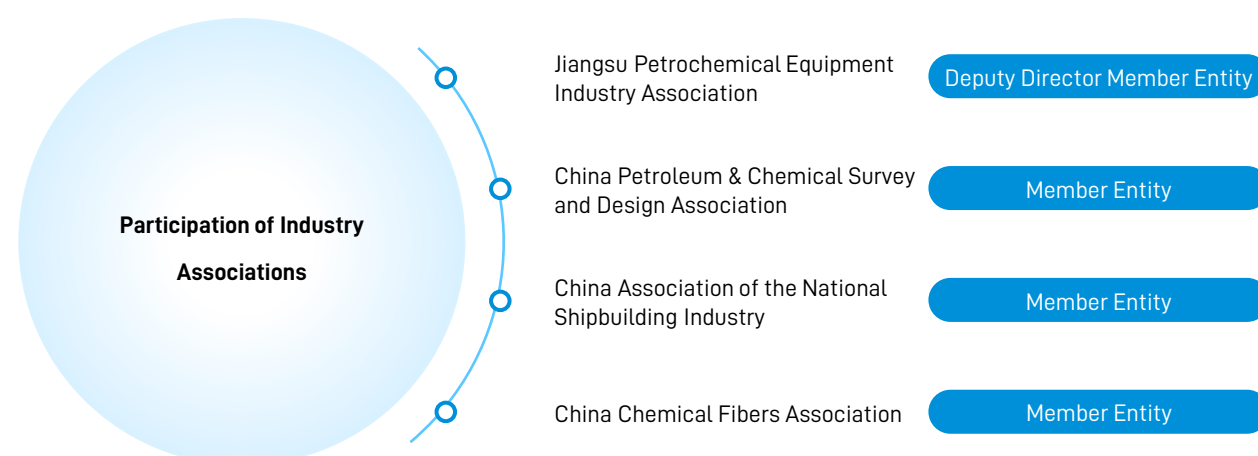
We will investigate the payment of social security for employees of construction suppliers, sign a written commitment to ensure that they do not have wages in arrears, otherwise we will urge follow-up and reissue as soon as possible.

We will carry out on-site safety training for all construction suppliers to ensure the safety of construction operations.

For hazardous chemical suppliers, we will additionally focus on reviewing their relevant *Hazardous Chemical Business License Qualification* and the arranged logistics companies also have *Hazardous Chemical Road Transport License Qualification* to ensure the safety of hazardous chemical supply.

Industry Development

Adhering to the concept of open cooperation and mutual benefit, Morimatsu is deeply integrated into the development ecology of the industry. We actively participate in industry associations and seek industry development blueprints with industry partners. At the same time, we are engaged in industry exchange activities, sharing technologies, concepts and market trends, promoting the formulation of industry standards, and contributing to the sustainable development of the industry.



Industry Exchange Activities

Sustainable Energies and Materials - A Forum for Industrial Ecology towards a Global Vision (2024)

On December 12, 2024, Morimatsu held the Sustainable Energies and Materials - A Forum for Industrial Ecology towards a Global Vision (2024) with the theme of "A Collaborative Greener World, Now and Future". Representatives of leading enterprises, universities and scientific research institutions in the global industry attended and discussed the development prospects, emerging technologies and solutions of green energy. In the forum, all parties actively explored the direction and path of green energy innovation, jointly sought cooperation and development, and jointly build a global green energy industry ecosystem through synergistic effects.

Australia ALTA 2024 & Indonesia Critical Minerals Conference 2024

Our products have been widely exported globally, including more than 100 pieces of core equipment for hydrometallurgy. With extensive project experience and strong R&D capabilities, we are constantly upgrading and developing our pressurised leaching technology and products. At ALTA 2024, a world-class annual metallurgical conference and a leading platform for innovation, as well as the Indonesia Critical Minerals Conference 2024, we shared our advanced complete pressurised leaching devices and modular equipment, demonstrating our deep practical experience and excellent R&D capabilities in this field to meet the increasingly demanding requirements and challenges in the field of hydrometallurgy.



Industry Empowerment Case

The Company's Modular Solutions Delivered to South Korea, Accelerating the Technological Upgrading of the Global EV Battery Industry Chain

With the continuous growth of global energy demand, the industry is ushering in unprecedented development opportunities. In this context, Morimatsu Energies and Materials joined hands with PGT to enter the South Korean market for the first time. With its excellent performance, stable quality, and environmental protection concept, our carefully manufactured lithium battery assembly will bring new development opportunities for South Korea's new energy industry.

From preliminary planning to modular EPF (Engineering, Procurement and Fabrication), the project has fulfilled the service commitment of "full project life cycle and one-stop solution", and has been highly recognized by customers. Morimatsu Energies and Materials will work with South Korean partners to explore more possibilities in the field of new energy and jointly promote the development of new energy industry in South Korea and even the world.



Morimatsu Modular Solution



For a long time, Morimatsu has been committed to pursuing the dual enhancement of economic benefits and social value. While maintaining steady development, we continue to build a high-quality talent team, stimulating employees' potential and enabling self-actualization through diversified training programs, a fair promotion mechanism, and optimal working environments. Simultaneously, we actively fulfill our social responsibilities by engaging in public welfare initiatives, thereby establishing Morimatsu as a responsible corporate citizen.

05

**Building a Better Future
Together**



Employee Development

Morimatsu adheres to a people-centric business philosophy, actively leveraging its strengths in talent cultivation, technological innovation, and management excellence to establish itself as an industry leader characterized by "top-tier talents, first-class enterprise, top-tier performance, and premium compensation packages." The Company is committed to building a diverse and equitable workforce, pursuing mutual growth with employees through provision of OSHA-compliant safe working environments and humanized employee care programs, thereby holistically enhancing employee well-being and organizational belongingness.

Employment

Morimatsu strictly complies with laws and regulations including the *Civil Code of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, and the *Interim Provisions on Labor Dispatch*, the *Labor Law of the People's Republic of China* and has established internal governance documents such as the *Employee Handbook* and *Recruitment Management Procedures*, providing institutional safeguards for cultivating a high-caliber workforce.

Diverse Teams

Morimatsu is fully committed to building a diverse workforce and safeguarding employees' legitimate rights and interests. We encourage diversified employee development, respect employees of different races, nationalities, genders and disabilities, oppose discrimination and harassment, promote equality and fairness, and ensure that employees are not affected by age, gender, marital and family status, race, region, nationality, religious beliefs or political affiliation during recruitment, onboarding and promotion. With the development of overseas business, the Company continues to advance the recruitment and development of local employees. While effectively addressing employment in Malaysia, it also actively assists in cultivating local technical talents in related fields.

We conduct our global business operations with the highest ethical standards. The Company strictly complies with the International Labour Organization (ILO) conventions and relevant national laws and regulations, resolutely prohibiting the use of child labour and forced labour, while mandating equivalent compliance from all suppliers. We oppose and prohibit any form of slavery, human trafficking, and employment of minors under 16 years of age. Through scientifically designed workload management and legally compliant working hour arrangements, we ensure that under no circumstances will we engage in or participate in activities related to slave trade, human trafficking, or child labour recruitment. Furthermore, we strictly refrain from procuring raw materials, components, or services from any entities involved in such illegal practices.

We rigorously enforce anti-discrimination policies and ensure their effective implementation through internal audits and third-party evaluations. Annually, we conduct corporate labor and business ethics risk assessments that evaluate risk levels based on probability, severity, and risk value. These assessments explicitly include potential risks such as forced labour, child labour, verbal abuse, and unlawful disciplinary actions, with departmental accountability for corresponding mitigation measures and periodic effectiveness reviews.

Anti-harassment provisions are incorporated into the *Employee Handbook*, supported by dedicated policies and mandatory anti-sexual harassment training for all employees. Awareness materials and reporting requirements are displayed on corporate notice boards, with anonymous reporting channels established to protect victims' rights. In 2024, Morimatsu recorded zero incidents of child labour, forced labour, or workplace harassment.

Attracting Talent

Morimatsu comprehensively plans talent demands and formulates recruitment strategies in accordance with actual development needs, adhering to the principles of fairness, impartiality, and openness to attract diverse talents globally through social recruitment and campus channels. The Company maintains diversified recruitment approaches by holistically evaluating candidates' educational background, moral integrity, professional capabilities, and industry experience, actively engaging in social hiring, campus recruitment, and local talent acquisition. We utilize recruitment websites and headhunter platforms for job postings while expanding outreach through university partnerships, campus promotions, new media matrices (including social media applications and short video platforms), and industry-specific talent networks to conduct 360-degree talent sourcing. Concurrently, we implement disability employment quotas by assigning roles aligned with physical capabilities and providing vocational skill training and workplace accommodations.

In 2024, Morimatsu had a total workforce of 2,717 employees, with female employees accounting for 16.67%, female employees not engaged in production work representing 26.99%, ethnic minority employees comprising 1.21%, and 8 employees with disabilities employed.

Employees	Female employees accounting	Female employees not engaged in production work	Ethnic minority employees	Employees with disabilities
2,717	16.67%	26.99%	1.21%	8

Our Localized Recruitment Initiatives:

Vigorously recruit and develop local employees in Malaysian operational sites, having successfully onboarded 267 Malaysian nationals to date. This effectively addresses regional employment needs while establishing platforms for systematic talent development in Malaysia's manufacturing sector.

We maintain strategic collaborations with Zhengzhou University, Nanjing Tech University, East China University of Science and Technology, Dalian University of Technology, and other leading institutions to advance innovative university-industry partnership models. Through these alliances, we co-develop industry-aligned talent cultivation programs that equip professionals with cutting-edge technical competencies and innovation capabilities.

Case: Launch of Phase II for "Morimatsu International - Zhengzhou University Innovation Pilot Program"

On September 26, 2024, the second phase of the Morimatsu International-Zhengzhou University Innovation Pilot Program (officially abbreviated as Morimatsu Innovation Program) was officially launched through a partnership signing ceremony at Zhengzhou University. This program strategically cultivates interdisciplinary professionals equipped with intelligent manufacturing expertise and systems thinking capabilities. The Group will further strengthen university collaborations to develop future-ready talents demonstrating innovative competencies and hands-on engineering proficiency in smart manufacturing sectors.



Case: Morimatsu's University-Industry Collaborative Activities

In 2024, Morimatsu deepened partnerships with Dalian University of Technology, Nanjing Tech University, Nanchang University, and other leading institutions through campus recruitment seminars, joint development of social practice bases, technical facility tours, and executive exchange programs. These initiatives strengthen industry-academia integration, creating mutual benefits in talent cultivation and corporate innovation.



Talent Development

Morimatsu is committed to synergistic growth between employees and the organization by driving holistic development through continuous enhancement of professional knowledge, technical competencies, and professional competency. We support employees' personal career planning and development to build a sustainable future together.

Employee Training

Morimatsu is committed to building a learning organization and establishing a diversified and scientific career development system to provide comprehensive support for employee growth. The Company has formulated the *Employee Education and Training Management System*, which standardizes training categories, competency requirements, and related procedures. In alignment with our development strategy and mid-to-long-term plans, we formulate annual training programs, execute systematic training activities, and conduct regular effectiveness evaluations.

Technical Skills Training

- Professional competency training
- Specialized operational training
- HSE training
- Frontline supervisor capability enhancement initiatives

Leadership Training

- Management skills advancement courses
- Advanced executive management program
- Communication skills training for mid-level and junior management

New Employee Training

- Centralized training for new employee
- Dual-mentorship onboarding system

External Training

- Degree advancement programs
- Japan technical exchange program for welders
- Foreign language proficiency training

Morimatsu Training Course System and Highlighted Training Programs



We continuously enhance curriculum resource allocation through the optimization of our internal training institution, Morimatsu University, which is dedicated to cultivating professionals with moral integrity, comprehensive knowledge, and practical capabilities. Morimatsu University's robust faculty team comprises senior managers and technical experts from within the Company, alongside external industry professionals and renowned university professors. Annually, we conduct 1-2 sessions of youth cadre training classes and senior management reserve classes, delivering diversified thematic courses designed to strengthen participants' learning agility and managerial competencies.

Highlights of 2024 Training Program in Morimatsu University

Organizational Behavior and
Human Resource Management

Supply Chain
Management

Introduction of
Management

Business Management
Summary



We implement integrated online-offline training models through the Morimatsu Cloud Class platform, providing flexible and personalized learning content for all employees. The Morimatsu Library Lending System offers book borrowing services, with regular collection updates based on employee recommendations to meet learning needs. Monthly knowledge competitions on WeChat Mini Programs award exquisite gifts to top performers, effectively stimulating learning engagement and fostering a positive learning culture.

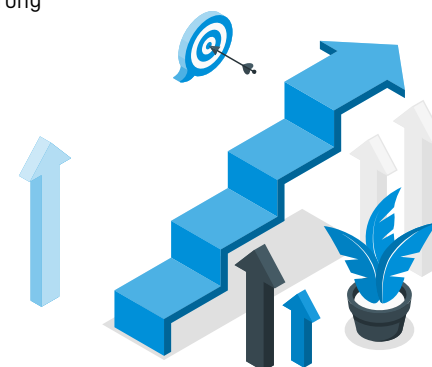
Building upon our robust internal training infrastructure, we strategically expand collaborations with external institutions to deliver premium professional development opportunities. We incentivize employees to pursue postgraduate degrees including master's or doctoral programs, or college-to-university degree advancement through tuition reimbursement programs. Additionally, professional certification fees and licensure examination costs are eligible for reimbursement according to company policies.

Degree Advancement Programs

- Annual selection of employees for doctoral studies at Japanese universities including Tohoku University and Nagoya University
- Domestic part-time postgraduate programs (e.g. MBA, MEM) at institutions such as Fudan University, Shanghai Jiao Tong University, and Tongji University
- College-to-university degree progression initiatives

Professional Certification Support

- Reimbursement for professional title assessment fees
- Subsidy for accredited qualification examination costs



Morimatsu Employees Participate in Academic Exchange Activities During Their Study in Japan

Case: 2024 Graduate Onboarding Intensive Program

In July 2024, Morimatsu organized an intensive onboarding program for newly hired graduates. Through a combination of classroom training and diverse skill-development activities, we deepened their understanding of our company, accelerated their adaptation process, and provided opportunities for professional growth and role transition. This initiative has infused fresh energy into our future development.



2024 Graduate Onboarding Intensive Program

Case: Morimatsu Frontline Supervisor Development Program

Supervisors serve as critical frontline operational leaders, overseeing on-site production processes and workflow optimization. To enhance newly promoted supervisors' capabilities, Morimatsu's internal trainers developed an integrated curriculum combining theoretical instruction (covering safety protocols, quality assurance, and operational best practices) with hands-on workshops, ensuring alignment with our "applied learning excellence" philosophy.

The Supervisor Knowledge Exchange Forum further enables cross-functional expertise sharing, where seasoned supervisors present case studies addressing real-world operational challenges, delivering actionable solutions to enhance team performance.



Morimatsu Frontline Supervisor Development Program

Career Development

Morimatsu establishes transparent career progression mechanisms through well-defined promotion criteria, enabling employees to achieve professional growth while strengthening organizational commitment. The Company provides four distinct career development tracks with regular evaluation and advancement opportunities, including specialized promotion pathways for designated positions.

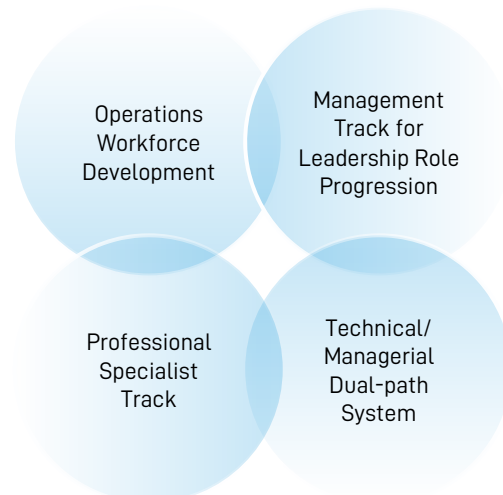


Figure: Morimatsu Employee Job Sequence

Compensation and Incentives

Morimatsu provides equitable and market-competitive compensation packages through systematically optimized reward structures that recognize employee contributions. The compensation structure comprises base salary, position-based allowances, and performance-linked variable pay, with base salary and position allowances determined by job grade evaluation, while variable pay is calculated based on performance assessment results.

We implement long-term value-sharing mechanisms through initiatives, which reward employees for historical contributions while fostering their ongoing dedication to corporate value creation.

Employee Performance Management

Morimatsu implements an integrated evaluation methodology combining the Balanced Score Card (BSC) and Key Performance Indicator (KPI), ensuring equitable assessment through standardized procedures that align departmental objectives with individual performance metrics. Bi-annual appraisal cycles include formal performance reviews and developmental feedback dialogues, with appraisal outcomes directly informing personnel decisions including promotions, contract renewals, role adjustments, or separations. Exceptional performers are eligible for accelerated career progression reviews. Morimatsu Dialog (Malaysia) Sdn. Bhd. implements tiered evaluation cycles (monthly KPI tracking, quarterly assessments, annual reviews) and provides quarterly promotion opportunities for production floor personnel.

Case: Morimatsu Employee Exceptional Evaluation Mechanism

To further identify outstanding talents, stimulate employees' potential, and promote organizational innovation and vitality, Morimatsu provides exceptional evaluation opportunities for employees who demonstrate extraordinary performance and capability while making significant contributions to the Company's development. This mechanism ensures accelerated promotion of high-performing talents, injecting strong momentum into long-term sustainable growth.



Health and Safety

Morimatsu maintains rigorous commitment to employees' occupational health and safety by actively investing resources to optimize workplace environments and provide essential safety training. The Company continuously improves its emergency preparedness system to mitigate potential workplace risks. We strictly comply with local laws and regulations in all operating jurisdictions, adhering to Morimatsu International's established management systems including the *Occupational Health and Safety Management Regulations*, the *Occupational Health Monitoring and Archiving Management System*, and the *Labor Protection Articles Management Regulations*. By implementing internationally recognized workplace safety management practices and standardizing operational workflows, we ensure effective safety governance. In 2024, the total investment in health and safety initiatives amounted to approximately RMB 5.49 million.

Our company has obtained and maintains the ISO 45001 Occupational Health and Safety Management System Certification.



Occupational Health and
Safety Management System Certification

Health and Safety Management

Morimatsu has established a comprehensive health and safety management structure and enhanced the supervision and governance of production safety. To further strengthen organization-wide accountability for safety management, we have formulated the *Twelve-point Assessment Regulations for Employee HSE Behavior*, linking safety responsibility fulfillment with performance evaluation mechanisms.

Highest Responsible Person

Director and General Manager

Department Responsible

Manager's Representative and HSE
Leadership Team

Morimatsu Health and
Safety Management System

Morimatsu HSE Policy

Putting People
First and
Prevention
First

Active
Advocacy
and Full
Participation

Exemplary
Practice and
Continuous
Improvement

To ensure orderly execution of health and safety initiatives, Morimatsu establishes health and safety management objectives and conducts periodic reviews, serving as critical guidance and reference benchmarks for implementing health and safety operations.

No major safety incidents in the workplace, including
0 cases of work-related injuries and **0** cases of occupational diseases

100% coverage of employees in safety education and training

Occupational health
inspection rate **100%**

The Total Recordable Injury Frequency
(TRIF) Rate stands at **1.5**

Morimatsu Health and Safety Management Objectives

Health and Safety Risk Assessment and Management

To further strengthen health and safety governance, we integrate safety risk management into daily operations as a critical component. We conduct systematic health and safety risk identification, issue the *Safety Risk Classification Control List*, and ensure implementation of appropriate control measures with contingency plans to address unforeseen events. In strict accordance with the Incident Investigation Management Procedures, we thoroughly investigate and analyze all accidents, incidents, and near-misses to prevent recurrence, thereby safeguarding the health and safety of employees, clients, suppliers, and the general public.

- Morimatsu has formulated the *Management Manual for the Dual Prevention Mechanism of Risk Classification and Control with Hidden Hazard Identification and Resolution* through standardized protocols. This framework establishes concrete operational objectives and implementation measures for risk tiered governance and latent hazard detection/elimination processes.

Risk
Assessment

Management
Initiatives

- Morimatsu has formulate emergency response plan to ensure rapid incident containment through predefined activation protocols.
- Implementation of mandatory external safety management certifications for operational leaders to enhance the team's professional competencies

Morimatsu Safety Risk Assessment and Management Initiatives

Morimatsu conducts comprehensive health and safety risk assessments for hazardous chemicals based on operational , formulating the *Chemical Safety Management Regulations* to strengthen full lifecycle management and capability building, ensuring comprehensive implementation of safety protocols across all operational phases. During procurement, we rigorously verify supplier and logistics provider compliance with the *Hazardous Chemical Operation License* and the *Hazardous Chemical Road Transportation License Requirements*, achieving 100% qualification conformity. For usage phases, we develop chemical management programs including the *Chemical Safety Management Regulations* and the *Chemical Spill Contingency Plan* under ISO 14001/45001 frameworks, establishing strict lifecycle controls to prevent safety incidents. Additionally, we organize safety training for employees handling hazardous chemicals to further strengthen awareness of hazardous chemical safety.

Contractor Safety Management

Morimatsu strictly complies with relevant regulations and legal requirements while comprehensively strengthening contractor safety governance. During contractor selection processes, we rigorously audit qualifications including safety management systems, certification credentials, and historical safety performance records to ensure full compliance with statutory mandates and corporate standards. All contractors are required to execute the *Occupational Health, Safety and Environmental Protection Agreement* and the *Site Entry Safety Commitment* to formalize health and safety management obligations.

Morimatsu's Safety Management Requirements for Contractors Include:

- Provide employees with pre-employment medical checkups; employees exposed to occupational hazards must undergo the occupational health examinations
- Secure the work-related injury insurance and accident insurance coverage for employees
- Ensure all employees performing specialized operations hold the relevant qualification certificates
- Conduct regular safety inspections of construction operations
- Develop the safety training programs to educate all newly onboarded employees on safety protocols, operational procedures, and emergency response measures
- Formulate the emergency response plans and implement regular emergency drills



Occupational Health Management

Morimatsu comprehensively implements occupational health management by establishing systematic documentation including the *Responsibility System for Prevention and Control of Occupational Disease Hazards*, the *Warning and Notification System*, and the *Occupational Disease Hazards Disposal and Reporting System*. These institutional frameworks provide governance safeguards for occupational health management. The Company rigorously enforces the "one person, one file" mechanism for employee health records, ensuring full traceability of individual health status through centralized archival management.

Morimatsu continuously enhances the configuration of occupational disease prevention equipment and facilities, while conducting regular safety inspections and occupational health check-ups to establish a comprehensive occupational health management mechanism. For potential occupational disease incidents, we have developed the full-process incident handling mechanism to mitigate hazards and impacts through emergency response protocols, root cause analysis, and corrective action implementation. In 2024, the coverage rate of occupational health check-ups for employees exposed to occupational hazards reached 100%. Throughout 2024, we maintained full compliance with occupational health regulations, incurring no significant fines, penalties, employee claims, litigation, or disciplinary actions related to occupational health incidents.

In 2024, Morimatsu recorded zero workplace fatalities, the Nantong facility with 4 workplace injury incidents resulting in 118 lost workdays. All incidents were appropriately resolved through systematic protocols. We conducted root cause analyses for each incident to identify direct and contributory factors, implemented the hidden hazard identification and rectification measures, and institutionalized preventive controls to mitigate recurrence risks.

Building a Health and Safety Culture

Morimatsu prioritizes the establishment and cultivation of health and safety consciousness through continuous educational guidance, embedding safety principles into every employee's mindset to foster a comprehensive safety culture characterized by organization-wide engagement. We implement internal and external training initiatives including the *Work Safety Law* interpretation sessions, the core competency development programs for safety management personnel, and the corporate-wide safety knowledge competitions. These are complemented by technical skill workshops and the standardized emergency drills to enhance operational response capabilities.

As of December 31, 2024, the Company conducted 37 occupational health and safety training sessions and 9 emergency drills, achieving 91.90% workforce coverage in OHS training compliance.



OHS Training of Morimatsu
Energies and Materials

Occupational Disease Protection Facilities and Measures

Weekly on-site inspections of operators' protective gear and new low-noise equipment in 2024

Establishment of a specialized psychological counselling room to provide assistance and support for employees' mental health

Occupational Health Check-ups

Organize regular health and safety check-ups for employees and provide one-on-one interpretation of the results.

Our Health and Safety
Management Initiatives

Standing Training Program

- Quarterly Occupational Health Training
- Preventive Occupational Disease Awareness Videos and Posters

Specialized Training Projects

- Confined Space Operation Procedures Training
- Confined Space Operation Procedures Training
- Lifting Operations Safety Training
- Occupational Health and Safety Education
- Working at Heights Safety Training

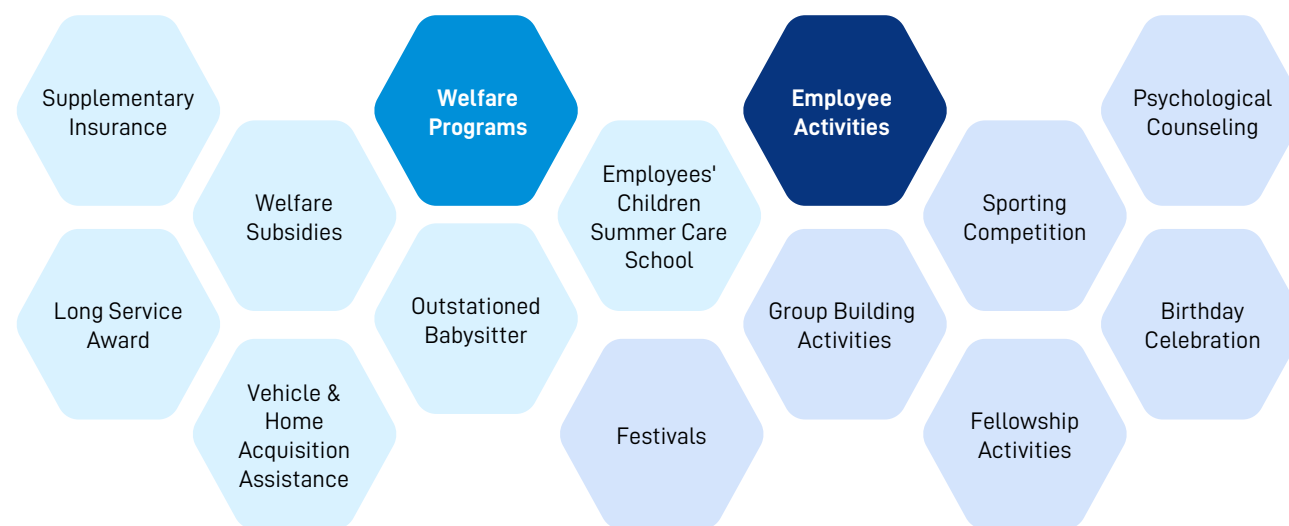
Health and Safety Training Program

Employee Rights and Benefits

Morimatsu demonstrates profound commitment to employee well-being by cultivating a harmonious and positive workplace ecosystem. We have developed the diversified and robust compensation and welfare system to facilitate work-life integration, while instituting the employee voice engagement mechanisms to ensure actionable response to workforce needs.

Employee Benefits

While Morimatsu strictly complies with national laws and regulations and provides comprehensive statutory benefits, we are also constantly working to improve our non-compensation and benefit system, and to care for our employees in a more flexible and personalized way through benefit programs and employee activities. We provide employees with daily care such as holiday subsidies, birthday gifts, high temperature subsidies, and the opportunity to access vehicle & home acquisition assistance from the Company to help ease their financial pressure. We also help employees balance work and family by organizing fellowship activities, sending out nannies and organizing summer care school for their children.



Morimatsu's Important Benefit Programs



Morimatsu Hiking Event



Badminton Tournament

Case: Employees' Children Summer Care School

To further support employee-family life integration, Morimatsu implements Employees' Children Summer Care School, providing childcare services during summer vacations through demand-driven scheduling to alleviate parenting-related work interruptions. Recognized as the top-ranked program in Nantong City for its standardized and precision management protocols alongside the compassionate care philosophy, this initiative has qualified for the special fund subsidy under the Jiangsu Provincial Trade Union's funding system.



Employees' Children Summer Care School

Morimatsu attaches importance to safeguarding the legitimate rights and interests of female employees. We have strengthened the care mechanism by providing maternity allowance and organizing special activities for female employees on a regular basis in order to enhance their sense of well-being in the workplace. We actively improve the infrastructure to create a more convenient and comfortable working environment for female employees, and set up places such as loving mommy house and mother and baby room to actively address the special needs of female employees at work.

Case: Morimatsu's Nursing Room

Morimatsu has set up the Nursing Room in the office to provide a private, safe and hygienic space for female employees, to support breastfeeding women in balancing family and work, to promote the health of mothers and babies, and to show our respect for women's rights and social responsibility.

Employee Communication

Morimatsu believes that open communication, mutual trust, and respectful interpersonal relationships form the essential foundation for maintaining employee well-being and fostering a harmonious work environment. We encourage equal dialogue between employees at all levels and cultivate constructive communication channels. The Company upholds employees' rights to freedom of association and collective bargaining, refraining from interference in voluntary union participation. Multiple communication platforms—including regular staff assemblies, anonymous feedback mechanisms, and cross-departmental collaboration sessions—ensure effective information exchange across hierarchies and functions, enabling management to promptly address workplace challenges. Employees are empowered to participate in corporate governance through structured channels such as employee congresses, where their feedback is systematically integrated into decision-making processes.

We provide employees with a smooth channel for information feedback, feedback or complaints about damage to interests or unfair treatment, and the functional departments and trade unions are obliged to provide assistance in labor protection, occupational psychological counseling and grievance handling, etc., keep the information of the complainant or whistleblower in strict confidence, carry out investigations into the incident, and provide feedback on the results to the employees.

We organize employee forums once a month, in which the human resources department, together with senior management, communicate face-to-face with employees to quickly resolve the suggestions and issues raised by employees. 2024 employee forum discussion topics include working hours, employee learning skills enhancement, and supplier evaluation. We also set up proposal improvement mailboxes and general manager mailboxes in office buildings and workshops to expand channels for employees to give feedback on issues.

Case: Morimatsu Proposal Improvement Mechanism

To fully listen to employees' voices, collect their opinions and suggestions, improve the Company's working mechanisms and resolve issues related to employees, Morimatsu International has established the Proposal Improvement Mechanism. The Company actively implements Group requirements through the Proposal Improvement Evaluation Committee and the Proposal Improvement Team to review employee-submitted proposals. Adopted proposals receive cash or material rewards based on evaluation results, effectively mobilizing employee engagement.

Morimatsu conducts targeted employee satisfaction surveys addressing office sanitation, catering services, security protocols, commuter shuttle routes, and other work-life integration factors. Based on survey findings, we implement operational enhancements such as optimized shuttle scheduling to improve employee convenience and strengthen organizational service delivery capabilities.



Public Welfare and Community Service

As a member of the community, Morimatsu upholds the principle of public welfare and continuously carries out charitable activities to create positive social impacts, conveying care and warmth to those in need while jointly fostering a more harmonious and inclusive social environment. We consistently focus on vulnerable groups, actively engage in community betterment through elderly care initiatives, organize blood donation drives and outdoor waste cleanup campaigns to fulfill social responsibilities, and build harmonious relationships with communities for mutual development. In 2024, the Company invested approximately RMB 2.22 million in social welfare initiatives, with employees contributing a total of 100 volunteer service hours.



Morimatsu Hiking Activity

Case: Morimatsu Elderly Care Initiative

Morimatsu actively upholds traditional Chinese virtues by implementing elderly care programs. During the 2024 Spring Festival and Double Ninth Festival, we visited senior service centers in local communities, delivering holiday gifts and heartfelt blessings to enhance seasonal joy for elderly residents.



Morimatsu's Elderly Care Public Welfare Activities

Case: Public Welfare Blood Donation Initiative

Morimatsu annually organizes employees blood donation drives, with majority of employees actively responding through repeated participation. Employees engaging in voluntary blood donation receive paid leave as encouragement, collectively contributing to societal welfare enhancement.



Morimatsu Employees Participation in the Compassionate Blood Donation Initiative



Morimatsu adheres to scientific decision-making, perfect corporate structure, comprehensive risk management, strict internal control and compliant business model, constantly standardizes corporate governance, actively fulfills social responsibility, lays a solid foundation for sustainable development and establishes a good corporate image.

06

Strengthening Operational Foundations

Compliance Risk Control

Morimatsu attaches great importance to corporate risk management and control, continuously optimizes the risk management mechanism and internal control system, constantly improves the Company's awareness of risk prevention and management capability, practices compliance and implements risk controllability.

Compliance Management

The Company strictly complies with the *Hong Kong Standards on Auditing*, *China Internal Auditing Standards*, the *Listing Rules* of the Stock Exchange of Hong Kong and other regulations, and has a comprehensive Internal Control and Audit Management System. Through setting up a compliance management department, building a full-coverage compliance system, and constructing a culture of compliance, the Company has formed a sound and highly efficient internal compliance risk management mechanism, which ensures compliance and sound operation.

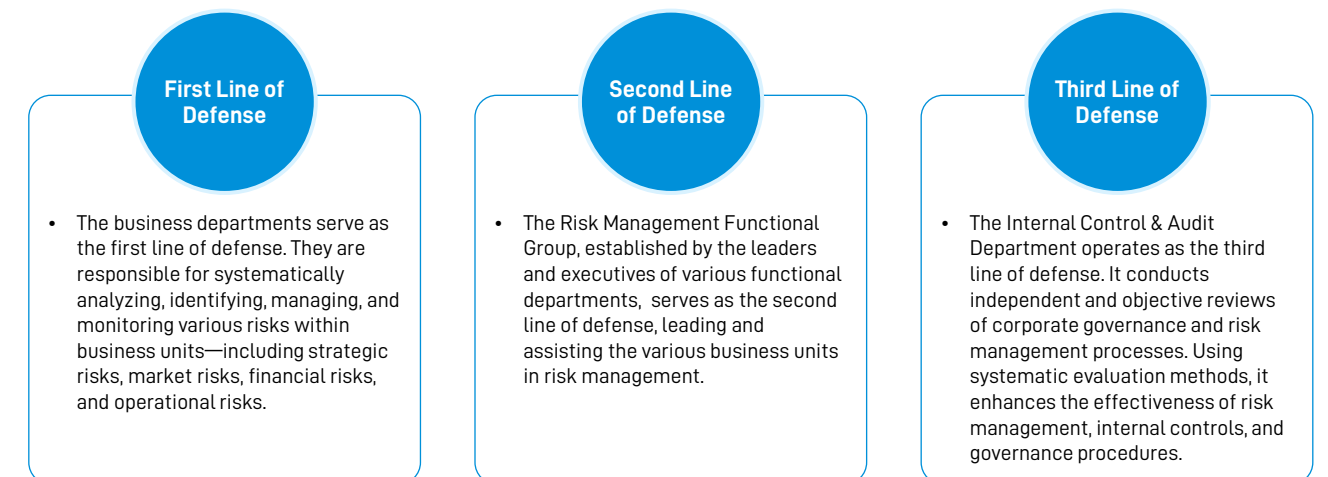
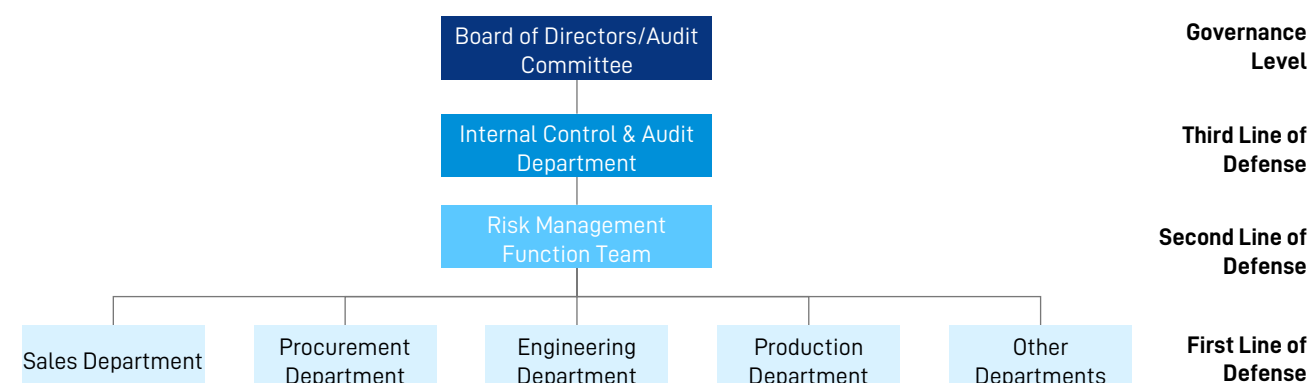
The Company cooperates with the Group's Internal Control Audit Department in conducting internal audits every year to check that compliance management measures are effectively implemented and maintained. The Internal Control Audit Department, as an independent department, will incorporate compliance audit-related content in its business and financial audits of the Company, such as inquiries into laws and regulations to determine whether the Company's internal rules and regulations are in compliance with the requirements of laws and regulations and the Company's implementation of the rules and regulations in accordance with the rules and regulations, so as to ensure that the Company operates in a lawful and compliant manner.

We regard the soundness and completeness of the internal control system and its effective implementation as one of the important indicators in the performance appraisal of the relevant departments. In addition, the Company follows the reporting procedures and investigation and handling mechanism established by the Group, sets up a public reporting hotline and email address, and designates an investigation department to implement corrective measures after investigation, and continuously optimizes the compliance management system by combining the results of regular inspections and reporting investigations. The management of the Company reviews and continuously improves the compliance management system.

During the reporting period, we had no cases of legal disputes arising from illegal operations.

Risk Management

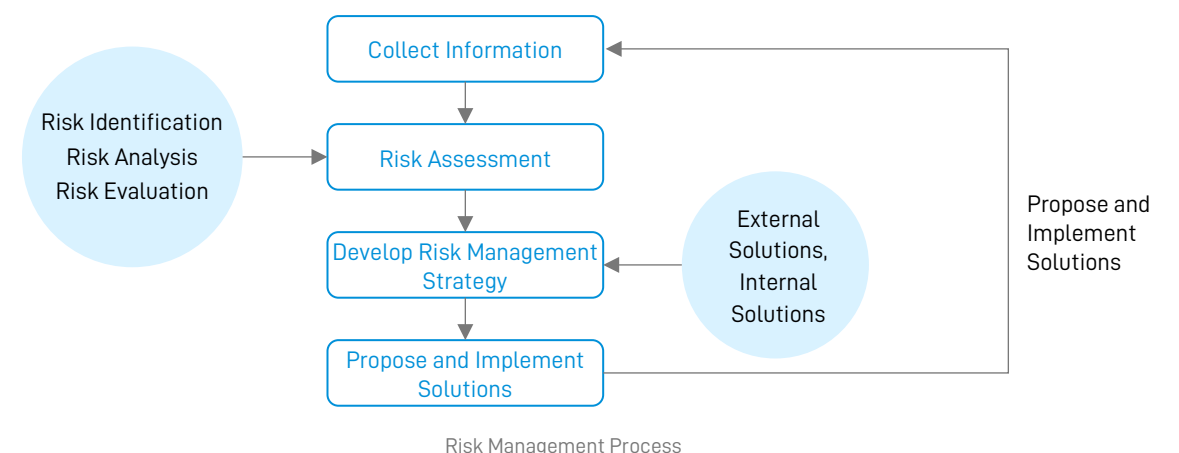
The Company carries out its risk management work in an orderly manner in accordance with the Group's risk management and internal control system comprising three levels, namely the governance level, the management level and the executive level, and following the principles of comprehensiveness, prudence, independence, effectiveness and timeliness. Under the overall arrangement of the Group, our risk control management structure is shown below:



The Group's Board of Directors, as the highest decision-making body for risk management and internal control, is responsible for assessing and determining the nature and extent of risks that the Group is willing to accept in order to achieve its strategic objectives, overseeing the design, implementation and monitoring of the risk management and internal control systems by the management, as well as reviewing annually the effectiveness of such systems to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems.

The Group has set up a dedicated Internal Control & Audit Department to undertake the internal audit function, oversee the design and implementation of internal control policies, analyze and independently assess the adequacy and effectiveness of our risk management and internal control systems, and report to the Audit Committee on the results of the assessment.

The Risk Management Functional Team strictly adheres to the *Working System of the Risk Management Team*, establishes a risk list, holds a meeting every six months to discuss the risks currently faced by the group and the risks that will be faced in the future, assesses the risks, scores the risks according to the probability of occurrence of the risks and the degree of loss to the group once such risks occur, and prioritizes them. The Company formulates risk management strategies according to the urgency and severity of specific risk events, proposes and implements solutions, and finally supervises and improves risk management.



Business Ethics

Morimatsu adheres to the concept of managing all operations with the highest standards of business ethics, integrity and fairness. The Company strictly abides by the laws and regulations related to business ethics in the locations where it operates, and has formulated internal management systems such as the *Code of Business Conduct*, the *Letter of Commitment of Integrity and Self-discipline*, *Confidentiality Agreement*, *Anti-Bribery and Anti-Corruption Management System*, *Anti-Fraud Management System*, etc., to incorporate the culture of integrity and honesty into its operations in all aspects.

We require all employees to comply with the code of ethics when engaging in business activities, and they are required to sign the *Letter of Commitment of Integrity and Self-discipline*. The Company conducts business ethics training for all procurement business related personnel and sales business related personnel by legal affairs every year.

In order to prevent risks related to anti-corruption and anti-bribery, the Company has taken the following measures:

- 1** The Company not only clearly stipulates anti-corruption and anti-bribery related behavioral norms in the employee code of conduct, but also signs the *Letter of Commitment of Integrity and Self-discipline* with employees, and has the relevant employees declare their conflicts of interest, such as external investments, on a regular basis. In addition, we require our business partners to implement anti-bribery control measures, make anti-bribery commitments, and sign integrity agreements with suppliers.
- 2** We implement adequate financial controls in the management of our company by strictly adhering to segregation of duties and authorization requirements for payment disbursements, and by strengthening controls in non-financial areas such as purchasing, operations, sales, human resources, and legal and regulatory activities.
- 3** The Company regularly participates in education and training on anti-corruption and anti-bribery topics conducted by the Group to raise the awareness of directors and employees on anti-corruption and anti-bribery compliance, and conducts regular compliance checks on high-risk projects, activities, business partners, employees in specific positions, etc.

In order to further monitor corporate integrity, the Company has established an open and transparent whistle-blowing reporting procedure and investigation and handling mechanism. We have posted public contact information on our official website to ensure that our customers, suppliers or other business partners can report suspected or actual bribery. At least twice a year, we review the status of the telephone hotline and the general manager's mailbox, and promptly intervene to investigate any business ethics-related reports.

After receiving a complaint, the relevant department will be notified and conduct an investigation.

After obtaining the preliminary investigation results, the relevant department will interview the whistleblower.

Based on the interview and the investigation results, the relevant department will notify the complained party to assist in investigating the violation.

If the violation is confirmed to be true, the group will handle it fairly in accordance with relevant systems.

Complaint Acceptance Process⁴

⁴ "Relevant departments" are mainly departments that handle reported information, including the Audit Committee, managers of each company, etc.

The Company has a whistleblower protection system to ensure the independence of the receiving and managing personnel of the reported information, and strictly stipulate the reception personnel and access to the reported information. For the personnel responsible for receiving, recording and processing of reports, as well as those who have access to the report information should fulfill the obligation of confidentiality. The Company must be approved by the management of all relevant information and files of the report call.

During the reporting period, the Company had no anti-graft or anti-corruption related cases involving lawsuits, and there were no unfair business practices in the Company's business activities.

Cultural Construction

Morimatsu attaches importance to the cultivation of a culture of integrity, actively builds an integrity and fair working atmosphere, and is committed to creating an integrity, transparent and compliant business environment for all stakeholders. Every year, we regularly participate in compliance management training conducted by the Group, including anti-corruption and anti-bribery training, and publicize compliance-related rules and work processes to our employees, so as to enhance their awareness of integrity and construct a good business ethics culture within the Company.

FY 2024 Functional Integrity Training

During the reporting period, we carried out interpretation of laws and regulations and case sharing for all employees and members of the Board of Directors, focusing on the regulations related to job misappropriation, misappropriation of funds and other common job violations. Through this training, the Company ensures that each employee can more accurately understand the importance of compliance work, and continuously improves employees' anti-corruption awareness and beliefs to build an integrity culture.



Functional Integrity Training Site

Internal Control Training

We invite external experts to conduct special internal control training for all employees. The training content prioritizes the interpretation of policies and regulations on enterprise internal control to help employees correctly understand the requirements related to internal control. In addition, the experts provide guidance on how to carry out effective internal control through the analysis of key cases of corporate governance and analysis of common problems, so as to provide guidance for the enhancement and improvement of corporate internal control.



Internal Control Special Training Site

Appendix 1: ESG Performance Table

Indicator		Units	2024
Employment ⁵			
Number of Employee		/	2,717
Number of Employee by Employment Type	Permanent employee	/	2,538
	Contractor ⁶	/	179
Number of Employee by Gender	Male	/	2,264
	Female	/	453
Number of Employee by Age	30 years old and below	/	702
	31–40 years old	/	1,112
	41–50 years old	/	620
	51 years old and above	/	283
Number of Employee by Nationality ⁷	The Chinese Mainland	/	2,434
	China Hong Kong, Macao and Taiwan Regions	/	0
	Overseas Regions	/	283
Number of Employee by Function Type	Employees engaged in production work	/	1,257
	Employees not engaged in production work	/	1,460
Overall Employee Turnover		/	302
Employee Training			
Total Hours of Employee Training		Hour	41,565.31
Average Training Hours for Employee ⁸		Hour	15.30
Average Training Hours per Employee by Gender	Male	Hour	14.80
	Female	Hour	17.77
Average Training Hours per Employee by Function Type	Employees engaged in production work	Hour	12.16
	Employees not engaged in production work	Hour	18.00
Percentage of Employees Trained by Gender	Male	%	100
	Female	%	100
Percentage of Employees Trained by Function Type	Employees engaged in production work	%	100
	Employees not engaged in production work	%	100

⁵ Employee counts categorized by gender, age, nationality, and function type are calculated based on total workforce headcount, inclusive of permanent employees and contractors.

⁶ This encompasses labor contract employees in Mainland China and part-time employees at overseas regions

⁷ Categorization is implemented according to employee nationality

⁸ Average training hours for employees = (Total training hours completed by employees within the category) / (Number of trained employees in the category)

Indicator		Units	2024
Health and Safety			
Work-Related Fatality Rate		%	0
Number of Workplace Fatalities		Case	0
Number of Work-Related Injury Incidents		Case	4
Lost Workhours Due to Work-Related Injuries		Hour	944
Lost Workdays Due to Work-Related Injuries		Day	118
Community Engagement Contributions			
Total Hours of Volunteer Service		Hour	100
Public Welfare Investment Amount		RMB 10,000	222.21
Research and Innovation			
R&D Investment		RMB 10,000	26,949
R&D Personnel		/	>270
Number of Self-developed Projects		Number	39
Intellectual Property			
Number of Participants in Intellectual Property Training		/	120
Number of Hours of Intellectual Property Training Participation		Hour	174
Valid Patent		/	132
Valid Software Copyright		/	1
Privacy Protection and Information Security			
Number of Information Security Training		Time	2
Significant Information Security and Data Leakage Incidents		Case	0
Product Safety and Quality			
Pass Rate for the Primary Inspection of the Products		%	>97
Pass Rate for the Primary Filming of Welded Seams		%	>98.5
Incidents of Products and Services Affecting Customer Health and Safety		Case	0
Customer Satisfaction			
Overall Customer Satisfaction Rate		%	100
Major Products and Services Complaints		Case	0
Incidents Related to Information and Labeling of Products and Services		Case	0
Incidents Related to Marketing Communication Violations		Case	0
Supplier Management			
Total Number of Suppliers		Count	1,420
The Chinese Mainland Suppliers		Count	1,116
China Hong Kong, Macau, Taiwan Regions and Overseas Suppliers		Count	304

Indicator		Units	2024
Environmental Management			
Greenhouse Gases ⁹	Scope 1 Emissions ¹⁰	Metric Tons of CO ₂ Equivalent	6,155.23
	Scope 2 Emissions ¹¹	Metric Tons of CO ₂ Equivalent	11,218.92
	Total Greenhouse Gas Emissions (Scope 1 + Scope 2)	Metric Tons of CO ₂ Equivalent	17,374.15
Environmental Protection Expenditures	Environmental Taxes and Pollution Charges	RMB 10,000	4.94
	Environmental Protection Equipment and Construction in Progress	RMB 10,000	68.00
	External Service Fees Related to Environmental Protection	RMB 10,000	57.35
Energy Use	Diesel	Metric Tons	138.59
	Gasoline	Metric Tons	18.51
	Natural Gas	10,000 Cubic Meters	253.55
	Purchased Steam	Metric Tons	-
	Purchased General Electricity	Kilowatt-hours	27,032,302.13
	Self-generated Solar Electricity for Own Use	Kilowatt-hours	4,939,501.00
Emissions			
Wastewater	Discharge Volume	Cubic Meters	827,641.56
Waste Gas	Nitrogen Oxides	Metric Tons	1.47
	Sulfur Dioxide	Metric Tons	0.25
	Particulate Matter	Metric Tons	1.62
	Benzene	Metric Tons	0.02
	Toluene	Metric Tons	0.25
	Xylene	Metric Tons	0.38
Solid Waste	Total General (Non-hazardous) Solid Waste	Metric Tons	3,852.80
	Total Recycled General (Non-hazardous) Solid Waste	Metric Tons	3,809.61
	Total Hazardous (Harmful) Waste	Metric Tons	93.38
	Total Recycled Hazardous (Harmful) Waste	Metric Tons	93.38

⁹ The statistical disclosure scope for greenhouse gas emissions is the Nantong plant under Morimatsu Energies and Materials.

¹⁰ Mainly, the use of natural gas, gasoline and diesel generated the Scope 1 emission.

¹¹ Mainly, the use of purchased electricity and purchased steam generated the Scope 2 emission.

Indicator		Units	2024
Resource Use			
Water Resources	Total Water Intake	10,000 Cubic Meters	91.96
	Total Water Consumption	10,000 Cubic Meters	91.96
Packaging Materials	Paper		
	Printing Paper - Usage	Metric Tons	17.89
	Packaging Materials (cont.)		
	Rain-proof Cloth/Bag - Usage	Square Meters	287,554.47
	Wooden Board/Wooden Box - Usage	Square Meters	7,681.26
	Wooden Cubes/Wooden Brackets - Usage	Square Meters	1,264.52
	Iron Saddle/Frame - Usage	Metric Tons	1,499.83
	Tray - Usage	Square Meters	124.68
	Drying Agent - Usage	Kilograms	2,147.00
	Packing Tape/Plywood Tape - Usage	Meters	6,659.66
Anti-Corruption			
Signing Rate of Integrity Pledge during the year		%	100
Corruption Litigation Cases		Case	0

Appendix II: SASB Index Table

Industrial Machinery & Goods

Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Corresponding Section
Energy Management	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-IG-130a.1	Embracing a Zero-carbon Future – Carbon Emissions and Energy Management Appendix I: ESG Performance Table
Workforce Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees	Quantitative	Rate	RT-IG-320a.1	Appendix I: ESG Performance Table
Fuel Economy & Emissions in Use-phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	Liters per 100 tonne-kilometres	RT-IG-410a.1	n/a
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Liters per hour	RT-IG-410a.2	n/a
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Kilojoules per litre	RT-IG-410a.3	n/a
	Sales-weighted emissions of (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines and (d) other non-road diesel engines	Quantitative	Grammes per kilojoule	RT-IG-410a.4	n/a
Procurement of materials	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	RT-IG-440a.1	Collaborating for Excellence – Product Liability Collaborating for Excellence – Collaborative Advancement
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Quantitative	Presentation currency	RT-IG-440b.1	n/a

Activity Metrics

Activity Metric	Category	Unit of Measure	Unit of Measure	Corresponding Section
Number of units produced by product category	Quantitative	Number	RT-IG-000.A	n/a
Number of employees	Quantitative	Number	RT-IG-000.B	Building a Better Future Together – Talent Development Appendix I: ESG Performance Table

Appendix III: UNSDGs Response



- Morimatsu upholds the principle of public welfare and continuously carries out charitable activities to create positive social impacts, conveying care and warmth to those in need while jointly fostering a more harmonious and inclusive social environment.



- Morimatsu maintains rigorous commitment to employees' occupational health and safety by actively investing resources to optimize workplace environments and provide essential safety training.
- In 2024, the total investment in health and safety initiatives amounted to approximately RMB 5.49 million. The coverage rate of occupational health check-ups for employees exposed to occupational hazards reached 100%. Zero work-related fatalities or major occupational injury incidents occurred.



- While Morimatsu strictly complies with national laws and regulations and provides comprehensive statutory benefits, we are also constantly working to improve our non-compensation and benefit system.
- We provide employees with daily care such as holiday subsidies, birthday gifts, high temperature subsidies, and the opportunity to access vehicle & home acquisition assistance from the Company to help ease their financial pressure.



- Morimatsu is fully committed to building a diverse workforce, respect employees of different races, nationalities, genders and disabilities.
- In 2024, Morimatsu's female employees accounting for 16.67%, female employees not engaged in production work representing 26.99%, ethnic minority employees comprising 1.21%, and 8 employees with disabilities employed. Continuing to promote localized employee recruitment and training, currently we have successfully recruited 267 local employees in Malaysia.



- Morimatsu strictly manages wastewater in accordance with discharge standards to ensure compliant sewage discharge. After deep treatment through the industry's advanced neutralization process, it is reused to reduce wastewater generation.



- We provide high-performance, low-emission solutions for industries and fields such as oil and gas, oil refining, petrochemicals, chemicals, fine chemicals, hydrometallurgy, raw materials for power batteries, and green energy (green hydrogen, green ammonia, green methanol, SAF).
- We are active in developing and supplying green hydrogen, green ammonia and green methanol modular design, core equipment and the manufacturing of key devices to drive the fossil fuel substitution process and contribute to the realisation of emission reduction and environmental protection.



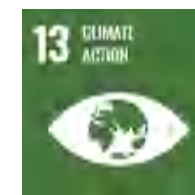
- In the process of deepening globalization, the Company actively practices and deepens the innovative model of core equipment, modular construction, and one-stop engineering solution, transforming towards a service-oriented manufacturing model. This innovation-driven approach empowers downstream industries to achieve more efficient, sustainable, and healthier development with enhanced convenience and reduced environmental impact.



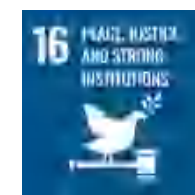
- Adhering to the concept of minimizing resource use, Morimatsu is committed to developing a circular economy in the production and manufacturing process of products, reducing resource depletion, improving resource comprehensive utilization rates, and encouraging users to recycle equipment at the end of its lifecycle.



- Morimatsu focuses on product safety, providing customers with safe and reliable products and services through scientific design, strict risk assessment, and effective management measures.
- We will carry out strict design reviews for the developed products of pressure vessels and chemical equipment, products with complex structures and products with special requirements of customers for equipment.



- Morimatsu focuses on product safety, providing customers with safe and reliable products and services through scientific design, strict risk assessment, and effective management measures.
- We have identified the risks and opportunities posed by climate change and have developed targeted responses.



- Morimatsu insists on managing all businesses with the highest standards of business ethics, integrity, and fairness. Integrate integrity culture and honesty into operations in all aspects to promote the continuous development of the enterprise and the improvement of moral standards.



- Morimatsu attaches great importance to multi-channel communication and exchanges with various stakeholders, actively responds to the expectations and demands of stakeholders, and promotes us to continuously improve the level of sustainable governance.