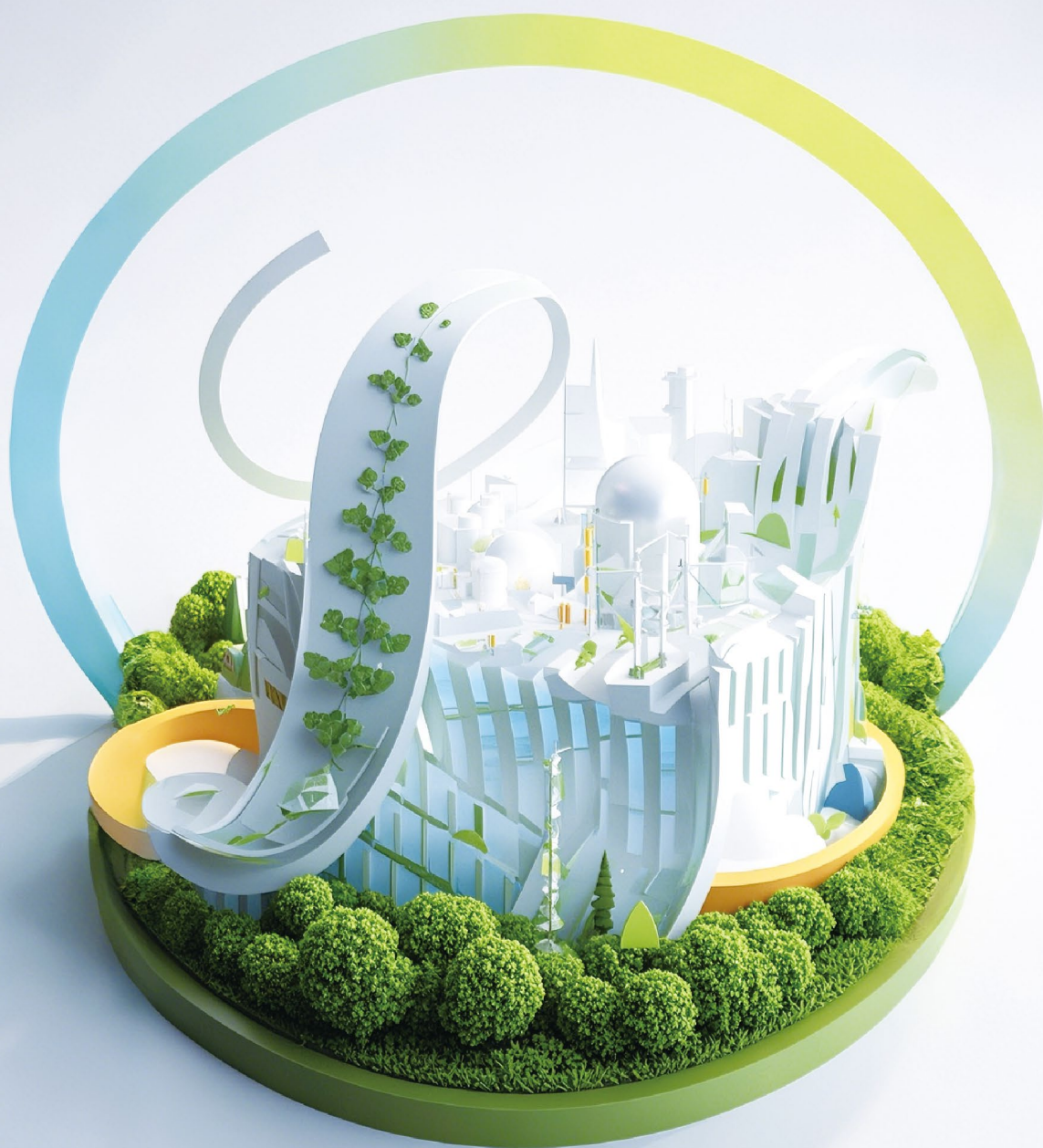


# ESG REPORT 2024



## About This Report

### Reporting entity

The Reporting entity is "Lu Thai Textile Co., Ltd.", which can be referred to as "We", "the Company", "Lu Thai", "Lu Thai Company", "Lu Thai Textile", "The Group" and "Group" unless otherwise specified in the main text.

### Scope of the report

The time span of this Report is mainly from January 1 to December 31, 2024. In order to maintain the continuity and comparability of information, some content is beyond the aforesaid time span. The information involved is from the internal data of the Company, information submitted by subsidiaries, and public information. Unless otherwise specified, all amounts in this Report are expressed in RMB.

### References

This report has been prepared in accordance with the China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T) , the Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report and the Self-Regulatory Guidance No. 17 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report(Trial). Additionally, it refers to the core plan of the Global Reporting Initiative (GRI) Sustainability Reporting Standards and the United Nations 2030 Agenda for Sustainable Development (A/RES/70/1).

### Disclaimer

This Report is released in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail. Forward-looking statements included in this Report refer to the statements of the business activities, events, or development trends that may happen in the future or will happen soon as predicted or expected by the Company, except for the statements of historical facts. The actual results or development trend may significantly differ from these forward-looking statements, due to variable factors. The Company is not obliged or responsible to update the forward-looking statements made by the Company in this Report before April 10, 2025, unless otherwise required by regulatory authorities.

### Access

This report is available for viewing and download on the following websites: <http://www.szse.cn> (Shenzhen Stock Exchange); [www.lttc.com.cn](http://www.lttc.com.cn) (Lu Thai Textile); [www.cninfo.com.cn](http://www.cninfo.com.cn) (CNINFO).

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## Chairman's Statement

# Liu Zibin

Luthai Textile Co.,Ltd  
Chairman President



Dear friends, thank you for your interest in this Report. On behalf of the Board of Directors of Lu Thai Textile, I would like to express my heartfelt gratitude for your long-term support for the Company!

The year 2024 marks our unwavering commitment to the principle of "customer first and pioneering progress." We have focused on the market, customers, and products, with business objectives as our guiding principle. Taking "customer first" as both the starting and finishing point of our work, we have continuously advanced our key account strategy. While ensuring the stability of traditional markets, we have strengthened our efforts in developing emerging markets. Leveraging the advantages of our integrated industrial chain and well-structured domestic and international production bases, we actively provide customers with integrated fabric and apparel solutions. We have further optimized our domestic marketing network, vigorously expanded the domestic market, deepened our presence in the professional wear sector, and proactively explored the women's wear market. Additionally, we have continued to expand our overseas offices and marketing teams to better understand customer needs, develop markets, sell products, and enhance customer service.

The year 2024 captures our innovative practices in "cost reduction, efficiency enhancement, and coordinated development." We have continued to advance the Lu Thai Production System, improving product delivery and service capabilities while further strengthening our research and innovation capabilities. Each product line has focused on strategic business goals, reinforcing lean management across the entire product realization process under the "profit center" model. Internally, we have optimized resources by refining organizational structures, sharing resources, reducing procurement costs, and minimizing quality losses, all to enhance overall operational efficiency. In yarn production, we have precisely managed material usage, optimized cotton consumption, and dynamically controlled conventional product inventories while continuously improving raw cotton procurement standards. In yarn-dyed fabric production, we have expanded product categories to match market demand, ensuring continuous product iteration and competitiveness. Meanwhile, knitted fabrics, functional fabrics, printed and dyed fabrics, and new apparel categories have taken on the critical role of product portfolio adjustment, market expansion, and future growth support. By focusing on key challenges and systematically overcoming them, we have unlocked new performance growth drivers for the Company.

The year 2024 resonates with our steadfast pursuit of "building independent brands and enhancing brand value." In response to evolving market dynamics and customer needs, we have upheld the "customer first" philosophy, continuously enriching our product portfolio, improving quality, and cultivating our brand. We have established a globalized system encompassing research and development, design, production, and marketing in the textile and apparel industry, driving our brand internationalization strategy forward. We have continued to promote independent brand development, hosting the 2024 Lu Thai Textile Brand Launch Event and introducing the "Lu Thai 1987" and online brand "Lu Thai Jianxing." In 2024, Lu Thai ranked among the top in the textile and apparel industry with a brand strength score of 915 and a brand value of RMB12,748 million, achieving continuous brand value growth.

The year 2024 highlights our strong sense of "focusing on business operations and providing solid support services." With firm confidence and unwavering determination, we have effectively coordinated various aspects of our work. Functional departments have actively benchmarked best practices to enhance their capabilities and provide strong support for key projects and business operations. We have strengthened the management and operation of our major R&D platform, improving the commercial success rate of product development tasks. We have integrated upstream and downstream supply chain resources to build an efficient, globally integrated supply chain system, enhancing supply efficiency. By fostering a people-oriented culture, we have accelerated the development of an international talent team and improved the training and management mechanisms for key positions. Additionally, we have reinforced risk awareness and the concept of safe development, improving risk identification and prevention systems to ensure safe operations and sustainable development.

The year 2024 tells a compelling story of "nurturing cultural heritage and fostering collective spirit." On June 8, 2024, as we celebrated the 37th anniversary of our founding, we unveiled a new version of our corporate culture philosophy—a blend of tradition and innovation that aligns with both our current development landscape and future aspirations. A clearly defined mission, vision, and set of values have further unified our thinking, strengthened our cohesion, and ignited our teams' motivation and passion, laying a solid ideological and cultural foundation for Lu Thai's next 30 years of growth. We remain deeply committed to our corporate social responsibility, translating our responsibilities and mission into action, thereby shaping a corporate image that is both responsible and compassionate. From organizing vibrant cultural and sports activities such as choir performances, football tournaments, and basketball leagues to holding recognition events such as the "Outstanding Employee Awards" and the "Lu Thai Craftsmanship Awards," we continue to move in harmony with national development and resonate with our employees' growth.

With endless mountains and rivers ahead, we forge ahead without pause. As we embark on a new journey in 2025, we will continue to prioritize ESG practices, enhance ESG performance, and collaborate with our partners to build a sustainable supply chain, contributing Lu Thai's strength to global sustainable development.

A handwritten signature in black ink, appearing to be '刘子斌' (Liu Zibin), written in a cursive style.

April 10, 2025



## About the Company



## Group profile

Lu Thai Textile Co., Ltd., founded in 1987, is a global apparel solutions provider with premium fabrics as its core. The Company is one of the world's leading manufacturers of high-end yarn-dyed fabrics and a key producer of shirts for top international brands. As a dual-listed company (A-share and B-share), Lu Thai Textile possesses a fully integrated industrial chain that spans textile production, dyeing and finishing, garment manufacturing, and brand marketing. The Company has established 19 subsidiaries, three offices, and over 40 production factories across countries including the United States, Italy, and Japan, making it an integrated, innovative, and international textile and apparel enterprise encompassing R&D, design, manufacturing, and marketing services.

Currently, the Company operates 700,000 spindles and 102,000 thread spindles, with an annual production capacity of 220 million meters of yarn-dyed fabric, 90 million meters of dyed fabric, 20 million meters of functional fabric, 14,000 tons of knitted fabric, and 30 million garments. More than 60% of its products are exported to over 60 countries and regions, including the United States, the European Union, and Japan. The Company holds strategic partnerships with renowned domestic and international brands, with its high- and mid-end yarn-dyed fabric exports accounting for more than 18% of the global market share.

Lu Thai Textile is committed to sustainable and environmentally friendly development, dedicated to creating eco-friendly textile products for the world. The Company has consistently maintained a leading position in China's textile industry and has received numerous accolades, including the "National May Day Labor Award," the "China Quality Award," the third "China Grand Awards for Industry", the title of "Manufacturing Single-item Champion Demonstration Enterprise," recognition as one of the "Top 30 Chinese Printing and Dyeing Enterprises," and the "Outstanding Contribution Brand Unit" award. In 2023, the Company was listed in the Yicai Corporate Social Responsibility Ranking in China and received the "ESG Innovation Practice Award."

Since 1995, the Company has obtained certifications for ISO9001 Quality Management System, ISO14001 Environmental Management System, ISO45001 Occupational Health and Safety Management System, and SA8000 Social Responsibility Management System. Additionally, it has fully implemented the Excellence Performance Management Model, with a strong focus on developing the Lu Thai Production System (LTPS). To date, the Company has invested over RMB500 million in social welfare initiatives, including poverty alleviation, education support, student aid, elderly care, community assistance, and environmental protection.

## Our culture

### Mission: Global Elegance, Weaving Excellence, Green Manufacturing, Better Living

Focusing on the textile industry with fabric and apparel as our core business, we provide healthy, comfortable, and reliable products through international operations and green, intelligent manufacturing, serving customers worldwide and fulfilling people's aspirations for a better life.

### Vision: A Global Green Fashion Textile and Apparel Industry Group with Leading Fabric Excellence

We aim to be a world-class textile and apparel industry group with leading fabric development and manufacturing capabilities, a globally structured presence in marketing, R&D, design, and production, and renowned expertise in integrated fabric and apparel services. With outstanding product quality, green fashion, leading market share, and strong brand influence, we strive to set the industry benchmark.

### Values: Customer First, Driven by Hard Work, Pursuit of Excellence, Integrity and Win-Win Cooperation

**Customer First:** Customers are the foundation of the Company's survival. Meeting customer needs and ensuring customer satisfaction are our unwavering pursuits and the ultimate standards for evaluating our work. We stay attuned to changes in customer needs, respond quickly, innovate operations, and provide high-quality products and services to meet customers' personalized and diverse needs, enhance their experience, and achieve customer satisfaction.

**Driven by Hard Work:** To adapt to new circumstances, the Company emphasizes the role of hardworking individuals while upholding a "people-oriented" approach, providing a platform for them to realize their value and achieve rapid growth. Resources are directed toward those who strive, ensuring their efforts are recognized, so as to achieve common development of the strivers and enterprises.

Employees are encouraged to set ambitious goals, challenge themselves, persevere through difficulties, prioritize dedication over personal comfort, take on responsibilities where they are most needed, and proactively address challenges to create value for the Company and its customers.

**Pursuit of Excellence:** Only through continuous pursuit of excellence can we adapt to new circumstances, overcome challenges, maintain competitiveness, and drive personal and corporate development. There is no "best," only "better." In both conduct and work, we are never satisfied with present success, always aiming for world-class standards. We remain open and inclusive, embrace change, pursue continuous improvement, and foster innovation, striving to surpass ourselves, our competitors, and industry benchmarks, and to pursue excellence in every field and every task.

**Integrity and Win-Win Cooperation:** Integrity is the foundation of survival, and win-win cooperation is the path to development. In partnerships, we adhere to business ethics, remain honest and trustworthy, fulfill stakeholder needs, and create value for all parties. By fostering stable, trusting, and mutually beneficial relationships, we unite strengths to achieve greater success and share the fruits of development.



## Development history

Zibo No. 7 Cotton Mill, Lu Thai's predecessor, was established.

Lu Thai Textile Company was opened formally.

It passed the ISO9001 Quality Management System Certification.

The Company passed the ISO14001 Environmental Management System Certification. Ranguang Textile Co., Ltd. was acquired.

Lu Thai became A-share listed. Beijing Sichuang Apparels Co., Ltd. was opened.

The Zichuan Urban Sewage Treatment Plant invested by the Company was put into operation. The Lu Thai Sports Square was put into use.

The Company was recognized as a National Yarn-dyed Fabric Product R&D Base.

Lu Thai Group was incorporated. The Company passed the SA8000 Social Responsibility Management System Certification.

Lu Thai School of Textile and Apparel, Shandong University of Technology, was founded.

Lu Thai Milan Office was opened. The Company was granted the "China Quality Award".

The Company was recognized as a "Five-starred Chinese Industrial Enterprise in the Performance of Corporate Social Responsibilities". The "set of technologies and equipment for automatic digital cheese dyeing", jointly developed based on the "industry-university-research-application" cooperation, was granted the First Prize of the State Scientific and Technological Progress Award.

The Company started its new 30-year voyage. A high-level forum on the theme "Gather the Top Wisdom of the Industry, Plan Lu Thai's Future Development" was held to plan the development vision for the next three decades. The Company was recognized as a "National Industrial Design Center", making it the first enterprise to win this honor in Zibo City. The water reuse project was completed.

The Lu Thai Textile Fabric Museum and the Lu Thai Development Museum were opened. The Lu Thai Industrial Design Summit was held. The construction of the Functional Fabric Intelligent Ecological Park Project began. The construction of the Lu Thai knitting project began and Phase I was put into production.

The strategic cooperation project of Lu Thai Textile and Xiniu Intelligent Manufacturing was initiated.

The inauguration ceremony for new projects at Lu Thai Group's overseas production base was held. Lu Thai Textile was listed on the 2023 Yicai Corporate Social Responsibility Ranking in China and won the "ESG Innovation Practice Award".

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2024

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2009

Lu Thai Textile Company was restricted into a joint-stock enterprise with foreign investment and renamed Lu Thai Textile Co., Ltd.

Lu Thai became B-share listed. Yunjinchuan Clothing Co., Ltd. was acquired.

Beijing Lu Thai Shirt Co., Ltd. was established.

LuFeng Company Limited was established.

Lu Thai was recognized as a "Stated-accredited Enterprise Technology Center" by five departments, including the National Development and Reform Commission and the Ministry of Science and Technology.

The Company passed the OHSAS18001 Occupational Health and Safety Management System Certification. Zibo Luqun Textile Co., Ltd. was established.

The Lu Thai Textile and Apparel Engineering Research Institute was founded. The Company was granted the Second Prize of the State Scientific and Technological Progress Award for its key processing technology of ultra-high count pure cotton fabrics and its industrialization, high-flux films for printing and dyeing wastewater and recycling technology.

A grand ceremony was held because the Phase II project of LuFeng Company Limited was put into production. The Company won the title, "China Advanced Enterprise with an Excellent Performance Model (2012)".

Lu Thai (America) Textile Co., Ltd. was opened. The Company won the "Global Performance Excellence Award". The Company was granted the third "China Grand Awards for Industry".

The unveiling ceremony of the Company's academician workstation was held in the West District Industrial Park. The Company successfully passed the on-site accreditation of demonstration enterprises in the textile industry for energy-saving and emission reduction technology application.

Lu Thai's operating revenue exceeded RMB10 billion, a new start of the new 30-year voyage.

Lu Thai issued RMB1.4 billion of convertible bonds. The Phase I project of the Functional Fabric Intelligent Ecological Park was put into production. The project of colored spun yarns was put into production.

Lu Thai Textile released "LUTHAI 1987" and "Luthai Lite Collection" online brand.

The unveiling ceremony of the "Zichuan District Aesthetic Education Practice Base" at Lu Thai Vocational Training School was held. Lu Thai Textile was included on the list of the First China Industry Carbon Peaking "Leaders" (enterprises).



## Performance review

### Economic performance

Net profit attributable to shareholders of the Company

410 Million

Taxes contributed to the state

355 Million

Total payments to employees, including salaries, bonuses, allowances, benefits, housing provident fund, and social insurance

1,607 Million

Social contribution value per share

3.1 RMB/share

Cash dividends distributed over the past three years

397 Million

Proportion of R&D personnel to total employees

12.8 %

R&D investment and its percentage of revenue

3.39 %

Donations to society and government

2,970,400 RMB

Investment in education support

1,594,600 RMB

### Social performance

Own brands: LT·GRFF, Lu Thai, Lu Thai 1987, Luthai Lite Collection, NARCISU and so on.

Own brands sales 6,235,100 RMB

List of honors



China National Textile & Apparel Council, China Finance, Trade, Light Industry, Textile, and Tobacco Trade Union, and the Women's Workers Department of the All-China Federation of Trade Unions



Shandong Textile and Apparel Association



Human Resources and Social Security Department of Shandong Province



China National Textile and Apparel Council



Shandong Provincial Committee of the Communist Youth League



China Textile Information Center



China National Textile and Apparel Council



China National Textile and Apparel Council



China Corporate Culture Institute



Department of Industry and Information Technology of Shandong Province



Zibo Municipal People's Government



Zibo Municipal People's Government



Key Technologies and Industrialization of Structural Design and Preparation for Thermal and Moisture Comfort Functional Textiles – Second Prize for Scientific and Technological Progress



Key Technologies and Industrialization of Efficient, Green, and Fashionable Online Dyeing – First Prize for Scientific and Technological Progress



"2024 China Textile and Apparel Brand Competitiveness Advantage Enterprise"

Industry role

Industry Organizations	Role of the Company
China Chamber of Commerce for Import and Export of Textiles	The 7th Vice Chairman Organization
China Dyeing and Printing Association	The 7th Vice Chairman Organization Specially Invited
China National Garment Association	The 8th Vice Chairman Organization
China Textile Engineering Society	The 26th Standing Director Organization
China National Textile and Apparel Council	The 5th Vice Chairman Organization Specially Invited
China Textile Enterprise Association	The 10th Vice Chairman Organization
Chinese Association for Textile Enterprises Culture Construction	The 5th Vice Chairman Organization Specially Invited
China Corporate Culture Institute	The Vice Chairman Organization
China Cotton Textile Association	The 6th Vice Chairman Organization
China Council for Brand Development	Standing Director Organization
China Association for Quality	Member
Shandong Textile and Apparel Association	Rotating Chairman Organization
Shandong Council for Brand Development	Standing Director Organization



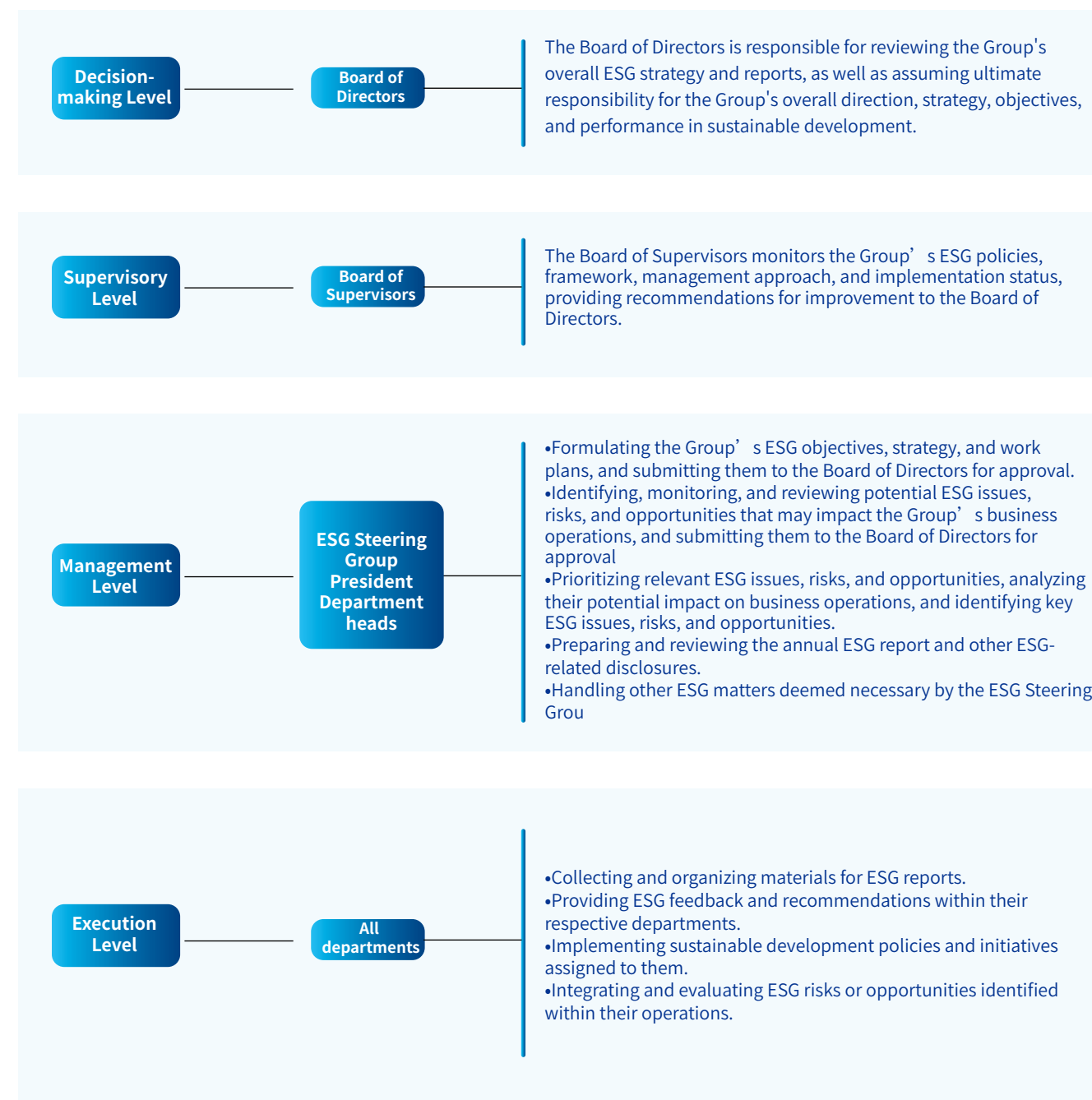
## ESG Governance

Lu Thai Textile continues to enhance its ESG governance mechanism, optimizing its governance structure to ensure scientific and effective decision-making. The Company actively implements environmental, social, and governance initiatives, integrating ESG systematically into daily operations to comprehensively support high-quality corporate operations and achieve sustainable and healthy development.





## ESG governance structure

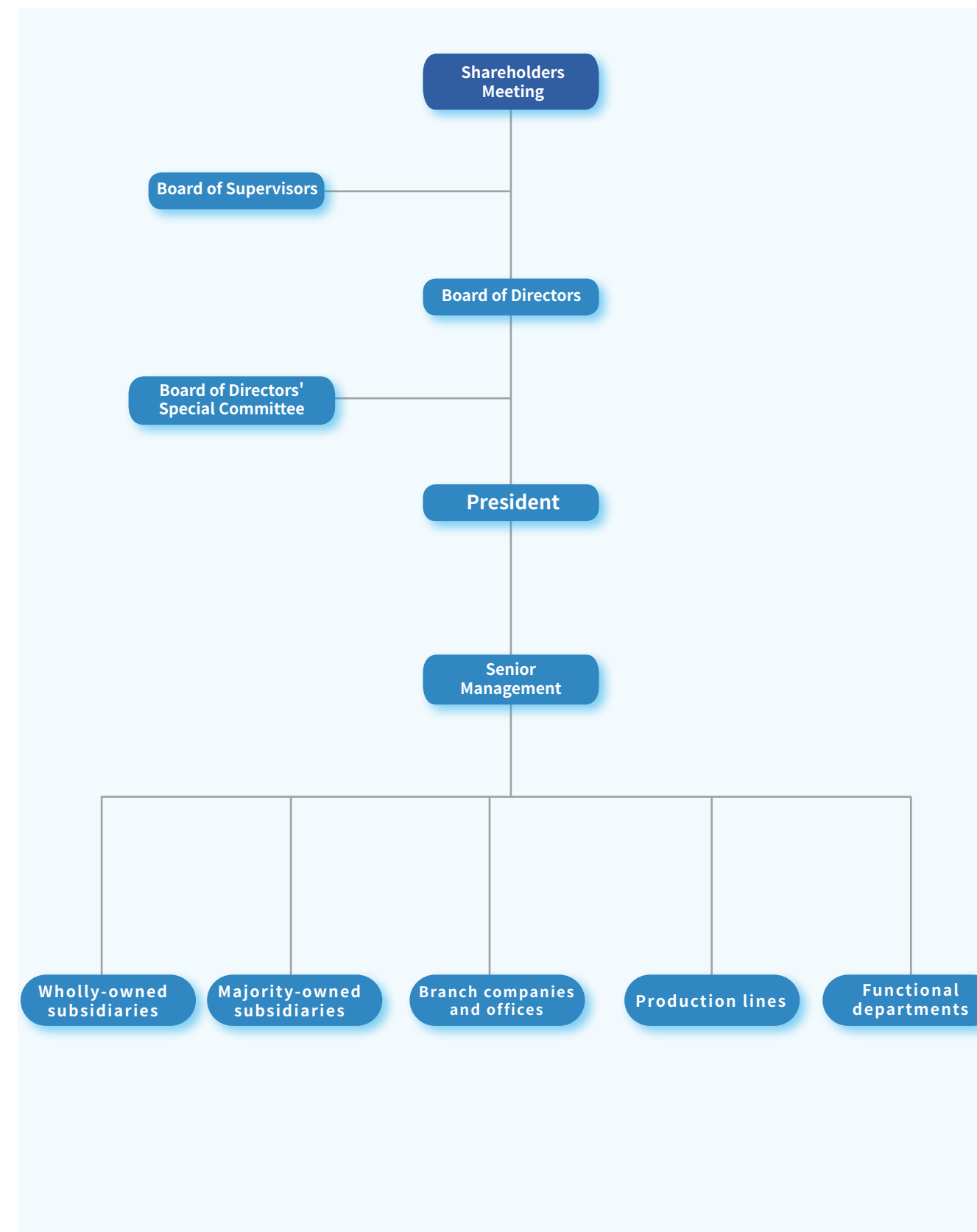


### Governance structure

The Company continuously improves the basic governance structure composed of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the Senior Management, whose rights and responsibilities are defined in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, the Guidelines No.1 of the Shenzhen Stock Exchange on the Self-regulation of Listed Companies - Standardized Operation of the Companies Listed on the Mainboard, and other relevant laws, regulations, and regulatory documents in order to ensure efficient and standardized operations.

The Board of Directors performs its duties in strict accordance with the Articles of Association and the Rules of Procedure of the Board of Directors. The Board of Directors has established the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee. These special committees make full use of their expertise to make scientific decisions on the Company's development issues.

### Organizational Chart



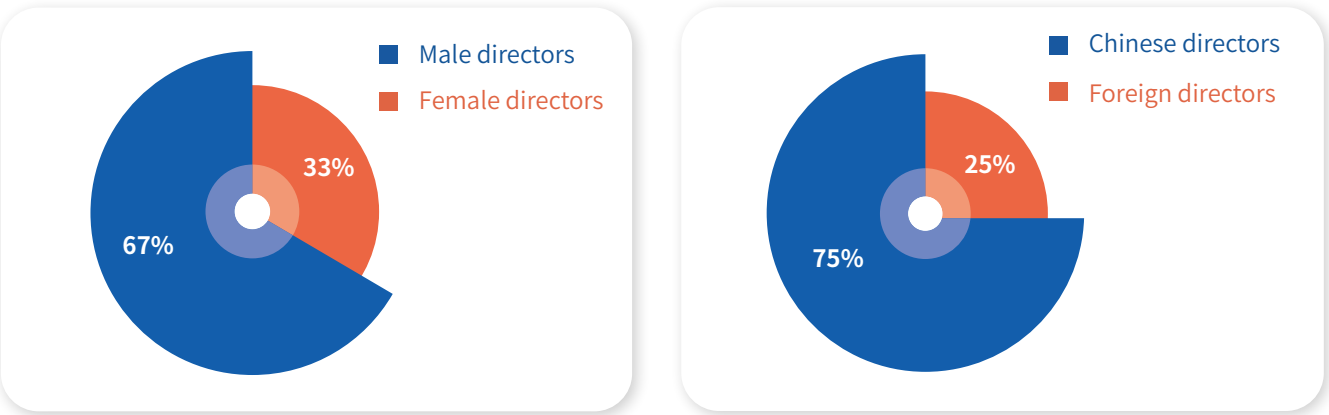


Committee Name	Main Responsibilities	Functioning of Committee
Strategy Committee	Conduct feasible study on the Company's long-term strategic development plans and major investment decisions, determine the Company's development plans, improve investment decision-making process, enhance scientific decision-making, and improve the quality and effectiveness of major investment decision.	Chairman: Liu Zibin  Members: Xu Zhinan, Liu Deming, Xu Jianlv, Zheng Huisheng, Zhang Zhanqi, Zhang Keming, Du Lixin, Zhou Zhiji, Qu Dongmei, Peng Yanli and Quan Yuhua. In 2024, the Committee held one meeting, with a full attendance rate of the members.
Nomination Committee	Study and formulate the criteria and procedures for selection of the Company's directors and senior management, optimize the structures of the Board of Directors and the management, and improve corporate governance structure.	Chairman: Qu Dongmei  Members: Liu Zibin, Xu Zhinan, Zhou Zhiji and Peng Yanli  In 2024, the Committee held two meetings, with a full attendance rate of the members.
Compensation Committee	Formulate and review remuneration policies and plans, formulate and implement assessment and evaluation criteria, improve the assessment and evaluation system for the Company's directors and senior management, and formulate scientific, effective remuneration management policies.	Chairman: Peng Yanli  Members: Liu Zibin, Zhou Zhiji and Qu Dongmei  In 2024, the Committee held two meetings, with a full attendance rate of the members.
Audit Committee	Responsible for the communication, supervision, and review of the Company's internal and external audits, strengthen the Board's effective oversight of the management, enhance internal control capabilities, and improve internal control policies.	Chairman: Zhou Zhiji  Members: Liu Deming and Qu Dongmei  In 2024, the Committee held six meetings, with a full attendance rate of the members.

## Board development

Lu Thai Textile places great importance on board development, continuously improving its structure and functions. The Company ensures the effective operation of board committees, emphasizes the independence and diversity of board composition, and actively conducts training for board members and management. The responsibilities of board members are assigned based on their professional experience to ensure efficient board operations and scientific decision-making, thereby enhancing the overall management level and operational efficiency of the Company.

The Company's Board of Directors consists of 12 directors, including four independent directors, four female directors, and three foreign directors. In 2024, the Company held ten board meetings, achieving a 100% attendance rate. During the Reporting Period, 43 resolutions were reviewed and approved, covering topics such as related-party transactions, equity incentive unlocking, policy revisions, periodic reports, profit distribution, share repurchases, and ESG materiality issues.



Name of Director	Gender	Age	Position(s)	Date of Service Commencement
Liu Zibin	Male	60	Chairman and President	June 6, 2007
Xu Zhinan	Male	95	Vice Chairman	May 6, 2004
Liu Deming	Male	35	Director	May 12, 2017
Xu Jianlv	Female	50	Director	June 10, 2022
Zheng Huisheng	Male	37	Director	June 10, 2022
Zhang Zhanqi	Male	53	Director and Vice President	June 10, 2022
Zhang Keming	Male	57	Director and Chief Accountant	June 10, 2022
Du Lixin	Male	50	Director and Chief Engineer	June 10, 2022
Zhou Zhiji	Male	62	Independent Director	March 10, 2019
Qu Dongmei	Female	56	Independent Director	June 10, 2019
Peng Yanli	Female	64	Independent Director	June 10, 2022
Quan Yuhua	Female	69	Independent Director	June 10, 2022

## ESG strategy

Prior to the launch of a new project, Continental Group has entrusted environmental assessment agencies to conduct environmental assessment, including the assessment of the influence on local biodiversity.

In the meantime, it earnestly performs greening governance, holds activities on Arbor Day, and enhances employees' awareness of environmental protection.

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Lu Thai Textile has responded to the 2030 "carbon peak" and 2060 "carbon neutrality" goals by actively carrying out climate action plans.

Reports have been released regularly, and ESG-related information is actively disclosed to enhance transparency.

Meanwhile, the Company has updated the requirements for suppliers and implemented stricter standards of duty performance for suppliers. It has worked with suppliers and contractors to actively perform duties to improve the industrial chain environment and drive social responsibility practice.

Diverse assistance activities have been conducted in economically backward villages. Lu Thai Textile has purchased agricultural products from local farmers and donated daily necessities to residents to improve their living conditions.

The Company has established plants in overseas developing countries, and actively created job opportunities to develop local economies.

In 2024, Lu Thai invested RMB 207Million in research funds in total. Additionally, it has been granted 548 patents in total, including eight software copyrights. Lu Thai has organized or participated in the formulation of 75 national and industry standards.

By performing the digital and intelligent transformation of production lines, Lu Thai has reduced labor intensity and raised resource utilization efficiency.

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Take urgent action to combat climate change and its impacts.

Ensure sustainable consumption and production patterns.

Make cities and human settlements inclusive, safe, resilient and sustainable.

Reduce inequality within and among countries.

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

A company's sustainable development management shows the responsibility and respect of the company for its customers, employees, products, and future. For many years, Lu Thai has kept pace with international and domestic development trends for years. By vigorously responding to national and industry policies, Continental Group has demonstrated its sustainable development through actions. 2022-2026 ESG Strategic Goal: Achieve an industry-leading level of green, low-carbon, environmentally friendly, and sustainable development. Aligned with the United Nations' 17 Sustainable Development Goals (SDGs):



The Company includes health, safety, and environmental requirements in the bidding invitation requirements for suppliers, thus indirectly urging suppliers and contractors to enhance safety and environmental protection.

The Company has actively participated in industry organizations and initiatives, joined multiple industry associations, earnestly conducted industry exchanges, and promoted industry development.

The Company has actively paid taxes to the governments of countries where it operates to promote the economic development of the surrounding communities.

The Company has implemented the policy of local employment and provided regionally competitive remuneration and benefits.

Provide a comfortable and safe working environment, ensuring employee safety and health. During the pandemic, no cluster infections occurred among Company employees.

The Company properly prevented and treated occupational diseases. Besides, the Company has established and improved employees' profiles of occupational health and organized annual check-ups to protect the physical and mental health of employees.

The Company has improved its employee education and training mechanism. In 2024, 23,988 employees participated in vocational training, achieving a 100% vocational training coverage rate.

The Company organizes activities to support students every fall by providing employees' children with scholarships. It also donates educational funds to society to cultivate textile talent.

The principle of gender equality has been observed. The Labor Union has earnestly protected female employees and improved their competence.

An equal remuneration system has been developed to ensure equal pay for equal work between male and female employees.

Production departments have been encouraged to propose new measures to save water. The Company has increased investment in reclaimed water reuse projects, further promoting recycled use of water resources and providing a long-term guarantee for social development.



Stakeholder engagement

Stakeholders	Issues of Concern	Means of Communication	Actions of Lu Thai Textile
 <div>Government</div>	<div>Operation in Compliance</div> <div>Safe and Green Production</div> <div>Fulfillment of Social Responsibilities</div>	<div>Supervision and inspection</div> <div>Visits</div> <div>Material providing</div>	<div>Strictly complying with laws and regulations</div> <div>Actively responding to environmental calls and formulating action plans</div> <div>Helping the poor and improving people's livelihoods</div> <div>Supporting the public welfare</div>
 <div>Customers</div>	<div>Product Quality</div> <div>Responsible Marketing Integrity</div> <div>Respecting Customers' Opinions</div>	<div>Customer visits</div> <div>Customer service hotline</div> <div>Opening business operations</div> <div>Satisfaction survey</div>	<div>Improving the product quality management system</div> <div>Improving the customer relationship management system</div> <div>Conducting the customer satisfaction survey</div> <div>Visiting customers regularly</div>
 <div>Shareholders and investors</div>	<div>Corporate Governance and Profitability</div> <div>Honest and Compliant Operations</div> <div>Competitive Edge</div>	<div>Shareholders Meeting</div> <div>On-site survey</div> <div>Telephone consulting</div> <div>Interaction Easy of the Shenzhen Stock Exchange</div>	<div>Compliant operations, openness, and transparency</div> <div>Safeguarding the legitimate rights and interests of shareholders by laws</div>
 <div>Suppliers</div>	<div>Product Quality</div> <div>Product Safety and Environmental Compliance</div> <div>Corporate Compliance Operations</div>	<div>Supplier audits</div> <div>On-site communication</div> <div>Telephone and email communication</div>	<div>Require suppliers to sign a quality statement</div> <div>Require chemical product suppliers to provide relevant qualification certificates and sign an environmental compliance statement</div> <div>Conduct regular on-site supplier audits and communications</div>
 <div>Employees</div>	<div>Respecting Human Rights</div> <div>Remuneration and Benefits</div> <div>Career Development Channels</div> <div>Health and Safe Production</div>	<div>The Labor Union and the employee representative assembly</div> <div>Employee complaint</div> <div>Satisfaction survey</div>	<div>Improving the remuneration management system</div> <div>Improving employee cultivation and promotion mechanisms</div> <div>Diverse communication channels</div> <div>Helping for employees in need</div> <div>Establish a comprehensive complaint mechanism and channels</div>
 <div>Value chain partners</div>	<div>Green and Low-carbon Development</div> <div>Honest and Compliant Operations</div>	<div>Exchange visits among senior management personnel</div> <div>Exchange and cooperation in experience and technology</div> <div>Daily communication</div> <div>Exchange through industry conferences</div>	<div>Continuously improving supplier management procedures and strengthening the control of operational risks</div> <div>Strengthening contract management and standardizing credible procurement</div> <div>Sharing experience and technology and exchanging needed goods</div> <div>Building industry-university-research platforms</div>
 <div>Communities and the public</div>	<div>A Harmonious Community Relationship</div> <div>Contributing to the Community Economy</div>	<div>Supervision by the masses</div> <div>Visiting communities</div>	<div>Helping the poor and joining public welfare activities</div> <div>Community donation and landscaping</div> <div>Promoting employment and developing local suppliers</div>

We place great importance on maintaining effective communication with internal and external stakeholders. By establishing a regular communication mechanism, we promptly understand stakeholders’ concerns and continuously optimize communication channels to actively respond to their interests. This approach ensures the orderly progress of the Company’s sustainable development initiatives.

Materiality assessment

As part of our stakeholder engagement policy, we conduct periodic ESG materiality assessments. This year, with the assistance of external experts, we carried out a materiality analysis in accordance with the guidance provided by the Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report and the Self-Regulatory Guidance No. 17 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report(Trial) issued by the Shenzhen Stock Exchange. Through this process, we identified material issues that significantly impact both the Company and stakeholders, determining the most critical issues for our business and stakeholders while providing insights for the Group’ s ESG reporting and strategy.

Materiality Assessment Process

- 1

ESG Issue Library Creation:

Referring to the materiality issue distribution guidance from the Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report and the Self-Regulatory Guidance No. 17 for Companies Listed on Shenzhen Stock Exchange—Preparation of Sustainability Report(Trial), we established the 2024 ESG issue library after a comprehensive evaluation, considering the Company’ s overall business development in 2024 and best ESG management practices within the industry.
- 2

Formulation and Implementation of Stakeholder Engagement Plan:

By focusing on trends in the textile industry and broader socio-economic developments, we engaged with key stakeholders during the Reporting Period through communication and surveys to gather their opinions and suggestions.
- 3

Quantitative Assessment of ESG Material Issues:

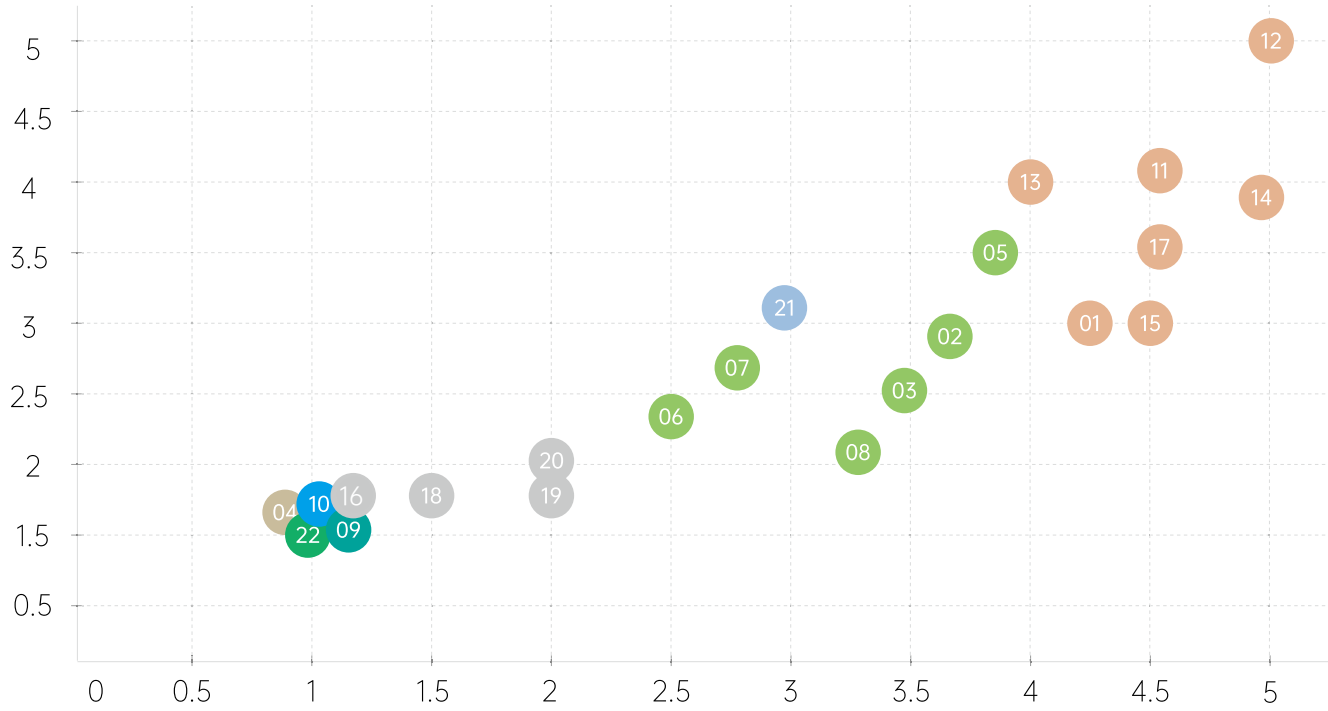
Internal and external stakeholders were invited to evaluate the materiality of various ESG issues, and a materiality matrix was developed. The Company conducted a survey, inviting stakeholders from different categories to rate the materiality of Lu Thai’ s 2024 ESG issues on a scale of one to five, with higher scores indicating greater materiality. After the survey, the Company analyzed the feedback and assessed each issue’ s materiality based on two dimensions: "materiality to corporate development" and "materiality to stakeholders." This analysis resulted in the ESG materiality matrix for the year. The survey covered a wide range of stakeholders, including board members, senior and mid-level management, employees, customers, investors, suppliers, and government regulators.
- 4

Review and Approval of the Materiality Assessment Report:

The materiality assessment report was submitted to the management for review and approval before the results were published.



Lu Thai Textile 2024 ESG Materiality Analysis Matrix



Through this assessment, we identified 22 material issues of stakeholder concern in 2024.

Environment (E)	Corresponding Chapter	Society (S)	Corresponding Chapter
01 Climate Change Response	Chapter 5	09 Information Security and Privacy Protection	Chapter 2
02 Pollutant Emissions	Chapter 5	10 Technology Ethics	Chapter 2
03 Waste Management	Chapter 5	11 Innovation-Driven Development	Chapter 3
04 Ecosystem and Biodiversity Protection	Chapter 5	12 Product and Services	Chapter 3
05 Environmental Compliance Management	Chapter 5	13 Supply Chain Security	Chapter 4
06 Energy Utilization	Chapter 5	14 Workplace Safety	Chapter 4
07 Water Resource Utilization	Chapter 5	15 Chemical Safety	Chapter 4
08 Circular Economy	Chapter 5	16 Fair Treatment of SMEs	Chapter 4
		17 Employees	Chapter 6
		18 Social Contribution	Chapter 7

Governance (G)	Corresponding Chapter
19 Anti-Bribery and Anti-Corruption	Chapter 2
20 Anti-Unfair Competition	Chapter 2
21 Stakeholder Engagement	Chapter 2、3、4
22 Due Diligence	Chapter 4

Risk management

Effective risk management strengthens corporate operations. The Company, in accordance with the Code of Corporate Governance for Listed Companies in China and other national laws, as well as its Articles of Association, identifies internal and external risks and formulates response measures. Risks are managed through a structured process, including information collection, risk assessment and analysis, strategy formulation, risk response, and monitoring and improvement. Additionally, the Company has established a "Three Lines of Defense" risk management framework to enhance the rationality, standardization, and effectiveness of its risk management practices.



Responsible business conduct

Compliance management

Adhering to operations with integrity, law-abiding principles, and compliance, Lu Thai Textile has always emphasized that integrity and law-abiding principles are the foundation of the Company, and always abode by the values of "integrity and win-win situation". Under the philosophy of operations with integrity, the Company has continued to strengthen the compliance management system, improve compliance management policies, optimize auditing procedures, and implement internal control in order to safeguard healthy and sustainable development.

Compliance management system

Following the philosophy of operations with integrity, the Company has continued to improve the compliance management system, strengthened the effect of internal auditing, and established the Self-assessment Control Matrix based on the procedure documents in order to determine the assessment scope and priorities. With all procedures assessed, the on-site testing has identified deficiencies, made suggestions for improvement, and timely produced the Internal Control Self-assessment Report to ensure effective internal control assessment. To promote normative and institutionalized business operations, the Company, considering its realities, has formulated the Regulations on Internal Auditing in accordance with the Internal Auditing Standards and the Basic Norms for Corporate Internal Control promulgated by the Ministry of Finance and the relevant laws and regulations. By doing so, it has effectively improved the overall management and risk prevention capabilities.



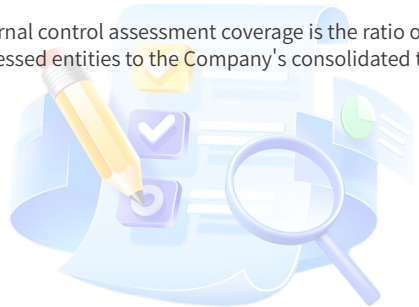
## Internal audit

The Company values the implementation of internal control. Following its 18 guidelines for internal control, the Company tested and assessed the system development and implementation of the internal control of the Head Office and holding subsidiaries. As a result, deficiencies in design and implementation were identified and improved effectively. In 2024, the Company assessed the internal control of seven subsidiaries and issued the internal control assessment matrices, with internal control audit coverage of 80.45%.



Indicator (Unit)	2022	2023	2024
Internal control audit coverage (%)	89.03%	82.15%	80.45%

Note: Internal control assessment coverage is the ratio of the total assets of the assessed entities to the Company's consolidated total assets



Targets		Indicators	2022	2023	2024
Senior leaders	Quantity of non-conformance events		0	0	0
Middle-level leaders and related functions	Quantity of non-conformance events		0	0	0
Employees	Quantity of non-conformance events		0	0	0
Shareholders	External audit results	Standard unqualified audit opinions		Standard unqualified audit opinions	Standard unqualified audit opinions
Suppliers	Quantity of non-conformance events		0	0	0

## Information disclosure

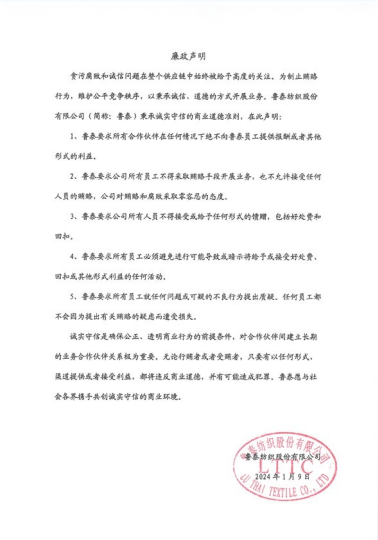
The Company has established and improved the information disclosure mechanism, which received positive feedback from investors:

- ▶ As at the end of 2024, the Company had been rated A for seven consecutive years in the information disclosure assessment on the listed companies on the Mainboard by the Shenzhen Stock Exchange.
- ▶ The Company releases its performance results as well as major and temporary announcements to investors of A- and B-shares via Internet media (cninfo.com) designated by the China Securities Regulatory Commission as well as Securities Times, Shanghai Securities News, China Securities Journal, and Ta Kung Pao.
- ▶ The Company responds in real time to investors' messages and questions via the "Interaction Easy" of the Shenzhen Stock Exchange. In 2024, a total of 75 questions were replied, with a response rate of 100%.

## Business ethics

The Company attaches great importance to business ethics and strictly complies with laws and regulations of countries where it operates, as well as the industry recognized code of conduct. It has established a Code of Ethics Control Procedure, and it advocates honesty and trustworthiness, fair competition, anti-corruption, openness and transparency, and supervises the business behavior of partners, committed to creating an honest, fair, clean, and harmonious operating environment.

## Anti-corruption and bribery



The Company strictly complies with anti-corruption and anti-bribery laws and regulations in its operating regions and has signed the Anti-Bribery Commitment Letter. It continuously improves its anti-corruption supervision mechanism to ensure compliant corporate operations.

The Company conducts audits by relevant policies every year. In the first half of 2024, the Company conducted a special audit on the procurement of dyeing auxiliaries and the sales activities of the Global Marketing Department, Garment Marketing Department, and Brand Promotion Department. The audit covered supplier selection, price inquiries and comparisons, bidding management, long-term inventory handling, sales processes, sales pricing, and accounts receivable collection. In the second half of 2024, internal control evaluations of subsidiaries were conducted, and no corruption or fraudulent activities were identified.

## Code of conduct for employees

The Company continues to strengthen employee behavior management by strictly requiring employees to act in accordance with laws, guiding and supervising employees to abide by rules and regulations, and operating in compliance. Through the promotion of corporate culture, publicity and education training of laws, inspection and supervision of employee behaviors and other measures, the Company urges employees to raise awareness of ethical standards, and improve their own moral accomplishment, to ensure the implementation of integrity values and ethical behavior, and thereby promote the healthy development of various business.

## Complaint reporting mechanism

The Company actively improves its complaint and whistleblowing mechanism by providing multiple reporting channels, including mail, telephone, email, and in-person reports. Customers, employees, suppliers, business partners, and all individuals with business dealings with the Group are encouraged to report corruption, fraud, violations of company policies, or any suspected illegal activities.

We are committed to strictly protecting whistleblower privacy and prohibit the disclosure of personal information or report details to any third party. Retaliation against whistleblowers is strictly prohibited.


Reports will be investigated within 30 working days, and a written investigation report will be issued. Follow-up actions will continue to be monitored. Employees found to have violated confidentiality policies will face disciplinary action based on severity, including reassignment,



Information security and privacy protection

Information security

We actively implement measures to enhance information security across five dimensions: computer security, network security, data security, hardware security, and operational environment security. To minimize the risk of data breaches, we have deployed firewalls, intrusion prevention systems, vulnerability scanning systems, and bastion hosts as protective measures.



The Company has established the Information System Operation Management Process, the Information Security Management Regulations, and the IT Infrastructure Operation Management Process to enhance data security emergency response mechanisms and procedures. In the event of a suspected data breach, our IT operations team will immediately verify the incident, assess the extent of the data breach and affected systems, report the situation to the leadership team, suspend relevant data access, notify affected users, and issue an announcement following legal and regulatory requirements.

The IT operations team will assess affected systems, data, and devices, conduct log tracing for forensic analysis, and preserve relevant evidence. Affected users will be informed of the resolution, and the affected systems and devices will be restored. Security vulnerabilities identified during the investigation will be addressed through system upgrades and reinforcements to prevent future attacks.

During the Reporting Period, the Group did not experience any data breaches or legal disputes related to information and data security involving the Group or its employees.



Information Security Protection Measures

The Company configures firewall security policies and installs server-side security protection systems.

**Server Security**

The Company deploys unified antivirus software and endpoint security protection systems. By extracting data from the firewall intrusion prevention system, the Company detects and eliminates threats such as malicious attacks and Trojan viruses.

**Computer Security**

Offsite and cross-location backups for business data in the data center have been implemented. The operating system uses virtual machine disaster recovery backups, and devices adopt active-active disaster recovery across different locations. Regular recovery testing is conducted to ensure data availability, reliability, and recoverability.

**Data Security**

Deploy a bastion host management system to manage access permissions and code approvals for IT system administrators, while recording backend operations of IT personnel.

**Network Security**

The Company has been equipped with security devices and measures, including firewalls, intrusion prevention systems, and internet behavior management tools.

**Hardware Equipment**

Conduct daily inspections, promptly report and follow up on identified issues. An environmental monitoring system is in place to track the status of UPS power supplies, indoor temperature and humidity, lighting, fire safety equipment, and fresh air systems in real time. Develop and implement emergency response drill plans, proactively conduct drills, and promptly address issues identified during the process.

The Company regularly provides employees with information security training and promotes cybersecurity awareness across the Group to continuously enhance employees' awareness of information security and privacy protection.



Privacy protection

The Company and its affiliates are required to strictly comply with the Data Security Law of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China. Confidentiality agreements must be signed with stakeholders regarding sensitive information. Unless required by laws and regulations or approved by the customer, such information will not be disclosed to any third party in any form.



## Products and Services Building First-Class Products and Services

In the face of the complex and ever-changing market situation, the Company leveraged the driving force of marketing, and called on various departments to collaborate efficiently with each other, actively go global, deeply understand market changes, and get an insight into customer needs. It focused on targeted research and development design, with "technology, fashion, and green" as the new industry positioning, and the goal of "becoming a global apparel solution provider with cutting-edge fabrics as the core", the Company continued to do a good job in products and services.

UN Sustainable Development Goals





# R&D and innovation

Adhering to the "Four-in-One" innovation philosophy which "lets the enterprise play the major role, adopts the customer-oriented approach, is underpinned by research institutes and universities, and emphasizes the alliance with strategic customers and major suppliers", the Company has formed a three-level R&D innovation team led by Lu Thai Engineering Technological Institute, focusing on breaking through the professional expertise for production lines, and mainly comprising the quality control teams of the workshops and groups of the plants. By doing so, it has continuously enhanced the internal innovation mechanism, developed the scientific and technological innovation platforms, deepened the industry-university-research cooperation, and laid a solid foundation for the Company's innovation cause.

## Investment in technological innovation

In 2024, the Company's total investment in scientific and technological research and development reached RMB 207Million . By the end of 2024, the Company had undertaken eight national-level scientific research and innovation platforms and five provincial-level platforms. It had received a total of 60 national and provincial-level Science and Technology Progress Awards, including one national first prize for science and technology progress, and three national second prizes for science and technology progress. The Company undertook 20 science and technology projects at the provincial level or above and obtained 548 authorized patents and eight software copyrights. Additionally, it led or participated in the formulation of 75 national and industry standards.

### Science and Technology Awards

Provincial-level and above awards: 60 items

One National First Prize for Science and Technology Progress

Three National Second Prizes for Science and Technology Progress

9 Provincial and Ministerial First Prizes for Science and Technology Progress

### Science and Technology Programs

Undertaken provincial-level and above science and technology programs: 20 items

### Patents and Standards

Authorized patents held: 548 items led or participated in the formulation: 75 items

## Developing scientific and technological R&D platforms

The Company highlights the building and development of scientific and technological innovation platforms, establishing core technology platforms in the major phrases of research, design, and test to improve core technologies in the whole process.



Textile garment research platform

With the help of technological platforms such as the national enterprise technical center, national demonstration base for talent introduction, national yarn-dyed fabric R&D base, Shandong Provincial Engineering Technology Research Center, and Shandong Big Data Industry Innovation Center, Lu Thai Engineering Technological Institute has worked with production lines, for yarn-dyed fabric, knitted fabric, apparel, printing and dyeing, and functional fabric to conduct explorations. It has been dedicated to researching cutting-edge technologies. As a result, they have paved a path based on fabric but transcending traditional fabric in scientific and technological innovation, quality improvement, brand promotion, low-carbon energy conservation, and corporate culture development.



Textile garment design platform

Lu Thai Engineering Technological Institute has capitalized on the design resources of the national industrial design center, the Shandong Provincial industrial design center, an Italian designer's workshop for fabric design, and the enterprise brand design center to build a textile and apparel design platform. The platform has integrated textile and garment trendy design, textile new material design, popular fabrics design and garment brand design, which represents the major backbone of the enterprise's independent brand building and promotes the Company to take leap from creation to creativity.



Textile garment testing and experimental platforms

Lu Thai owns a complete set of testing devices and equipment for textile materials, fabrics, and garments, as well as dyeing and finishing auxiliaries. It is equipped with laboratories that meet international standards, including the constant temperature and humidity laboratory, textile material testing laboratory, fabric and garment laboratory, and chemical analysis and synthesis laboratory. Also, it has an experienced professional testing team that is familiar with domestic and overseas standards. As a result, Lu Thai has made every effort to establish an integrated testing and inspection platform in the textile and apparel industry at home and abroad.

## Industry-university-research cooperation

The Company collaborates with many universities and scientific institutes, ranging from the training of basic talents and core technology R&D. Lu Thai has explored and established an all-round industry-university-research collaboration mechanism with many institutes. As at the end of 2024, the Company established a long-term partnership with universities such as Donghua University, Hong Kong Polytechnic University, Jiangnan University, Qingdao University, and Wuhan Textile University. Through R&D cooperation with leading institutes in new technologies, materials, and products, the Company has improved its R&D capability.



## Industry-Academia Collaboration



Exchange on Industry-Academia-Research Collaboration Project between the College of Textiles and Clothing, Donghua University, and Lu Thai Textile Co., Ltd.

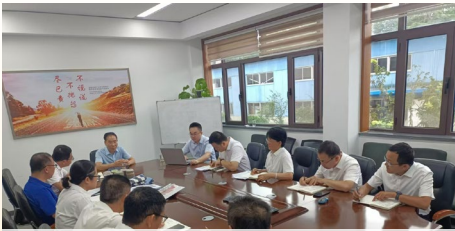
### Donghua University

The Company has established the "National Collaborative Innovation Center of Key Technologies for Textile Industry" with Donghua University for research of new fiber material technologies and key technologies for eco-friendly dyeing and finishing. In 2024, the project "Key Technologies and Industrialization of Structural Design and Preparation of Thermal and Moisture Comfort Functional Textiles," jointly researched with Donghua University, was awarded the Second Prize of the Science and Technology Progress Award by the China National Textile and Apparel Council

### Wuhan Textile University

In 2024, Lu Thai collaborated with Wuhan Textile University to apply for the "High-Efficiency CNC Online Dyeing System Technology" project, which was awarded the First Prize of the Science and Technology Progress Award by the China National Textile and Apparel Council.

In 2024, a "Framework Agreement on Technical R&D Cooperation for Domestic Lyocell Fiber Fabrics" was signed to conduct research on the development of domestic Lyocell.



Exchange on Industry-Academia-Research Collaboration Project between Wuhan Textile University and Lu Thai Textile Co., Ltd.

### Qingdao University

The Company signed a strategic collaboration agreement with Qingdao University in 2016 to carry out in-depth cooperation with the university in scientific research, talent cultivation, and social services, thereby contributing to socioeconomic and technological development.

In terms of scientific research, Qingdao University and the Company have jointly established the "Lu Thai Group-Qingdao University Research Center" and the "National Collaborative Innovation Center of Key Technologies for Textile Industry" to be dedicated to the research of industrial textile and marine biomass fiber.

In terms of talent cultivation, the Company has set up the "Lu Thai Scholarship" in the university and the "Lu Thai International Talent Reserve Class". As a result, a number of brilliant students from textile universities have been attracted to Lu Thai and become the backbone of the Company.



Shandong University of Technology

The Company has cooperated with the Shandong University of Technology in establishing the Lu Thai School of Textile and Apparel, thereby promoting organic industry-education integration, collaborative innovation, and integrated industrial-educational development.

The Company has also worked together with the university to establish laboratories and share research apparatus and platforms, achieving research integration in terms of the scientific program development and project application.

A team of part-time teachers, including Taishan Scholars, senior experts of the Company, and excellent technological talent, has been built to achieve the integration of teaching resources of the university and the Company.

The Company has utilized the comprehensive strengths of both sides to introduce more practice and internship opportunities for students. It donates RMB1 million to the university for collaborative talent cultivation every year. Meanwhile, the "Lu Thai Scholarship" has been set up to encourage students to work hard, achieving "joint talent cultivation" between the university and the Company.

Tiangong University

In 2022, Lu Thai collaborated with Tiangong University to apply for the "Virtual Human Body Modeling System for Clothing," which won the Excellence Award in the First Intelligent Manufacturing Innovation Competition.

Shandong Vocational College of Science and Technology

In 2022, the Company engaged in strategic discussions with Shandong Vocational College of Science and Technology and signed a strategic cooperation agreement to jointly establish an overseas "Luban Workshop" for the joint cultivation of international talents.

Key R&D projects



1

### "High-Efficiency CNC Online Dyeing System Technology" Project

The Company, in collaboration with Wuhan Textile University and other relevant institutions, has conducted joint research on this technology, which utilizes a CNC-integrated system for textile dyeing control. It is widely applied in the dyeing of yarn-dyed fabrics, printing and dyeing, and knitted textiles. This technology eliminates the traditional reliance on temperature and salt in dyeing processes, addressing the industry's challenge of high-salinity wastewater generated by conventional reactive dyeing. It actively promotes and serves as a model for the green and high-quality development of the textile industry, advancing textile products toward the mid-to-high end of the global value chain. Furthermore, it significantly contributes to achieving China's goals of becoming a manufacturing and quality powerhouse.

The Company, in collaboration with Donghua University and other relevant institutions, has jointly conducted research on this project, which explores the multi-layered structure, morphological design, and functional regulation of thermal and moisture comfort fibers, as well as the mechanisms and evaluation systems for assessing textile products' thermal and moisture comfort properties. The research focuses on fiber composition design and preparation technologies, functional textile design, and key technologies such as multi-component composite spinning, composite structural weaving, one-bath dyeing for multi-fiber blends, and moisture absorption and wicking functional finishing. This project provides valuable references and demonstrations for the preparation and application of high-quality thermal and moisture comfort functional fibers.

2

### "Key Technologies and Industrialization of Structural Design and Preparation of Thermal and Moisture Comfort Functional Textiles" Project



The Company attaches great importance to the protection of intellectual property rights, constantly improves the protection system of intellectual property rights, sets up teams for the protection of intellectual property rights and patents. Moreover, it formulates trademark management standards, patent application management procedures, stands against the infringement of trademark rights, patent rights, and copyrights, and continues to improve the holistic operation efficiency in protecting intellectual property rights. In 2024, the Company applied for three government projects at the national, provincial, and ministerial levels, developed 137 new products and new processes, conducted 25 technological improvement projects, obtained 17 authorized patents and one software copyright, and led or participated in the formulation of four industry standards.

Technological research and development

Lu Thai Textile has maintained an open attitude toward technological R&D and kept strengthening the industry-university-research cooperation. It has developed green and low-carbon technologies both independently and through cooperation and has continuously optimized the Company's clean production mode. As a result, the Company's green and sustainable development has been constantly boosted. Over the years, the Company has obtained more than 500 patents, including 27 projects that have received national and provincial-level awards for scientific and technological progress in energy conservation.



In 2024, the Company launched 25 company-level technological research projects and 137 department-level research topics. The company-level projects primarily focused on overcoming technical bottlenecks and conducting research on forward-looking technology reserves. Among them, the research project on knitted fabric dyeing technology achieved a production order volume of 5,488,000 million meters, with a first-class delivery rate of 97.2%, showing a significant increase compared to the previous year.

Product innovation

The development of the Company for 37 years has always relied on good product development and realization capabilities, and in the future, it still needs to rely on products to win the market. Currently, customers are increasingly interested in the green and environmentally-friendly products with differentiated attributes and high performance. The Company adapts to the development trend of the textile industry, focus on customer needs, and do a good job in technological innovation and upgrades. It continuously carries out product research and development and product upgrades to provide customers with products that meet their needs and are cost-effective.

Raw material innovation: Sustainable exploration, development and cooperation in terms of raw materials; the renewable, degradable, recyclable, and sustainable product series that are featured by the natural fiber and regenerated cellulose fiber series and the bio-based series.

Technological innovation: In-depth research into crafts and technologies, and the full-process processing for green production that is water-saving, energy-saving, and low-emission; active efforts to keep improving green and environmentally-friendly technology to effectively support and continuously upgrade products.

Product innovation: Continuous exploration of innovative full-life-cycle application solutions for textile products, and continuous introduction of new and environmentally-friendly product series that are skin-friendly and comfortable, elastic, easy-to-manage, and good for health to the market by continuous updating multicomponent products, such as natural fiber, regenerated cellulose fiber, and ultra soft texture fiber.



## Case

## Lu Thai Xurou – Ultimate Softness, Soft but Structured, Smooth but Not Slippery

By selecting premium raw materials and integrating Lu Thai's innovative patented spinning technology with high-precision weaving craftsmanship and proprietary dyeing and finishing techniques, the Lu Thai Xurou product was developed. It features a soft and smooth texture, skin-friendly breathability, and a weightless, pressure-free wearing experience. The combination of natural materials and cold-resistant, thermal insulation functions provides an unrestricted and comfortable fit.



## Case

## Ocean Yarn Fabric

This regenerated polyester fiber product is made from 100% recycled materials, sourced from plastic bottles collected within 50 kilometers of coastlines or washed ashore by ocean waves. Globally, its production has repurposed 900 million discarded plastic bottles, making it one of the most certified and traceable regenerated fibers in the world. Comfortable Cotton Feel: The interwoven structure of fine cotton and Ocean Yarn imparts a soft cotton-like touch with an elegant sheen. It also boasts high elasticity, excellent shape recovery, wrinkle resistance, easy care, quick drying, and breathability.



## Case

## Bio-Based Nylon 56 Fabric

Nylon 56 is a novel nylon material synthesized from bio-based pentamethylenediamine and adipic acid. Compared to traditional petroleum-based nylon, it offers a lower carbon footprint and superior environmental friendliness. As the concept of sustainable development continues to gain traction, Nylon 56, as a bio-based and biodegradable material, is expected to play a key role in green and eco-friendly products.



## Case

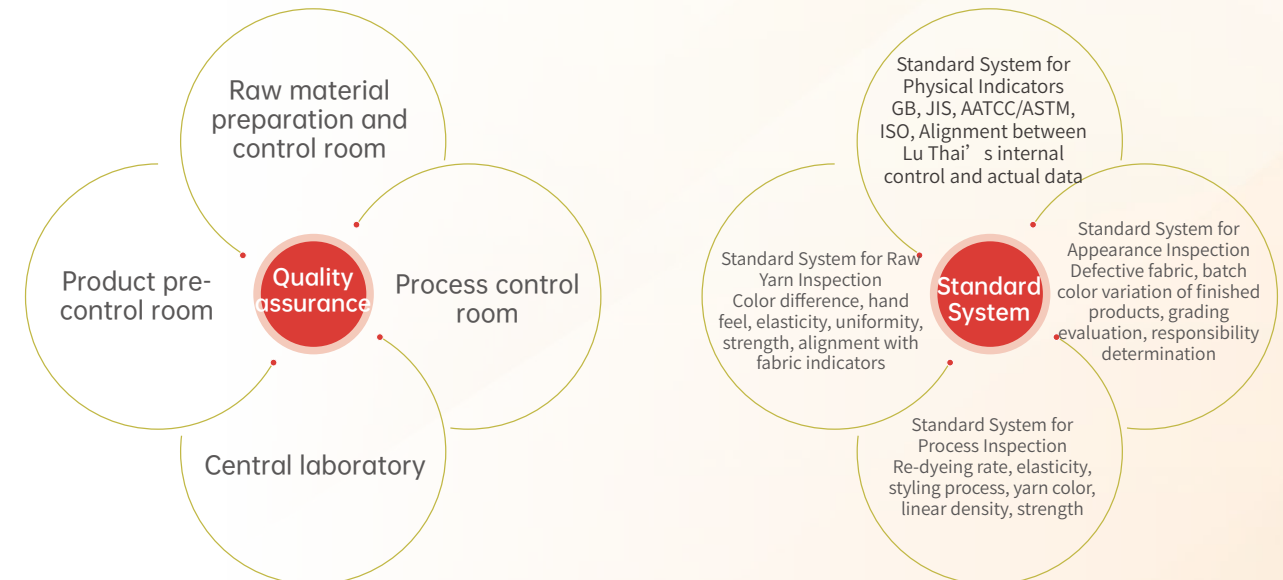
## Recycled Cotton Fabric

Recycled cotton fabric is designed to reduce environmental pollution by reclaiming and repurposing discarded textiles. Lu Thai has been actively promoting resource circularity and is committed to sustainable development. Through technological innovation, we strive to create a brighter future for sustainable fashion. With over 30 years of expertise, Lu Thai has leveraged its full-industry-chain technological innovations to develop recycled cotton fabric, paying sincere tribute to sustainability and the future.



## Quality control

The Company adheres to the principle of "quality is the most important element of enterprise survival and development", and continuously strengthens quality control with the purpose of "meeting the needs of customers and the market". In accordance with GB/T 19001-2016 Quality Management Systems, the Company's Quality Management Department formulates quality indicators, translating customer feedback into quality requirements to precisely control both process quality and result conformity. The quality management assessment mechanism has been refined to incentivize improvements in product quality across workshops.



- ☐ Re-dyeing rate, elasticity, styling process, yarn color, linear density, strength
- ☐ The Company holds production meetings every day to address any problems encountered during production.
- ☐ The Company strengthens the process compliance inspection on each process, and supervises and manages it through sampling and tracking methods.
- ☐ The Company actively communicates with customers and absorbs their valuable feedback on product quality.
- ☐ The Company organizes professional training for quality management personnel to continuously improve the quality awareness and ability of all staff.
- ☐ The Company has a CNAS laboratory certified by the state, achieving independent testing of some indicators.
- ☐ The Company sends 100% of textiles to professional organizations (e.g. ITS, SGS, BV, Keken) for a safety inspection to make certain that these textiles are in line with market laws and regulations, standards and customers' RSL requirements.



Laboratory

Personnel Training





Production Lines	Pass Rate	
Yarn	99.99%	
Yarn-dyed fabrics	99.30%	
Knitted fabrics	97.47%	
Piece-dyed fabrics	97.95%	
Functional fabrics	95.90%	
Ready-to-wear clothing	99.99%	

In 2024, Lu Thai Textile achieved a 99.99% Grade A storage rate for spun yarn, a 99.30% acceptance rate for yarn-dyed products, a 97.47% first-grade storage rate for knitted products, a 97.95% delivery rate for piece-dyed finished products, a 95.90% delivery rate for functional fabric finished products, and a 99.99% delivery rate for garments.

## Customer services and maintenance

The Company adheres to a customer-centric approach and comprehensively enhances its customer service capabilities.

Constant care

“

- ▶ The Company communicates with customers through multiple media, such as email, WeChat, and phone, to learn customers' demands and suggestions.
- ▶ The Company formulates the standard procedure for handling customer complaints in time, so as to protect the legal rights and interests of customers.
- ▶ The Company convenes video conferences with customers to discuss technical issues and problems of quality.
- ▶ The Company regularly visits customers to maintain a good relationship. In 2024, the Company conducted 435 customer visits.
- ▶ The Company invites customers to visit or participate in new product releases or important events to enhance customer relationships. In 2024, the Company hosted 478 customer visits.
- ▶ The Company regularly organizes exhibitions and product promotion events to help customers gain a better understanding of its high-quality products and services.



Fabric Exhibitions

Participated in eight fabric exhibitions: seven overseas and one domestic exhibitions. Jointly exhibited with apparel business in 4 of them.

Apparel Exhibitions

Participated in seven apparel exhibitions: four overseas and three domestic exhibitions.

### Tracking of potential fabric customers from exhibitions:

No.	Exhibition Name	Date	Number of Potential Customers
1	London Textile fair	January 9-10, 2024	
2	MAGIC SHOW	February 13-15, 2024	4
3	TEXWORLD/APP	February 5-7, 2024	1
4	EXPO Producción	March 20-22, 2024	7
5	China Shandong Export Commodities Fair (Osaka, Japan)	March 6-8, 2024	1
6	Functional Textiles Shanghai by Performance Days	April 2-3, 2024	
7	SaigonTex	April 10-13, 2024	3
8	2024 Canton Fair (Spring)	May 1-4, 2024	1
9	ITF	May 20-22, 2024	1
10	International Sourcing Expo Australia	June 12-14, 2024	
11	Premiere Vision	July 2-4, 2024	1
12	Intertextile Shanghai Apparel Fabrics (Hotel)	August 27-29, 2024	3
13	ATSC	August 26-28, 2024	1
14	Preview In SEOUL	August 21-23, 2024	1
15	Textile salon	February 2024	
16	London Textile fair	September 3-4, 2024	
17	Functional Textiles Shanghai by Performance Days	October 9-10, 2024	15
18	FASHION WORLD TOKYO	October 15-17, 2024	4
19	2024 Canton Fair (Autumn)	October 31, 2024	2
	Total		45

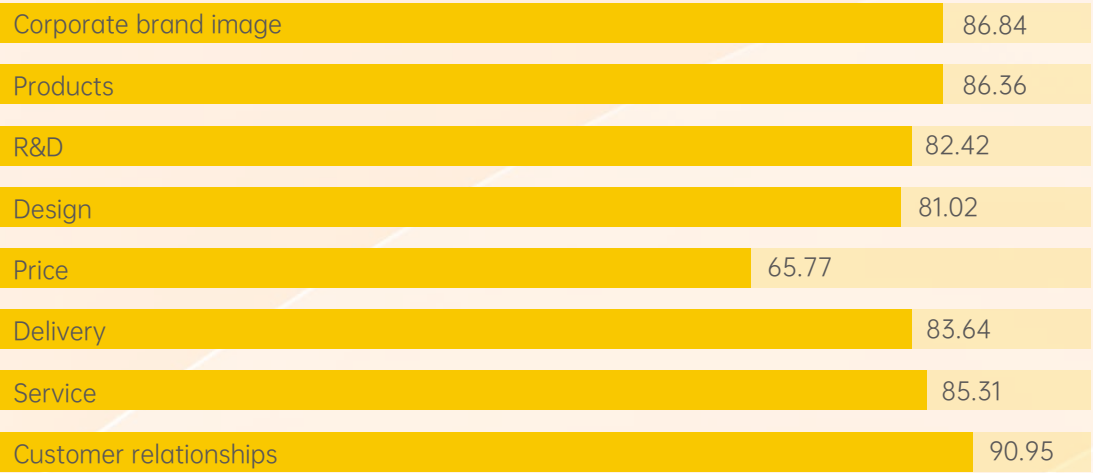


Tracking of potential fabric customers from exhibitions:

No	Exhibition Name	Date	Number of Potential Customers
1	MAGIC SHOW	February 13-15, 2024	6
2	TEXWORLD/APP	February 5-7, 2024	2
3	SaigonTex	April 10-13, 2024	1
4	2024 Canton Fair (Spring)	May 1-4, 2024	2
5	LINK-TCE Clothing Customization Expo – Shanghai	May 8-10, 2024	4
6	ITF	May 20-22, 2024	2
7	Premiere Vision	July 2-4, 2024	1
8	ATSC	August 26-28, 2024	2
9	Preview In SEOUL	August 21-23, 2024	2
10	FASHION WORLD TOKYO	October 15-17, 2024	2
		Total	24

This year, a total of 241 customers were surveyed for fabric products, with 215 valid responses, achieving a response rate of 89% and a final score of 82.79. For apparel products, 108 customers were surveyed, with 77 valid responses, achieving a response rate of 71% and a final score of 80.1.

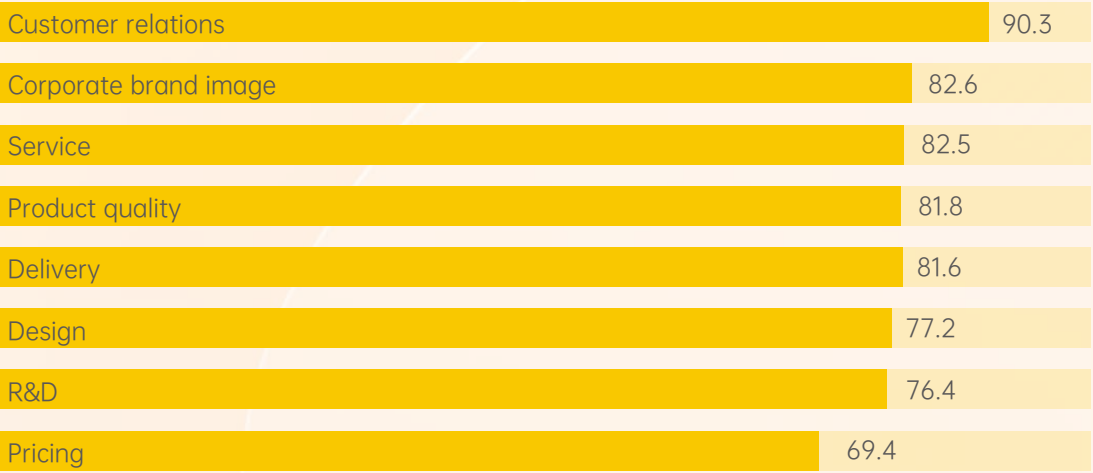
Fabric business



Average Customer Satisfaction Scores for Each Business Segment

Customer satisfaction in customer relationship management and corporate brand image was relatively high.

Apparel business



Average Customer Satisfaction Scores for Each Business Segment

Customer satisfaction in customer relationship management, corporate brand image, and service was relatively high.

Customer satisfaction survey and improvements

Lu Thai Textile continuously improves and optimizes its customer satisfaction survey every year, including survey methods, questionnaire design, and enhancing the authenticity, rigor, and objectivity of the survey. Based on the survey results, a satisfaction report is generated to analyze the Company's strengths and weaknesses, allowing for targeted improvements to better meet customer expectations. This year, the Company received guidance from satisfaction experts and further refined and upgraded the questionnaire. It now covers eight dimensions: corporate brand image, product quality, R&D, design, price, delivery, service capability, and customer relationships, with a total of 25 rating items. A ten-point scale is used for scoring.





## Production Operations/ Responsible Production Operations

In line with the principles of being responsible to customers, employees, and society, Lu Thai implements the philosophy of "responsible production and operations", improves safety production mechanisms, enhances chemical safety management, and regulates supplier behaviors with high standards. The Company is committed to providing customers with reliable products and employees with a safe workplace, minimizing social impact during sound operations, safeguarding the rights and interests of stakeholders in multiple aspects, and achieving the long-term stable development of the Company.

UN Sustainable Development Goals





## Production safety management

Production safety, involving employees' life safety, is the key to the survival and development of the enterprise. Its responsibilities are weightier than Mount Tai. Luthai insists on the principle of "safety first, prevention first and comprehensive management", and implements national, local and industrial policies, laws and regulations and standards on safety work. The Company consciously carries out all rules and regulations of production safety and supervises the implementation.

### Safety management system and institutional development



The Company has continuously improved safety production standardization templates, conducted internal safety standardization reviews for various departments, and supervised and inspected the implementation of safety standards in various plants.



The Company has set up a Safety Production Committee and an Accident Emergency Rescue Leading Group around the Safety Inspection Office, with a total number of 68 safety management personnel.



The Company has established the safety production targets management responsibility system and signed the Responsibility Letter for Safety Production Targets Management at all levels. Besides, the Company has broken down the accident control targets by levels and implemented strict assessments of personnel at all levels to ensure the fulfillment of the safety production control targets.

Eradicate fire risks and personal casualties

Eliminate grand electromechanical equipment accidents

### The Company's Safety Control Targets in 2024

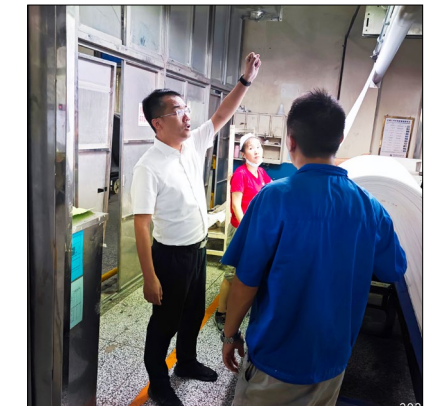
Prevent the accidents of major environments and occupational health and safety

Avoid traffic accident

The Company has implemented that the safety facilities in construction must be designed, constructed, approved and put into production and use at the same time as the main project to control and prevent safety accidents from the source.

The Company continues to improve the dual prevention system for hierarchical control of production safety risk and investigation and governance of hazards, and persists in risk prevention and early identification. In terms of hierarchical risk control, the Company identifies the risk hazards in operating activities and equipment and facilities in each sector every year, classifies the types and consequences of possible incidents, and determines the hierarchy of control and the corresponding accountable person according to the category. In 2024, the Company identified a total of 291 risk hazards in various production and operating activities. For each risk hazard, the Company has formulated specific risk control measures to prevent and control risks by ways such as standard specification, safety training, distribution of supplies for labor conservation and protection, on-site supervision and inspection, emergency response drills, and timely handling of incidents.

In terms of risk hazard inspections, the Company's Safety Inspection Office carried out various inspections in 2024, including special inspections for dust explosion-proof, diagnosis by invited safety experts, intrinsic safety of equipment, confined space, hazardous chemicals, special inspections of warehouses, general inspections during the holidays, and departmental self-inspections and self-corrections, which identified more than 23,000 safety hazards. During the Reporting Period, all risk hazards were eliminated.



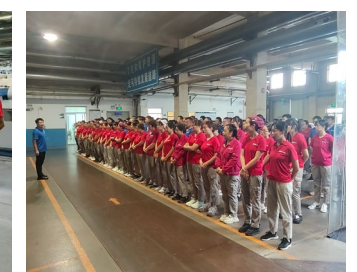
The Company is conducting an on-site safety hazard inspection

In terms of safety training, the Company carried out the training of the first lesson after the Spring Festival, Qingming Festival, Mid-Autumn Festival and National Day, and organized a series of special training in 2024, such as 27 training sessions for new employees, 77 safety training sessions for all employees, 14 training sessions for special operators, two training sessions from invited external experts, special equipment training, and certified safety engineer training. Moreover, the Company has implemented the government's special action requirements on "deep learning, deep training, wide examination" for safety production, and achieved the normalization of safety training and learning. In addition, the Company has conducted "Safety Production Month" activities with the theme of "everyone values safety and knows how to handle emergencies, and ensures smooth life channels", aiming to prevent and defuse major risks, eliminate potential safety hazards in a timely manner and effectively curb production safety incidents, and finally create a sound environment for safety production. In the whole year of 2024, the Company conducted more than 100 various safety training sessions with over 13,000 trainees.



Various types of training

Company-wide safety training, safety morning meetings



First lesson on resumption of work



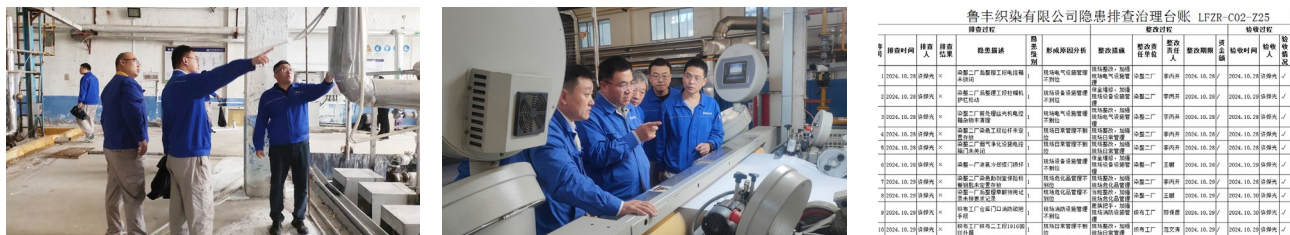
Diversified “Safety Production Month” activities

During the "Safety Production Month" campaign in June 2024, the Company conducted a variety of activities such as publicity board design, special training on safety production, inspections on potential safety hazards, award-winning essay contests, safety promotion short videos, and emergency response drills. All employees actively participated in these activities, and their safety awareness was effectively improved.

- The Company organized various departments to carry out publicity board design activities with the theme of "everyone values safety and knows how to handle emergencies", and created a total of 58 boards.



- A total of 320 teams from various departments and subsidiaries participated in the "Inspection, Prevention, and Promotion" safety hazard investigation activity, with 7,260 participants. A total of 4,185 hazards were identified, and 68 outstanding teams were selected.



- The Company conducted the "Safety Production Douyin Contest", collecting 70 entries and awarding two first prizes, three second prizes, and five third prizes. Two of these entries were selected for the "Taizhan Cup" Douyin Contest organized by the Zichuan District Emergency Management Bureau.
- The Company organized the "Emergency Drill Competition", with 15 teams participating. After evaluation by experts from the Zichuan District Emergency Management Bureau and safety inspection personnel, two first prizes, three second prizes, and five third prizes were awarded.



Safety production emergency management

The Company has established a sound production safety emergency management system and actively carried out emergency response drills to comprehensively improve its capacity for emergency response and accident rescue. For example, it has formulated several response plans such as the Regulations on Emergency Preparedness and Response Management, the Emergency Preparedness and Response for Fire Accidents, the Emergency Preparedness and Response for Hazardous Chemicals Leakage Accidents and the Emergency Preparedness and Response for Natural Gas Leakage Accidents. In 2024, the Company organized each plant to conduct emergency response drills, including 30 special response drills and 266 on-site disposal drills, and carried out a total of 15 "Emergency Rehearsal Training" in the "Safety Production Month" activities. Through various emergency drills, the Company has enhanced the emergency response capabilities of all departments, improving self-rescue and mutual aid abilities to safeguard lives and property.



The Company is conducting an emergency drill

Fire safety management

As a key unit of fire safety, the Company implements the working policy of "prevention first with a combination of fire prevention and firefighting", standardizes fire safety management procedures, strictly implements fire safety management regulations to effectively prevent fire accidents and guarantee the implementation of emergency rescue. In addition, these measures minimize property damage and personnel injury caused by fire occurrence and fire rescuing.

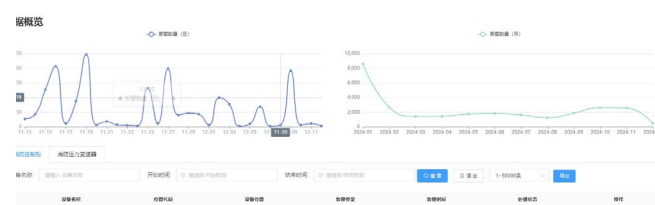
The Company's Security Department conducts targeted annual training sessions on fire safety knowledge, fire extinguishing and evacuation drills, training for key and critical areas, and hands-on training for volunteer firefighters on firefighting equipment. These initiatives aim to raise overall fire safety awareness and enhance emergency response capabilities. Each department strictly adheres to the Hot Work Management System, the Fire Inspection System, and the Electrical Safety Management System to establish a solid fire safety firewall.

Luthai, in collaboration with China Mobile, has developed a 5G Smart Shared Management Platform integrating security and firefighting functions. Through various intelligent features such as AI Engine, Security Monitoring, Park Access Control, Smart Firefighting, and Wireless Intercom, the platform creates an information-sharing and intelligent management system for security and fire protection. This enhances three-dimensional safety management, intelligent emergency support, and coordinated emergency response, improving the efficiency of the Company's fire safety and security management.



Video Monitoring

Wireless Intercom



Smart Firefighting

AI Engine



## Visible fire monitoring

13332.19  
hours

## Fire safety hazard inspection

2708  
itemsEmployee training on critical parts  
protection2388  
trainees

## Fire extinguishing and evacuation drills

270  
sessions

## Test on automatic sprinklers system

11951  
points

## Major fire safety incident

0  
times

Fire safety training



Volunteer firefighter training



Firefighting and evacuation drill



The Company organizes "119 Fire Safety Publicity Month" activities

## Chemical management

## Procurement, storage, and usage management

The Company controls the whole process of procurement, transportation, storage, use and disposal of chemicals, especially for the purchase and use of hazardous chemicals. Moreover, the Company has formulated management systems and regulations such as the Safety Management System for Hazardous Chemicals, the Regulations on the Supervision and Inspection of Hazardous Chemicals, the Safety Management System for the Storage, Handling and Use of Liquid Ammonia, and the Regulations on the Supervision and Inspection of Major Hazard Installations of Liquid Ammonia, prompting each operation to be standardized, detailed and normalized.

- For precursor chemicals and explosive chemicals, the Company strictly complies with national regulations and reports to the public security authorities in a timely manner. The Company establishes a chemical flow ledger and strictly controls the use to prevent the outflow and illegal use of such chemicals.
- Chemical suppliers must possess a business license, production permit, hazardous chemicals registration certificate, and other necessary qualifications before approval, and must sign the Environmental Compliance Declaration.
- When each chemical is first purchased in the year, a complete MSDS list should be requested from the supplier and hung at the chemical usage and storage site.



- Each user department must store chemicals in appropriate quantities according to their properties, establish and improve hazardous chemicals safety management systems and emergency response plans, and assign dedicated personnel for hazardous chemical management with clearly defined responsibilities.



- Factories using chemical products must conduct at least one chemical training session per year to educate employees on the properties and hazards of the chemicals used, as well as emergency handling and self-rescue procedures in case of spills or contact with eyes or skin. Employees are also trained on proper storage and usage.



- Chemical administrators must obtain professional certifications through regular external training.



## Restricted substances control

As the international awareness of environmental protection and product safety grows, the demand for green production and environment-friendly products has become a major trend. Luthai, an international manufacturing enterprise, naturally does not hesitate to keep up with the times and has established a whole process chemical control mechanism.



Source control:

In accordance with the requirements of laws and regulations, standards, instructions, and customers' restricted substances list ("RSL") of each nation and region, the Company has established a chemical approval system and the Manufacturing Restricted Substances List ("MRSL") which is stricter than market regulations/standards. When chemicals for production pass the experiment test, the Company will entrust the third-party testing organization to conduct the test on toxic and harmful chemicals. Only suppliers with test results in conformity with the MRSL are included in the list of qualified suppliers and can then be used for bulk purchase. Meanwhile, the Company strengthens the application of efficient and environment-friendly dyeing auxiliary to eliminate the production of toxic and harmful chemicals from the source.

Production process control:

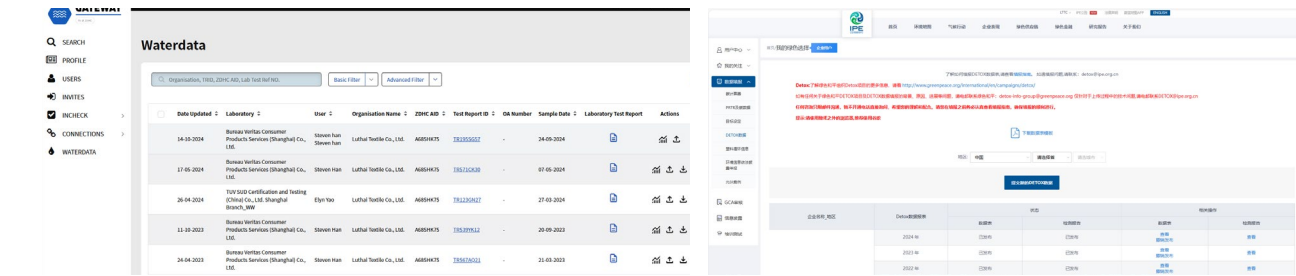
Training is provided to all factories to ensure familiarity with the chemicals in use. For orders with specific customer requirements, only compliant products are used in strict accordance with customer specifications, such as ZDHC Conformity Level 1 or higher dyeing auxiliaries.

Each batch of finished products shall be sent to a professional third-party testing institution for restricted substances safety testing. Only after passing the test and receiving a certificate of compliance from the Quality Management Department can the products be packed and shipped.

Terminal management:

Besides, the Company tests the discharged wastewater and sludge for toxic and harmful chemicals according to the wastewater guidelines of Zero Discharge of Hazardous Chemicals ("ZDHC") twice a year to ensure zero discharge of toxic and harmful chemicals.

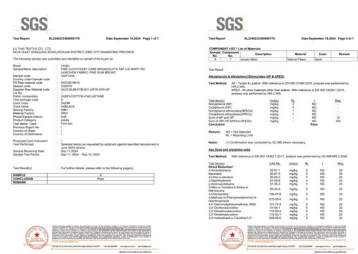
The Company places great importance on the transparency of chemical information and data. It annually discloses Pollutant Release and Transfer Register (PRTR) data on the ZDHC Gateway and the Institute of Public & Environmental Affairs (IPE). Additionally, twice a year, the Company publishes wastewater DETOX emission data. At the same time, the Company communicates and interacts with suppliers, customers, third-party testing organizations, non-governmental organizations and other relevant parties to achieve sustainable improvement of chemicals management.



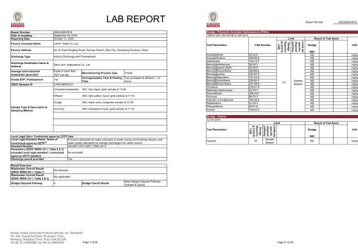
Data Releasing Platform



Chemical Testing



Product Safety Testing



Wastewater and Sludge Testing Report

Luthai Textile Chemical Management

Input management	<b>Management of chemical suppliers</b> Selection of new suppliers Daily evaluation of suppliers On-site audit of suppliers Approval/removal of qualified suppliers · Supplier Quality and Safety Assurance Agreement · Declaration of Environmental Conformity of Chemicals · Declaration of Environmental Conformity for Raw Materials and Auxiliaries	<b>Understand relevant laws and regulations and documents</b> Government Non-governmental organizations Customers and brands	<b>Create a list of concerns on harmful substance</b> Chemicals Textiles Wastewater Sludge	<b>Ways to identify harmful chemicals</b> Compliance screening of Material Safety Data Sheet ("MSDS") Initial identification of harmful chemicals according to the type of auxiliaries Third-party testing Analysis and tracking of testing data
	<b>Management of procurement, storage, use and other aspects of chemicals</b> Safety Management Process of Textile Chemicals Provisions for the Management of Departmental Chemicals Provisions for the Management of Procurement of Sizing Agents, Dyestuffs and Auxiliaries Provisions for the Management of Safety Control for Warehouse Management Department	<b>Process testing and validation</b> Tap water Dyeing drainage Warp sizing drainage Organization of drainage	<b>Green technology</b> Substitution of dyeing auxiliary Reduction of dyeing auxiliary Emission reduction Short process...	<b>Ways to identify harmful chemicals</b> Compliance screening of Material Safety Data Sheet ("MSDS") Initial identification of harmful chemicals according to the type of auxiliaries Third-party testing Analysis and tracking of testing data
Output-end management	<b>Creation of a testing data list</b> Brand customers Chemicals Water quality Sludge Products	<b>Participation in green activities</b> Information disclosure through IPE	Luthai reduces the level of pollutants through efficient chemicals management and good process control. Meanwhile, the Company works together with relevant parties such as major brands in the supply chain, suppliers, chemical industry and non-governmental organizations to reduce the impacts on the environment.	

Supply chain management

Through a new generation of integrated and collaborative platform (ERP system) based on Internet services and technical architecture, the Company has realized the information flow in the whole process from supplier access to purchase warehousing. This has ensured the information flow in all processes of the supply chain, improved the efficiency of raw material supply, and made the purchase process more standardized and transparent.

Supplier management

Supplier onboarding

When selecting suppliers, the candidates are required to possess relevant product qualification certification and have manufactured same or similar products for at least one year with a certain production scale. Priority will be given to suppliers who have obtained authoritative certifications such as the ISO 9001 Quality Management System Certification, the ISO14001 Environmental Management System Certification, the ISO45001 Occupational Health and Safety Management System Certification, the SA8000 Social Responsibility Management System Certification, and the Green Factory Certification.

Before approval, on-site audits are conducted for suppliers to assess whether their production, quality control processes, and social responsibility performance comply with relevant certification standards. Only after product use and testing meet requirements can they be listed as approved suppliers. Prior to procurement and usage, suppliers are required to sign documents such as the Quality Agreement, the Supplier Code of Conduct, and the Environmental Compliance Declaration to protect the Company’s legal rights and interests.

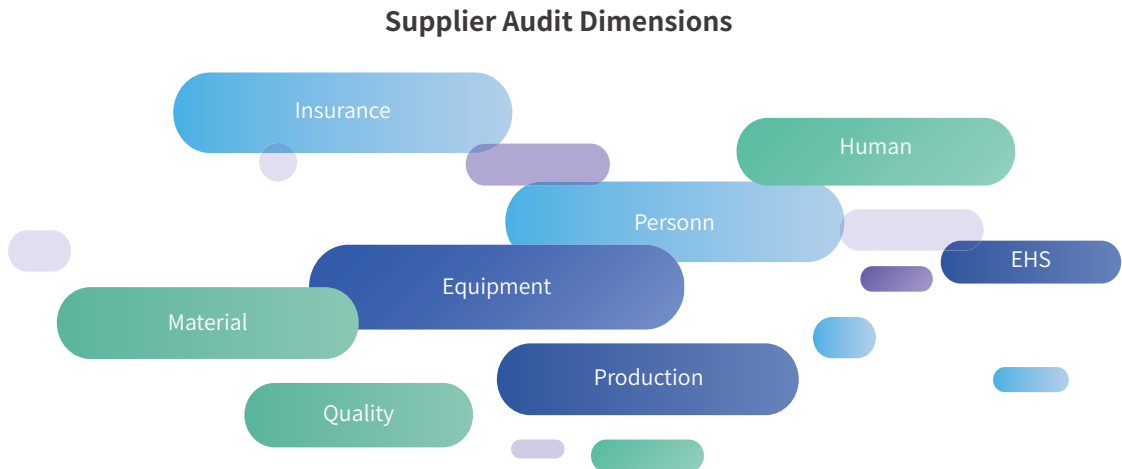




The Company collaborates with suppliers of raw materials, auxiliary materials, and food ingredients of varying scales—from large to small—on the basis of equality and mutual benefit.

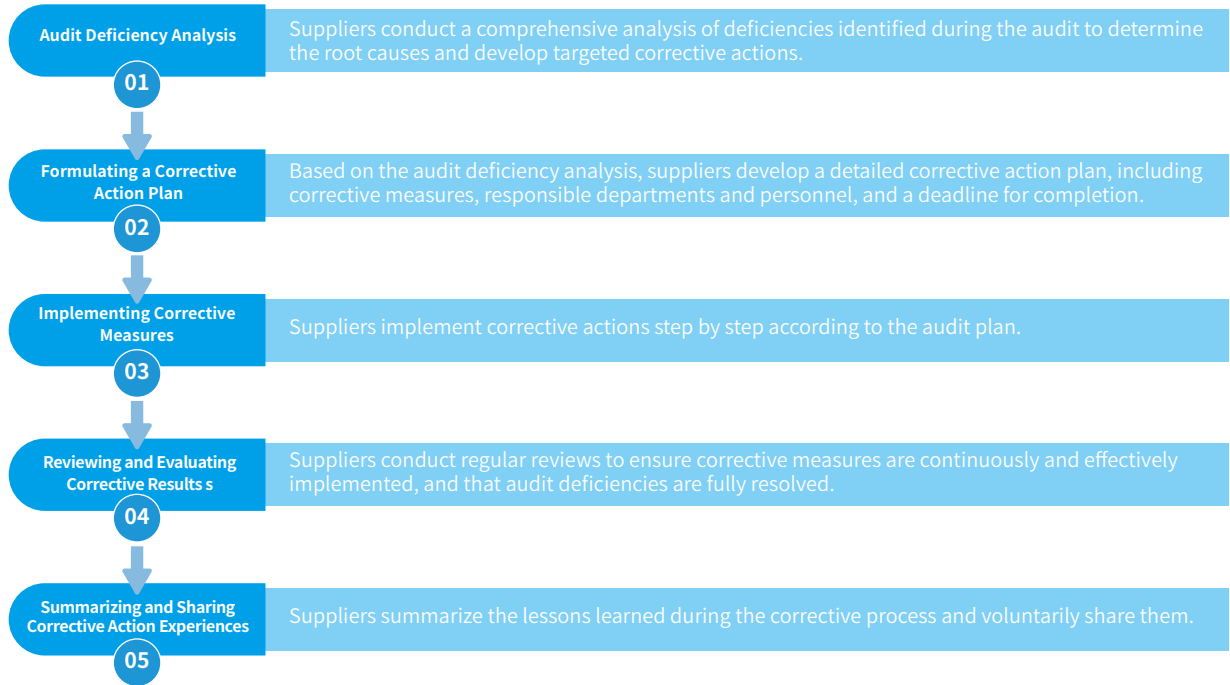
**Routine supplier management**

In daily management, the Company conducts annual surveys on supplier profiles and performs periodic supervision and audits to maintain real-time oversight of their quality and CSR management.



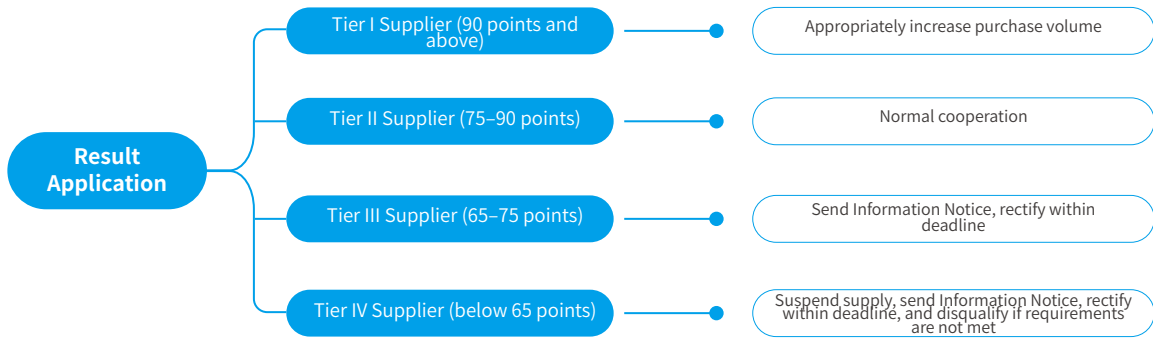
In 2024, a total of 58 suppliers were audited, of which 57 passed and one failed. The annual supplier audit plan was fully completed.

For issues identified during the audits, we supervise suppliers to carry out corrective actions following the process below and continue to monitor progress.



Supplier Audit Report

The Company also conducts semi-annual and annual supplier assessments according to different raw material suppliers, and classifies suppliers based on the assessment results.





供应商	期货(元/吨)	基价(含增值税元/吨)	升贴	交割	升贴	合约	期货	升贴	升贴	基价	期货与基价	总计	评鉴
9.0	4.1	30.0	19.8	13.9	16.7	7.3	0.0	36.4	0.0	89.3	0.0	89.3	0.0
9.0	4.1	30.0	20.0	17.6	20.0	8.0	0.0	36.4	0.0	90.0	0.0	90.0	0.0
9.0	4.5	30.0	19.8	14.9	16.7	8.0	0.0	44.9	38.9	93.8	0.0	93.8	0.0
9.0	4.5	30.0	19.7	8.1	8.0	0.0	0.0	46.1	40.1	96.2	0.0	96.2	0.0
9.0	4.5	30.0	20.0	20.9	20.9	3.5	0.0	44.4	44.4	97.9	0.0	97.9	0.0
9.0	4.0	30.0	20.0	19.2	20.0	8.0	0.0	47.2	41.2	100.0	0.0	100.0	0.0
9.0	4.0	30.0	20.0	22.4	20.0	8.0	0.0	45.8	43.8	100.2	0.0	100.2	0.0
9.0	8.0	30.0	20.0	21.5	20.0	6.9	0.0	38.3	38.3	98.3	0.0	98.3	0.0
9.0	8.0	30.0	20.0	21.2	20.0	7.7	0.0	38.3	38.3	98.3	0.0	98.3	0.0
9.0	8.0	30.0	19.9	19.1	9.5	5.0	0.0	40.0	34.0	91.9	0.0	91.9	0.0
9.0	8.0	30.0	27.6	6.9	10.0	12.5	0.0	22.6	6.6	91.0	0.0	91.0	0.0
9.0	8.0	30.0	20.0	19.0	19.0	0.0	0.0	25.0	6.0	91.0	0.0	91.0	0.0
9.0	8.0	30.0	20.0	19.0	19.0	9.4	0.0	24.9	6.0	90.4	0.0	90.4	0.0
9.0	8.0	30.0	20.0	19.0	19.0	13.6	0.0	25.0	6.0	90.4	0.0	90.4	0.0
9	6.0	30.0	30.0	0.0	0.0	15.0	0.0	15.0	0.0	88.0	0.0	88.0	0.0
9.0	6.0	30.0	29.3	6.0	29.0	15.0	0.0	25.0	6.0	95.3	0.0	95.3	0.0
9.0	6.0	30.0	29.6	6.0	29.0	15.0	0.0	25.0	6.0	95.6	0.0	95.6	0.0
9.0	6.0	30.0	29.7	6.0	29.0	14.6	0.0	25.0	6.0	95.3	0.0	95.3	0.0
9.0	6.0	30.0	29.7	6.0	29.0	15.0	0.0	25.0	6.0	94.7	0.0	94.7	0.0
9.0	6.0	30.0	29.7	6.0	29.0	15.0	0.0	25.0	6.0	94.7	0.0	94.7	0.0
9	6.0	30.0	30.0	0.0	0.0	15.0	0.0	25.0	6.0	96.0	0.0	96.0	0.0
9	6.0	30.0	30.0	0.0	0.0	14.8	0.0	24.8	6.0	95.8	0.0	95.8	0.0
9	6.0	30.0	28.5	0.0	0.0	14.6	0.0	24.6	6.0	94.1	0.0	94.1	0.0
9	6.0	30.0	28.2	0.0	0.0	14.1	0.0	24.1	6.0	94.3	0.0	94.3	0.0
9	6.0	30.0	29.4	0.0	0.0	14.1	0.0	24.1	6.0	94.5	0.0	94.5	0.0
9	6.0	30.0	29.0	0.0	0.0	14.1	0.0	24.1	6.0	95.1	0.0	95.1	0.0
9	6.0	30.0	29.0	0.0	0.0	14.1	0.0	24.1	6.0	95.1	0.0	95.1	0.0
9	6.0	30.0	29.0	0.0	0.0	14.1	0.0	24.1	6.0	95.1	0.0	95.1	0.0

## Categorized Evaluation

[illegible]

## Supply Chain Quality Improvement

01

Develop and implement a supplier audit plan to emphasize our specific requirements for suppliers in various aspects through audits. Require suppliers to promptly rectify issues identified during audits. Audit results serve as key factors in the supplier's annual comprehensive assessment and directly impact the allocation of procurement shares for the following year.

02

Share the latest management concepts and best practices with suppliers, gather their feedback and suggestions, and collaborate on addressing quality issues.

03

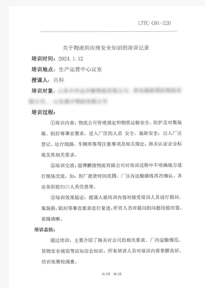
Communicate Luthai' s quality philosophy and requirements, provide technical guidance and training to help suppliers enhance their quality management, and encourage them to obtain relevant system certifications.

04

Collaborate with suppliers on innovative product development to achieve mutual benefits.

## Case

At the beginning of the year, the Company provided systematic training on in-factory transportation and operational safety for its partnered logistics companies.



## Procurement management

In terms of procurement, whether to invite bids is determined based on different materials and the annual procurement amount. If bidding is required, the Bidding Office will conduct publication and assessment to select winning bidders. The Procurement Department drafts contracts based on the bidding documents and the bid documents of the winning bidder, and conducts subsequent procurement after being reviewed by the Legal Affairs and approved by the President. For those that do not require bidding, the Procurement Department selects suppliers from the List of Qualified Suppliers, conducts price inquiries and comparisons, confirms purchasers, and proceeds with subsequent procurement work.

For dyeing aids, raw cotton, and yarn, we prioritize products certified by Bluesign, GOTS/OCS, and GRS. We continue to promote the use of recycled polyester, recycled nylon and recycled cotton to improve resource utilization.

Procured materials are subject to full inspection or random sampling inspection based on category, ensuring that non-conforming inputs are controlled at the source.

## Warehouse management

The Company has designated warehouses for storing raw cotton, yarn, chemicals, and other materials, strictly following relevant regulations and maintaining appropriate environmental conditions and temperatures for different raw materials.



Each batch of incoming materials undergoes an appearance inspection and internal quality sampling test before being accepted into storage. A material inventory ledger is maintained, and material requisition follows a "receipt-based requisition" system. The material flow and stock levels can be monitored in real-time through the inventory management system.

## Internal control

The internal control evaluation is carried out by the Audit Department of the Company every year, so as to timely identify the loopholes and risks in the supplier management procedure, which lays a solid foundation for the building of a responsible supply chain.

The main contents of internal control evaluation include

Whether a reasonable supplier evaluation and access system is established to examine the authenticity and legitimacy of the suppliers' qualification and reputation.

Whether the suppliers are selected according to the principle of fair and just competition, and the quality assurance agreement is signed with the suppliers on the basis of effectively preventing the risk of fraud.

Whether the supplier management system and supplier elimination system are set up, so as to conduct real-time management, assessment and evaluation on the quality, price, delivery timeliness, supply conditions, qualification and reputation, operating status of materials or services provided by suppliers, and to make reasonable selection and adjustments to suppliers based on the assessment results.



## Energy Conservation and Environmental Protection/Advancing Green and Low-Carbon Development

With the development of the economy and the advancement of technology, global issues such as resource scarcity and climate change have become increasingly urgent. Promoting green and low-carbon development has become a consensus and action for countries around the world to address resource and environmental issues and promote sustainable development. As a green pioneer and initiator of the Green Manufacturing Alliance in the global textile industry, Lu Thai has always adhered to the sustainable development path of "green, low-carbon, and environmentally friendly", followed the economic growth model of "resources - products - renewable resources", and insisted on the operating principles of "reduction, reuse, and recycling". Based on low-carbon and environmentally-friendly raw materials, the Company has promoted the upgrades of equipment in terms of energy conservation and environmentally friendly, and achieved the research and application of green processes, assisting the world in achieving a win-win supply chain ecosystem and sustainable human development.

UN Sustainable Development Goals



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## Environmental management indicators achievement

### Luthai Environmental Management Achievements in 2024

#### Data related to wastewater and sewage

Indicator (Unit)	2020	2024	Reduction Compared to the Baseline Year
COD (Chemical Oxygen Demand) in discharged wastewater (ton)	349	248	28.94%
Ammonia nitrogen content in discharged wastewater (ton)	9	3	66.67%
Industrial wastewater discharge (10,000 cubic meters)	305	291	4.59%

#### Air pollutant emissions

Indicator (Unit)	2020	2024	Reduction Compared to the Baseline Year
Sulfur dioxide in emitted exhaust gas (ton)	0.5	0.2	60%
Nitrogen oxides in emitted exhaust gas (ton)	4.5	0.5	88.89%

#### Waste discharge

Indicator (Unit)	2020	2024	Reduction Compared to the Baseline Year
Hazardous waste generation (ton)	51	36	29.41%
Non-hazardous waste generation (sludge) (ton)	14,552	11,420	21.52%

#### Energy consumption density

Indicator (Unit)	2020	2024	Reduction Compared to the Baseline Year
Greenhouse gas emission intensity (tCO <sub>2</sub> e per million revenue)	105.8	49.9	52.8%
Total energy emission density (tons of standard coal per million revenue)	17.5	12.9	26.3%

Note: The baseline year for the above data is 2020.



## Addressing climate change

Climate change is not only an environmental issue, but also a development issue. As a global textile enterprise, Lu Thai actively regards addressing climate change as an important action for sustainable development, vigorously promoting energy conservation and carbon reduction in production and operation, and contributing to global climate governance.

### Risk analysis and response measures

The Shared Socioeconomic Pathways (SSPs) are a powerful tool introduced by the Intergovernmental Panel on Climate Change (IPCC) in 2010 to describe global socioeconomic development scenarios. SSPs were developed based on Representative Concentration Pathways (RCPs) and are used to quantitatively describe the relationship between climate change and socioeconomic development pathways, reflecting the adaptation and mitigation challenges that future societies may face in response to climate change.

The SSP2 pathway is the most aligned with China's current development status. The Group's scenario analysis includes an optimistic climate change scenario, where warming remains below 2°C—SSP 1-2.6 (with a projected 1.8°C increase by 2100 compared to pre-industrial levels), as well as a pessimistic climate change scenario, where warming exceeds 4°C—SSP 5-8.5 (with a projected 4.5°C increase by 2100 compared to pre-industrial levels).

### Impact analysis of risks and response measures

Based on our preliminary assessment of risk factors and consideration of the impacts of a low-emission scenario (1.8°C) on carbon pricing, renewable energy generation, and other transitional climate effects, as well as the impacts of a high-emission scenario (4.5°C) on physical risk factors, we have selected the following climate-related risk factors for further analysis and have outlined the corresponding response measures.



Risk Type	Risk Name	Risk Description	Risk Impact	Responses
Immediate risks	Extreme weather (Typhoons, floods, heavy rain)	<p>The Group’ s production bases are located in the East China region, where extreme weather events caused by climate change include but are not limited to typhoons, heavy rainfall, droughts, and floods. Under a global 1.5° C warming scenario, the frequency of once-in-20-years heavy precipitation events is expected to increase by 10%, while the frequency of once-in-100-years heavy precipitation events is expected to increase by 20%. Under a 2° C warming scenario, the frequency of once-in-20-years heavy precipitation events is projected to increase by 22%, and the frequency of once-in-100-years heavy precipitation events is expected to rise by more than 45%.</p>	<p>Natural disasters such as heavy rainfall, floods, and severe typhoons may have lasting effects on the Group. During extreme weather events, the transportation of raw materials and products may be disrupted, employee commuting may become difficult, and risks such as power outages, water supply interruptions, and steam supply disruptions may arise. For example, typhoons may lead to production halts and property damage. Additionally, during the rainy season, red rainstorm warnings may result in obstructed material transportation, difficulties in employee commuting, damage to company buildings and equipment, affecting production schedules and increasing facility maintenance costs.</p>	<p>Formulate "Production Safety Accident Emergency Plan," to establish an emergency command system, set up an emergency office, and clarify emergency personnel and responsibilities to achieve a rapid response to extreme weather. The Emergency Command Team is responsible for command operations and works with the production department to organize personnel for safety inspections of key facilities and equipment, while the logistics department ensures material support.</p> <p>Before extreme weather: Monitor weather changes closely, conduct safety inspections, and rectify hazards promptly. Prepare protective devices and emergency equipment in advance, ensure readiness of emergency teams and power supply, plan employee commuting arrangements, material and product transportation, and schedule production and shipments in advance.</p> <p>During extreme weather: Reduce production on typhoon/heavy rainfall days, halt outdoor operations, suspend work as needed, assign personnel to monitor weather conditions in real-time, prioritize employee safety, and ensure emergency supplies are adequate.</p> <p>After extreme weather: Conduct damage assessments immediately, draw lessons from the event, minimize losses, and accelerate production recovery.</p> <p>Strengthen fixed asset management: Conduct regular inspections and maintenance of production equipment and facilities, purchase property insurance for assets in high-risk areas, and implement additional protective measures to reduce losses from uncontrollable risks.</p> <p>Regularly analyze supplier risks, develop stocking strategies for key raw materials, optimize transportation methods and routes for critical raw materials, and enhance supplier relationships to ensure supply chain stability.</p> <p>Utilize a purified water system to ensure the safety of production water and conduct regular quality testing for domestic and drinking water.</p>
	(Heatwaves, cold waves)	<p>A cold wave occurs when cold air causes a local temperature drop of more than 8° C within 24 hours, with the daily minimum temperature falling below 4° C. A heatwave is defined as a period of three or more consecutive days with maximum daily temperatures reaching or exceeding 35° C. Due to human activities, the probability of cold waves has decreased to some extent, but their intensity has shown an increasing trend. Cold waves may cause sharp temperature drops, strong winds, rain, snow, and freezing conditions, affecting the Group’ s raw material production, logistics, and power operations. At the same time, heatwaves and compound extreme events (such as heavy precipitation followed by heatwaves) are becoming more frequent and intense under global warming. The increased electricity demand for residential cooling during heatwaves may result in industrial electricity restrictions for businesses during certain periods.</p>	<p>Under extreme heat conditions, the Group may need to enhance ventilation and cooling in production plants and offices, leading to increased energy consumption and operational costs. Additionally, electricity demand surges may cause power transmission disruptions, affecting normal production.</p> <p>Under extreme cold conditions, the Group may need to increase heating in production facilities and offices, resulting in higher energy consumption and operational costs. Frozen roads due to cold weather may disrupt material transportation, leading to insufficient raw material supply and direct production delays or shutdowns. Dry weather conditions may increase the risk of fires, explosions, leaks, and poisoning incidents. Extremely low temperatures may cause equipment failures, leading to property damage and higher facility maintenance costs. Furthermore, cold waves and heatwaves may increase the prevalence and severity of cardiovascular diseases, malaria, and heatstroke, posing health risks to employees.</p>	<p>Prepare peak-load shifting electricity usage plans and work arrangements in advance during peak electricity demand periods.</p> <p>Develop backup energy solutions and pre-establish energy emergency response plans.</p> <p>Schedule hazardous materials shipments in summer for early morning or late afternoon to avoid high-temperature periods and reduce fire risks.</p> <p>Regularly assess supplier risks, develop stocking strategies for key raw materials, and strengthen supplier relationships.</p> <p>Implement protective measures, provide appropriate personal protective equipment, enhance warning signage, conduct specialized inspections of boilers, steam systems, and other equipment, and check slippery areas such as staircases, ramps, and crossings.</p> <p>Develop emergency response plans to prevent fires, explosions, leaks, and poisoning incidents.</p> <p>Ensure factory buildings and fire protection facilities are insulated to prevent equipment damage from freezing.</p> <p>Enhance winter safety training to ensure operational safety and conduct safety inspections of employee dormitories.</p> <p>Prepare heatstroke prevention and cooling supplies in summer and minimize outdoor work.</p> <p>Include high-temperature emergency response training in employee programs and conduct drills for heatstroke and other heat-related illnesses.</p> <p>Continuously monitor employee health and conduct regular medical check-ups.</p>



Risk Type	Risk Name	Risk Description	Risk Impact	Responses
Long-term risks	Water scarcity	The Group’ s production process requires large amounts of water, which is used in dyeing and finishing, printing, and equipment cleaning. As global water scarcity worsens, particularly in drought-prone and water-stressed regions, water shortages pose an increasing risk to the stability of textile production and cost management.	The Group's water sources include municipal tap water. Water shortages may force reductions in production capacity, temporary shutdowns, or the adoption of additional water management measures such as water recycling and water-saving technologies. This may lead to higher production costs or lower operating revenue.	<div>Set reasonable water conservation targets and implement improvement measures.</div> <div>Establish water conservation goals, reduce freshwater consumption, and increase wastewater reuse.</div> <div>Develop a comprehensive water resource management system and assessment framework.</div>
	Rising average temperature	According to the China Meteorological Administration’ s Global Surface Temperature Dataset Analysis, global warming has continued since 2015, with records for the hottest year on record being repeatedly broken. The rise in average temperature due to global climate change may bring multiple challenges to textile enterprises, including production activities, raw material supply, product quality control, and employee health and safety. Temperature changes may impact fabric and apparel production processes, storage conditions, and supply chains.	Temperature variations may affect the stability of certain chemical reagents, requiring adjustments to production parameters or additional temperature control measures, thereby increasing production costs. Rising temperatures necessitate enhanced ventilation and cooling in production plants and offices, leading to higher energy consumption and operational costs. Additionally, increased temperatures may raise the likelihood of heat-related illnesses such as heatstroke, reducing workforce productivity.	<div>Implement energy-saving renovations for air conditioning and ventilation systems in production facilities and offices to improve energy efficiency.</div> <div>Provide adequate heat protection materials for employees in summer and conduct annual health check-ups.</div> <div>Include high-temperature response training in employee programs and conduct emergency drills for heatstroke and other heat-related illnesses.</div> <div>Avoid outdoor work during midday high-temperature periods to ensure safe production.</div> <div>Plan peak-load shifting electricity usage in advance.</div>
Policy & regulatory risks	Increase in carbon emission pricing	Carbon emission rights refer to the legal right of enterprises to emit greenhouse gases, with each company being allocated a certain quota by the government. Although the Group is not currently covered under China’ s national carbon emissions trading system, in a low-emission scenario, if the country continues to implement stricter emission reduction policies and introduces carbon trading policies for the textile industry, the Group may be included in the carbon quota trading market. As a result, the Group’ s production facilities may need to adopt more aggressive emission reduction measures or participate in carbon trading to ensure compliance with greenhouse gas emission regulations.	As carbon emission pricing rises, the Group's carbon trading expenditures may continue to increase, impacting its financial performance. Moreover, higher carbon pricing significantly affects the power and chemical industries, potentially leading to rising energy prices or raw material shortages, which would indirectly increase the Group's operating costs.	<div>Establish a greenhouse gas emission management framework, set energy-saving and carbon reduction targets, and gradually reduce carbon emissions intensity and total emissions. Form an Energy Saving and Emission Reduction Task Force to conduct self-assessments and optimize reduction measures. Additionally, require department and workshop managers to identify high-power equipment and major pollution sources, document findings, and further analysis and improvement to ensure that, beyond meeting the Group’ s emission reduction targets, emissions are further minimized.</div> <div>Strengthen energy efficiency management across production operations, including reviewing energy-consuming equipment and energy use, replacing high-energy-consuming equipment with energy-efficient alternatives, upgrading high-energy equipment, and optimizing production equipment to improve energy efficiency and reduce greenhouse gas emissions.</div> <div>Promote resource recycling by installing recovery systems (e.g., reclaimed water reuse, ammonia recovery, alkali recycling).</div> <div>Improve energy structure by increasing the use of clean and renewable energy (e.g., expanding photovoltaic power generation projects) and reducing reliance on traditional fossil fuels.</div> <div>Enhance training and awareness programs to improve employee energy-saving awareness and operational efficiency, preventing unnecessary energy waste.</div> <div>Strengthen energy management and assess energy consumption in production workshops.</div> <div>Improve production technology to enhance improve the first pass rate of products, thereby reducing raw material and energy consumption per unit product.</div> <div>Adopt green operations by promoting paperless offices to reduce greenhouse gas emissions from business activities.</div>



## Low-carbon practices

### Photovoltaic power generation projects

As of 2024, the Company's installed solar photovoltaic power generation facilities have supplied a total of 70.26 MW grid-connected electricity, accounting for **13%** of the annual electricity consumption within the total installation scope, reducing carbon dioxide emissions by approximately **78,000 tons**.



Photovoltaic power generation across all industrial parks

### Application of low-carbon technologies



The Company's magnetic levitation fan integrated energy-saving technology has achieved a promotion rate of over **80%**.

Maglev centrifugal blowers

## Resources management

Luthai integrates sustainable development principles into the entire production and operational process, continuously strengthening resource management and adhering to green development concepts. We strictly comply with the Energy Conservation Law of the People's Republic of China, the Water Law of the People's Republic of China, and the Law of the People's Republic of China on the Promotion of Clean Production, among other relevant laws and regulations, and have established an energy management system.

The Company has formulated the General Resource Utilization Management Process and the Environmental Operation Management Regulations as the Group-wide guidelines for resource utilization management, which all entities within the Group must strictly follow. Additionally, each production plant has developed and implemented its own Resource Management System and Energy Conservation and Emission Reduction Management System in accordance with its specific operational conditions. These systems facilitate standardized and systematic resource utilization management, significantly enhancing resource efficiency.

Furthermore, the Company has set annual water conservation and energy consumption targets. By improving management practices and upgrading technologies, we continuously optimize resource utilization methods, conduct regular audits of resource consumption, and enhance overall resource efficiency to ensure the achievement of sustainability goals.

## Energy management



Energy system optimization and upgrades

We are conducting energy-saving upgrades for electromechanical equipment, researching and promoting upgrades for fans and pumps, implementing systematic electricity-saving projects, and accelerating equipment renewal and replacement, and prioritizing the adoption of energy-efficient equipment.

We have implemented optimization and upgrades for the steam pipeline network, enhancing steam condensate recovery and utilization. Additionally, we have carried out a softened water preheating modification project to further advance waste heat recovery, enabling an annual steam savings of nearly **20,000 tons**.

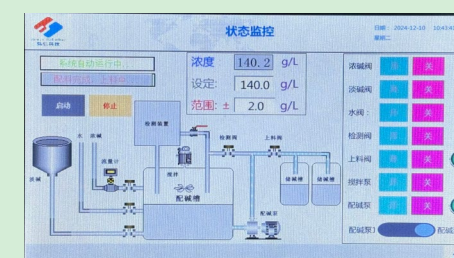


Waste heat recycling

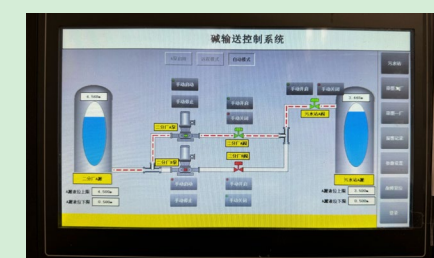


Liquid ammonia recycling

More than **99%** of liquid ammonia is recycled through the separation of oil and ammonia and that of oil and water during product processing.



Alkali balance reuse



Following the alkali recovery project, the Company launched the alkali balance reuse project this year to promote waste resource utilization and green, low-carbon practices. This initiative eliminates the high-energy consumption multi-effect evaporation recovery model by balancing alkali production and usage. In Phase I, the alkali recovery diluted alkali storage tanks were connected to the wastewater treatment facility to substitute diluted alkali for concentrated alkali, ensuring alkali availability at the wastewater treatment station. In Phase II, the Company installed in-workshop alkali blending and reuse devices, where diluted alkali is filtered and purified, then blended with concentrated alkali to produce standard alkali, which is then reused in desizing and scouring alkali-consuming machines. Both project phases have achieved automated control, gradually replacing multi-effect evaporation alkali recovery equipment to reduce energy consumption. The project saves RMB1,579,000 annually.



## Resource management

Lu Thai Textile actively conducts water resources management and makes more efforts in the recycling of water resources. Through water treatment and recycling, water conservation planning, and other measures, the Company minimizes tap water consumption, alleviating regional water supply pressures and serving as a benchmark example in the industry.

### Water conservation

The company's energy and water saving targets and breakdown table for 2024

Department	Energy saving target(tons of standard coal)	Water saving target (m <sup>3</sup> )
spinning	81	77
Bleaching and dyeing	91	8374
weaving	64	266
Fabric inspection	0	20
Finishing	188	2979
Inspection and packing	0	16
Garment production	4	229

The Company has established a long-term mechanism for water conservation, formulated plans for unit water consumption and annual water conservation targets, assigned and implemented water conservation goals to each section and working team and clarified responsibilities for all levels.

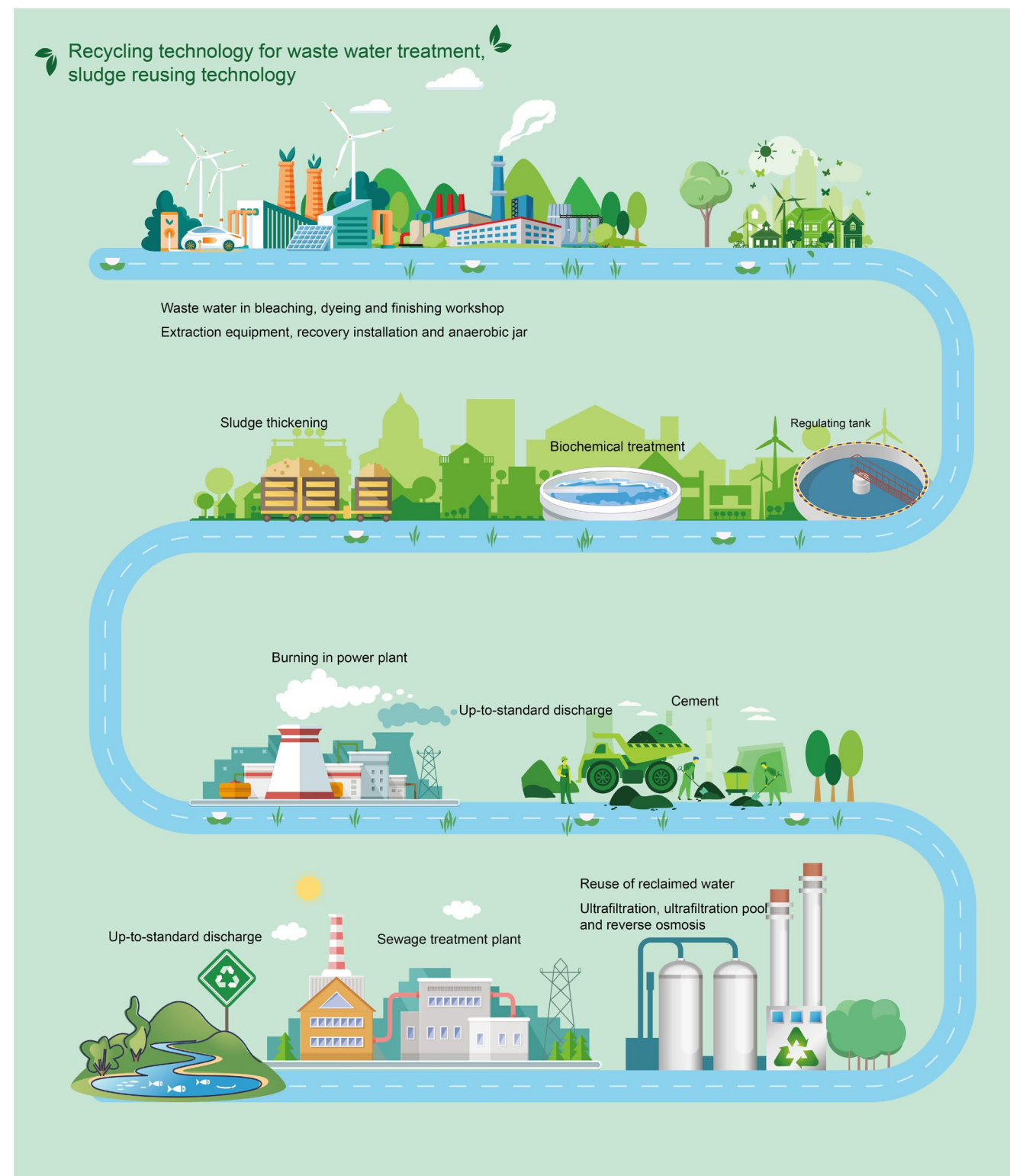
In 2024, with the Company's own wastewater treatment plant, the Group's reclaimed water manufacturing equipment had a design capacity of 20,000 tons/day, and the use rate of reclaimed water in the Group's major water-consuming plants was as high as more than 52%.

### Sewage treatment

The Company has established four plant wastewater treatment stations and one municipal wastewater treatment plants. The plant wastewater treatment stations adopt the A2O methods, and the quality of the discharged water is below the concentration limit for indirectly discharged water specified in the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012) and compliant with the requirements in the Announcement on Adjusting the Implementation Requirements for Some Indicators of GB4287-2012. The municipal wastewater treatment plant adopts a technique that integrates "hydrolysis and Orbal oxidation ditches" and has a capacity of treating approximately 120,000 cubic meters of wastewater every day into water with a quality that is better than the A standard of Level 1 specified in the Discharge Standard of Pollutants for Municipal Wastewater treatment Plant (GB18918-2002).



### Water footprint tracking



The Company adheres to water footprint tracking, monitoring water consumption in both production and daily operations to control water usage and minimize waste.



## Atmospheric pollutant management



The Company actively conducts atmospheric pollutant management to lessen the environmental burden brought by its production and operation to the society as much as possible. During this Reporting Period, in the factory-bound fugitive exhaust gas, the concentration of hydrogen sulphide was 0.005 mg/m<sup>3</sup>, that of ammonia was 0.08 mg/m<sup>3</sup>, that of particulate matter was 0.28 mg/m<sup>3</sup>, that of non-methane hydrocarbon was 1.3 mg/m<sup>3</sup>, and that of odor was 13 (dimensionless). This is better than the discharge standard, which specifies that the concentration limit for hydrogen sulphide is 0.06 mg/m<sup>3</sup>, that for ammonia is 1.5 mg/m<sup>3</sup>, that for particulate matter is 1.0 mg/m<sup>3</sup>, that for non-methane hydrocarbon is 2.0 mg/m<sup>3</sup> and that for odor is 16 (dimensionless).

## Waste management

The Company temporarily stores and disposes hazardous waste that it generates in strict compliance with the Directory of National Hazardous Wastes and the Standard for Pollution Control on Hazardous Waste Storage. It manages hazardous waste in different categories separately by establishing hazardous waste storehouses and corresponding supporting facilities, while it hires qualified hazardous waste disposal agencies to transfer hazardous waste and prohibits the appropriation of hazardous waste. The main hazardous waste generated in the production and operation of the Company includes waste oil, waste oil barrels, waste paint buckets, waste detergent barrels, liners contaminated by chemical dyes, waste lead-acid batteries, laboratory waste liquid, etc.; the main non-hazardous wastes brought by the production and operation is the sludge.



**In 2024,**

Company processed **36 tons** of hazardous waste and **11,420 tons** of non-hazardous waste.

## Biodiversity protection

Luthai Textile is committed to biodiversity conservation and strictly complies with the Forest Law of the People's Republic of China, the Regulations on the Implementation of the Forest Law of the People's Republic of China, the Forest Logging and Regeneration Management Measures, the Regulations on the Protection of Wild Plants of the People's Republic of China, the Wildlife Protection Law of the People's Republic of China, as well as the United Nations Convention on Biological Diversity, and other biodiversity-related laws, regulations, and international conventions.

To protect biodiversity, we assess the dependence and impact of our business operations on natural resources, organize tree-planting activities for employees, promote paperless offices, and continuously work to reduce the negative impact of our operations on biodiversity. We actively promote sustainable use of natural resources and contribute to ecological balance maintenance.



March 12 marked the 46th National Tree Planting Day in China. The Company's Youth League Committee organized Youth League representatives and young volunteers from various departments to participate in a tree-planting event hosted by the Zichuan District Communist Youth League Committee. Employees personally planted saplings, not only adding vibrant greenery to the bright March landscape but also embodying the concept of ecological protection and harmonious coexistence through their actions.

The Company's Information Department launched the Centralized Printing and Paperless Project. In 2024, this initiative helped departments save a total of 76,500 sheets of printing paper.





## Employee's Rights and Benefits/ Building a Harmonious Workplace Together

Employees are the driving force and innovation source of companies. Discovering the potential and stimulating the ownership spirit of employees is the key to the success of enterprises. Lu Thai Textile implements a humanistic culture centered on caring employees, meeting their needs to the greatest extent possible while ensuring that employees have a healthy and safe workplace. We provide employees with a platform to show themselves and improve their abilities, consolidate their knowledge and skills, enrich their leisure life, and assist employees in solving difficulties. We truly care for and love our employees.

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## Respect and equality

Luthai Textile has always adhered to the principle of equal and friendly employment. It strictly complies with the laws, regulations, and requirements of regulatory authorities of the countries where it operates, and actively supports the international conventions, including the International Covenant on Economic, Social and Cultural Rights and the Elimination of Discrimination in respect of Employment and Occupation, so as to build an equal, friendly occupational platform for employees.

The Company believes that talents are the basis for the operation and sustainable development of companies. As to the recruitment and retention of talents, the Company adheres to the "all-inclusive" concept, accepts all talents, and promises not to determine employees' salary and rank based on their gender, age, nationality, ethnicity, religion, color, language, domicile place and other personal characteristics unrelated to work. The Company respects the rights of every employee, and provides equal and free development space for every employee.



01 Recruitment is conducted without discrimination based on gender, race, nationality, or other factors.



02 The Company is committed to ensuring that gender, beliefs, ethnicity, and other non-work-related factors do not influence employees' salaries or promotions.

03 A fair competition mechanism is adopted for promotion. The performance, abilities, and potential of employees will be considered to select the best ones.

### Employee diversity

Indicator (Unit)	2022	2023	2024
Employee diversity			
Total number of incumbent employees (person)	23,028	22,850	23,988
Total number of male employees (person)	9,736	9,317	10,432
Proportion of male employees (%)	42	41	43
Total number of female employees (person)	13,292	13,533	13,556
Proportion of female Employees (%)	58	59	57

Indicator (Unit)	2022	2023	2024
Employee age			
Total number of employees aged under 30 (person)	9,866	9,671	9,814
Proportion of employees aged under 30 (%)	43	42	41
Total number of employees aged above 30 (person)	13,162	13,179	14,174
Proportion of employees aged above 31 (%)	57	58	59
Education background of employees			
Bachelor or above (person)	1,400	1,319	1,555
Junior college (person)	4,523	3,726	4,517
High school or below (person)	17,105	17,805	17,916
Nationality			
China (%)	54	51	46
Foreign employees (%)	46	49	54

### Caring for female employees

The Company always pays attention to the rights and development of female employees and always puts special protection for female employees into practice. Therefore, the Company has formulated the Management Procedure for Protecting Female Employees, carried out various publicity, education, and entertainment activities to promote the physical and mental health development of female employees, enhance their confidence in overcoming the dual pressures of work and life, and enable them to maintain a good state in professional competition.

#### Measures taken:

- The Company has refused gender discrimination, and recruited females under equal conditions.
- The Company has ensured career development of female employees, and provided broader development space for female employees.
- The Company has established a female employees' committee to assist female employees in solving their difficulties of life and work, and safeguarding their rights and interests
- A psychological counseling room has been established, and in 2024, a total of 27 exchange and discussion sessions were organized for female employees.
- In 2024, 16 training sessions were conducted for female employees, with approximately 1,000 participants. The training primarily consisted of offline classroom sessions covering women' s health, maternal and child care, and mental health awareness, along with specialized training for female-oriented activities. The content was designed to meet the practical needs of women, making it well-received among female employees.
- Various activities such as reading, writing, painting, paper-cutting, and pastry-making were organized to enhance the overall skills of female employees, with prizes awarded to outstanding participants.
- Maternity rest rooms were set up to provide comfortable and convenient resting spaces for expectant mothers, with four of these facilities recognized at the district level.
- In 2024, a total of 2,611 married female employees underwent health check-ups, with total examination costs exceeding RMB70,000.

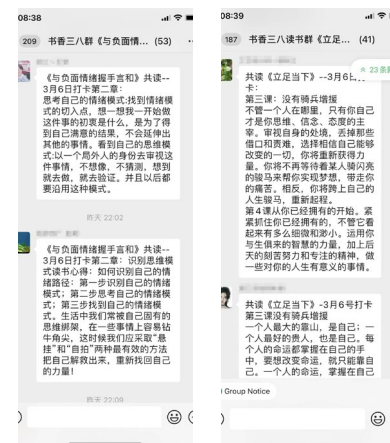




Mental consultation room



Mom's cabin



Series of Activities on the International Women's Day on March 8



Cultural and recreational activities



Awareness campaigns and knowledge training



Physical examination for female employees



# Human rights and labor

## Compensation and benefits

The Company has established a comprehensive compensation and benefits system, providing employees with basic pension insurance, medical insurance, work-related injury insurance, and unemployment insurance in accordance with the law. Employees are also entitled to paid annual leave, home leave, marriage leave, maternity leave, work-related injury leave, and other benefits in line with national standards. The Company actively enhances employee communication channels by establishing and improving mechanisms such as labor unions, employee representative meetings, and grievance procedures, allowing employees to voice their concerns and suggestions regarding compensation and benefits, ensuring the effective protection of their rights.

Indicator (Unit)	2022	2023	2024
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Signing rate of collective bargaining agreement (%)	100	100	100

Luthai Textile’s compensation system consists of hourly wage and piece-rate wage structures, with salaries balanced according to job roles. Based on this, the Company continuously improves salary structures and refines performance standards to maximize employee earnings.

### Equity incentive program

To further establish and enhance the Company’s operational mechanisms, improve the incentive and restraint system, fully mobilize employees' enthusiasm, and inspire the motivation and creativity of the Company’s and subsidiaries’ management teams and core technical (business) personnel, Luthai Textile has implemented two phases of equity incentive plans for directors, senior management, middle management, and core technical (business) personnel.

The 2011 Restricted Stock Incentive Plan granted restricted stock to 344 participants, totaling 14.09 million shares. This included 16 directors and senior executives (1.6 million shares), 161 core management personnel (9.64 million shares), and 167 technical and business backbone employees (2.85 million shares). This plan was fully implemented in 2014.

The 2021 Restricted Stock Incentive Plan initially granted restricted stock to 750 participants, including 11 directors (excluding independent directors) and senior executives, and 739 middle management and core personnel. An additional reserved grant was issued to 343 participants, including seven senior executives and 336 middle management and core personnel. The initial and reserved grants under this plan amounted to 24,285,000 shares and 5,838,000 shares, respectively. This plan was fully implemented in 2024.

## Human rights protection

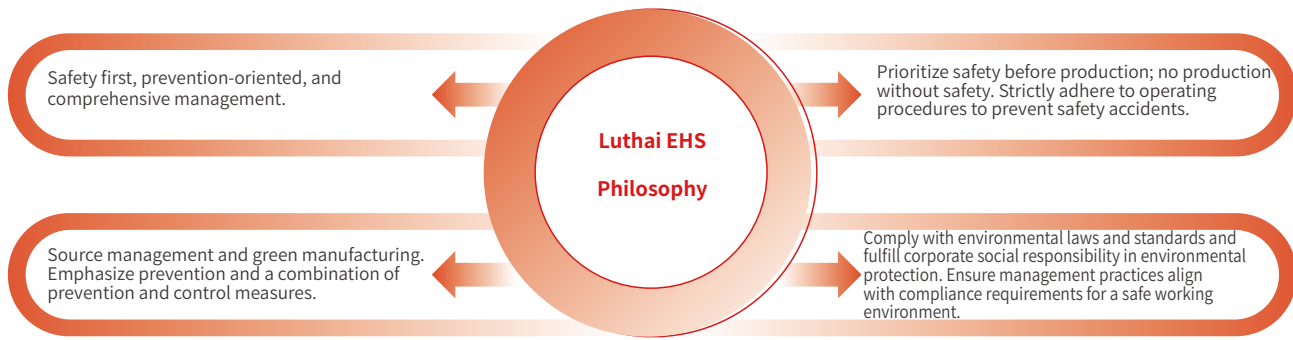
- ◆ In interview process, the Company actively examines identity cards, diplomas, etc., to prevent child laborers or underage workers who have not finished legal compulsory education from being recruited by mistakes.
- ◆ The Company is committed to putting an end to all forced or compulsory labor. Employees are free to leave the workplace after completing the work needed to be done within standard working time. The declaration system must be implemented for overtime work to ensure that overtime work is a voluntary act of employees.
- ◆ In the course of production and operation, cooperating with the local government or third-party institutions, the Company actively carries out due diligence on human rights protection.
- ◆ To ensure that the opinions of employees on the Company's management are fully conveyed and to encourage their participation, the Company's Labor Union collects employee opinions and suggestions through various channels.

## Complaint and Suggestion Channels

- Every year, employee representatives are elected through employee elections, and the Labor Union regularly holds employee representative assemblies to promote activities of the Labor Union and communicate with employees
- Suggestion boxes are set up in various plants and departments of the Company to collect employees' opinions on the Company's policies, management processes, and salary benefits. The Labor Union organizes them once a month and provides feedback to the Company's senior leadership to discuss improvement plans
- Tel.: (86) 533-5261634
- SMS: 18560301315
- Email: gonghui@ltd.com.cn
- Chairman Reception Day on the 25th of each month—direct face-to-face communication with employees.

## Occupational health and safety

The Company pays high attention to its employees' occupational health and safety, so it has established and improved the management system of occupational health and safety, implemented risk control measures, and actively inspected and responded to occupational disease hazards, so as to ensure that each Luthaier's health and safety are free from impairments.



### Measures taken

- ✓ Before going to their posts, new employees have all undergone pre-job physical examinations to avoid personnel with occupational contraindications from working in the relevant posts; employees have undergone on-the-job physical examinations, and their work will be allocated according to the results; and when leaving their posts, employees have undergone post-job occupational physical examinations to ensure that employees leave their posts in healthy condition.
- ✓ The Company has conducted regular occupational health education and training for employees, and established occupational health surveillance archives for employees, realizing the standardized management featuring "one archive for one person".
- ✓ Conduct annual occupational hazard assessments in key areas, with immediate rectification for any non-compliance.
- ✓ The Company posts warning signs and occupational hazard notification cards in prominent positions in the workshop.
- ✓ The Company regularly maintains and repairs occupational hazard protection facilities to ensure their integrity and effectiveness.
- ✓ The Company conducts emergency rescue drills once or twice a year for relevant departments and workshops to ensure timely handling of hazards.



- ✔ Provide employees exposed to occupational hazards with standardized and effective personal protective equipment (PPE), ensuring regular procurement, distribution, and supervision of PPE usage to prevent occupational diseases. Install washing stations in areas handling corrosive substances such as acids and alkalis, and upgrade occupational disease prevention facilities through maintenance and improvements.
- ✔ Organize first aid and heatstroke prevention training to enhance employees' emergency response skills. In 2024, the Company conducted 22 first aid training sessions and 21 heatstroke prevention training sessions.
- ✔ The Company popularizes health care knowledge each month, and provides first-aid medical kits for employees, with first-aid medicine supplemented for 271 times on average per month in 2024.
- ✔ The Company distributes heatstroke prevention drugs in summer for convenient use by employees.



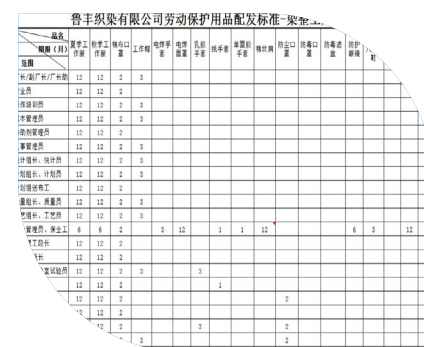
## First Aid Training



## Facility Setup



## Personal Protective Equipment



## Occupational Hazardous Factors

## Countermeasures

## Dust

- Take airtight, ventilating, and dedusting measures for cotton blending machines and scutchers in pre-spun process.
- Adopt the approach of wet sweeping for the workshop to take away the dust accumulated on the surface as much as possible
- Regularly clean the air duct
- Distribute dust masks that conform to international specifications

High temperature  
and high humidity

- Distribute items for heatstroke prevention for high-temperature posts in the workshop
- Add *Auricularia auricula* and pig blood curd to workshop meals to enhance employees' ability to defend against occupational diseases
- Adjust the air supply and exhaust volume in the workshop

## Noise and vibration

- Equip employees with disposable noise-reducing earplugs and replace them regularly

## Talent management

- Talent acquisition

Luthai scientifically forecasts talent demand based on the Company's strategic positioning, business development, and current talent pool, enhancing talent selection methods and expanding recruitment efforts. By utilizing multiple recruitment channels, the Company attracts professionals from various fields, ensuring a strategic talent reserve to maintain long-term competitiveness and foster a corporate environment where employees can fully utilize their skills and potential. At the same time, the Company actively engages in international talent recruitment in the United States, Italy, Japan, Vietnam, Cambodia, and Myanmar to support its overseas business expansion.

Additionally, to promote internal talent mobility and encourage diverse career development, employees can apply for internal job postings. Those who meet job requirements and pass interviews can transfer positions following the Company's recruitment procedures. Employees and departments can also submit internal transfer applications based on operational needs.

This year, to attract outstanding graduates, the Human Resources Department organized a Summer Camp Program for university students. Students from Jiangnan University, Dalian Polytechnic University, Qingdao University, and other institutions were invited for internships, providing them with an in-depth understanding of the Company. For newly hired university graduates, the Company conducted onboarding and development training and regularly organized welcome banquets and discussion forums to enhance their sense of belonging and improve talent retention rates.



### Summer camp program



Development of reserve talent pool

The Company has formulated and implemented the 2022-2026 Key Position Recruitment Plan, establishing the Three-Year Career Development Plan for Undergraduate and Above Employees of Luthai Group for newly recruited key position personnel. Additionally, each department has been tasked with developing the Secondary Talent Pool Management Measures to achieve position-specific recruitment and targeted training for key roles. In 2024, totally 275 key post personnel were recruited, and totally 148 second-level talents were reserved for all departments.



Employee training and development

Luthai Vocational Training School is dedicated to serving regional economic and social development, aligning with market demand, and focusing on employment promotion and industry development needs. The school is committed to cultivating skilled professionals and provides training in employment skills, skill enhancement, and competency development for corporate employees, unemployed individuals, rural migrant workers, and university students.

Internal employee training

The Company offers professional training courses in both vocational skills and management skills. A total of 23,988 employees took part in the vocational training in 2024 with a coverage rate of 100%.

Indicator (Unit)	2022	2023	2024
Training participants (person)	23,028	22,850	23,988
Average training hour (hour)	56	56	56
Training coverage rate (%)	100%	100%	100%



Onboarding training



Training for section chiefs and group leaders



Customer-led SST project training for the Company's management personnel

External personnel training

In 2024, the Company organized two enterprise internship programs for teachers, held during winter and summer breaks. A total of nine vocational teachers from seven regions across the country participated, including eight teachers in a ten-day skills training program and one teacher in a 30-day on-the-job training program. The participating teachers specialized in textile design, fashion design and technology, textile engineering, and modern textile technology.



Teacher enterprise internship

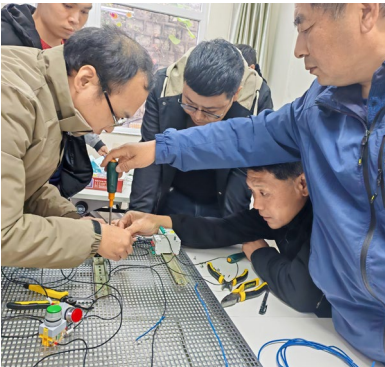


Unemployed worker training

To help local unemployed individuals secure better job opportunities, Luthai Vocational Training School provides dual-assurance training programs, including specialized vocational skills training and job-specific skills enhancement training. After training, participants take certification exams, and those who pass receive certificates. In 2024, a total of 178 unemployed individuals received training, with 45 earning Specialized Vocational Ability Certificates and 58 obtaining Skill Level Certificates.



Tea Art Training



Electrician Training



Pastry Training



### Training needs and satisfaction survey

This year, the Company has placed great emphasis on talent training. At the beginning of the year, a survey questionnaire was distributed to accurately identify employee training needs, covering management skills, professional techniques, and logistical services. The training sessions attracted over 20,000 participants. Additionally, by implementing a self-evaluation mechanism, the Company effectively integrated internal and external training, enhancing employee knowledge and skills. The training satisfaction rate exceeded 95%, significantly improving employee capabilities and empowering high-quality corporate development, thereby contributing to the establishment of a high-quality human resource strategic system.

### Multi-dimensional promotion mechanism

The Company implements horizontal and vertical dual channel development (job promotion and cross-job promotion), with promotion in the directions of management line and professional lines (the former is achieved through job changes, while the latter is achieved through internal professional title appraisal). Targeted training is carried out based on personnel characteristics and personal preferences, achieving multi-dimensional development space for employees.



Appraisal and appointment of professional titles

In 2024, the Company appointed two Chief Technicians, 13 Senior Technicians, and 82 Technicians; 399 Senior Skilled Workers, 520 Intermediate Skilled Workers, 596 Junior Level 2 Skilled Workers, and 769 Junior Level 1 Skilled Workers. During their tenure, they receive a monthly allowance of RMB2,500, RMB1,500, RMB1,000, RMB500, RMB300, RMB200, and RMB100, respectively.

The Company appointed four Senior Engineers, five First-Class Engineers, 29 Engineers, 365 Assistant Engineers, and 193 Technicians. During their tenure, they receive a monthly allowance of RMB1,500, RMB1,000, RMB800, RMB400, and RMB200, respectively.

The Company appointed three First-Class Designers, three Designers, 21 Assistant Designers, and three Design Assistants. During their tenure, they receive a monthly allowance of RMB1,000, RMB800, RMB400, and RMB200, respectively.

Since 2003, the Company has established an internal professional title evaluation, appointment, and allowance system, actively promoting the values of honoring labor, valuing skills, and fostering creativity. This has created a corporate culture that emphasizes skill development, encouraging employees to learn and master professional skills. The Company has taken a leading position in the industry in cultivating and evaluating skilled talent. The internal professional title evaluation and appointment system has become a key platform for implementing the Company's philosophy of valuing, nurturing, and utilizing talent.

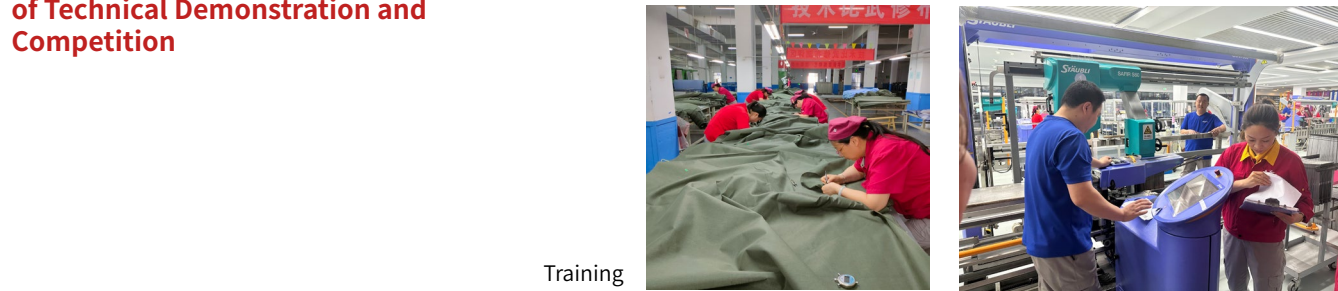
#### Qualification support

This year, 16 employees were encouraged to take the Certified Safety Engineer Examination, with two employees passing and obtaining certification.

#### Promoting skills development

Luthai Textile actively carries out various skill competitions, and encourages its employees to promote their professional and technical levels through competitions, and to define their vocational objectives and orientations; the Company also encourages its employees to take vocational qualification examinations, to transfer what their have learned into actual output. Luthai also constantly facilitates the development of its employees toward high-grade, precision, advanced, and professional direction, and drives the Company to stride toward a learning-oriented, skill-oriented, and innovation-oriented world-class enterprise.

### The Company’ s Thirty-fourth Session of Technical Demonstration and Competition



Competition







Award Ceremony

From April to July 2024, the Company held the thirty-fourth session of activity of technical demonstration and competition. A total of 47 companies and 8,150 personnel covering 597 types of work in total took part in the competition. Through the processes of publicity and mobilization, training and learning, post drills, and preliminary and final competitions, finally there were 30 champions of single skills of departments, 3,230 winners of technical demonstrations and competitions, 636 "excellent versatile workers", and 97 "excellent teams", and they have all obtained honor certificates, bonus, and presents. Technical demonstrations and competitions have aroused employees' enthusiasm to learn technologies, dig into professions, practice skills, and work as artisans through training and learning, post drills, and skill competition, hence achieving the objectives of promoting production, safety, management, benefits, and development through competitions.



[Case] The Company's Activity of Evaluating the Excellent

The Company launched the activity of evaluating the excellent, in order to further promote the excellent corporate culture of the Company, commend outstanding collectives and employees who performed outstandingly in the past year, and motivate everyone to innovate their performance, achieve new breakthroughs, and make new contributions in the next year. A total of 11,313 participants took part in the evaluation process. Through a graded assessment, the final selections included 2,781 "Advanced Production (Work) Individuals," 112 "Company Model Employees," nine "Labor Models," and 41 "Advanced Collectives." The total bonus awarded amounted to RMB2.97 million.



Benefits and care

We have always believed that "employees are the most valuable resource of an enterprise," and only with a stable workforce can a company achieve better performance. Therefore, we continuously enhance employee satisfaction and sense of belonging, striving to meet various employee needs to the greatest extent possible.

We provide our employees with a wide range of non-monetary benefits, such as occupational health check-ups, employee wellness check-ups, shuttle services, travel allowances, and company dormitories. Additionally, we have established special benefits to accommodate employees with specific needs, such as nursing rooms, specialized health check-ups for female employees, and hardship assistance funds. Details are provided in the table below:

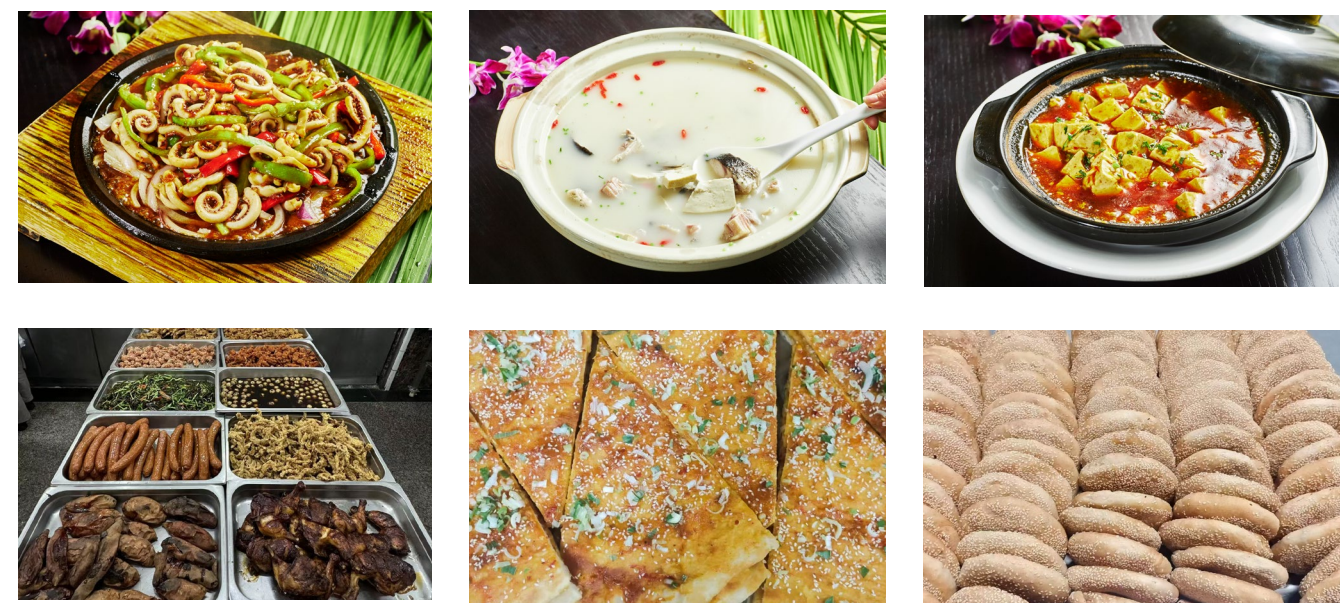
Work Support	Health	Housing	Dining	Leisure Activities
<div>· Travel allowance</div> <div>· Communication allowance</div> <div>· Shift allowance</div> <div>· Overseas allowance</div> <div>· Shuttle service</div>	<div>· Employee wellness check-up</div> <div>· Free heat prevention medicine</div> <div>· Cooling fruits</div> <div>· Convenient medical rooms</div>	<div>· Company dormitories</div> <div>· Government talent apartments</div> <div>· Housing subsidy</div>	<div>· Employee cafeteria</div> <div>· Free on-duty meals</div> <div>· Convenient pastries and fruits</div>	<div>· Employee activity center</div> <div>· Library</div> <div>· Band</div> <div>· Team-building activities</div> <div>· Social events</div>
Holidays	Protection for Female Employees	Talent Support	Assistance	
<div>· Traditional festival gifts</div> <div>· Annual party lottery</div> <div>· Large-scale prize-winning activities</div>	<div>· Nursing room</div> <div>· Specialized health check-ups for women</div> <div>· Special training for female employees</div> <div>· Psychological counseling room for female employees</div>	<div>· Academic subsidy for introduced talents</div> <div>· Talent skill improvement award</div> <div>· Postdoctoral workstations</div> <div>· Equity incentives for key employees</div>	<div>· College assistance for employees' children</div> <div>· Consolation gifts for employees in hardship</div> <div>· Serious illness assistance fund</div>	

In terms of statutory benefits, we provide employees with statutory holidays, rest days, sick leave, work injury leave, marriage and bereavement leave, maternity leave, paternity leave, breastfeeding leave, and annual leave in accordance with national or local regulations. Additionally, we contribute to employees' social insurance (including basic pension insurance, medical insurance, unemployment insurance, work injury insurance) and housing provident fund.

Emphasis on employees' living and dining conditions

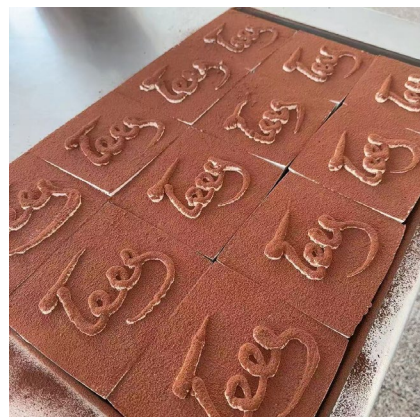
Luthai has more than 20,000 employees. The Company attaches great importance to the quality and services of employees' board and lodging, and regularly carries out satisfaction surveys of employees' board and lodging each year, to constantly improve logistics management and services to strive to provide employees with nutritious diets and convenient living conditions.

- Continuously enhance employees' job skills by adhering to the principles of "standardization and regulation" in food preparation. Advocate for quality awareness among all employees, starting with basic dishes, optimizing cooking methods, mastering heat control, ensuring precise seasoning, and maintaining stable food quality.
- Develop on-duty meal menus through a combination of intelligent planning and employee surveys, ensuring the accumulation of raw data to guarantee menu diversity, balance, and seasonality.
- Display QR codes on dining tables for feedback collection, utilizing multiple channels to gather opinions and suggestions, and continuously improving food quality.
- Promote the upgrade of smart dining facilities, enabling diversified intelligent management methods such as card, QR code, and facial recognition payments, self-service card replenishment, intelligent food sampling, morning health checks, and AI monitoring, improving restaurant attendance rates and convenience.
- In 2024, the meals amid shift were upgraded by including one fried product per meal to enrich the diets of frontline employees.
- The Company compiles a menu according to seasonal changes to ensure a cool taste in summer and hot soup and dishes in winter. In summer, meals amid shift are added with seasonal fruits and mung bean soup, to prevent employees from heatstroke and reduce heat from employees.
- Establish a provincial-level healthy enterprise to ensure food safety, create a healthy dining environment, and continuously promote health awareness by advocating "low salt, low sugar, and low fat," prioritizing health.
- To demonstrate the Company's humanistic care, a birthday cake is made and provided for employees free of charge. Launch a cake ordering and sales service to better serve employees, including large-scale and customized cake production.
- In 2024, employee dining satisfaction reached 82.69%.



Diverse Dishes





Pastries

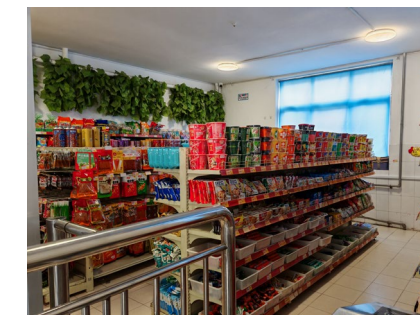


Distribution of Cakes to Employees

- Air conditioners and free Wi-Fi are available in all dormitories in the Company
- Each floor in the apartment is equipped with chess and card room, television hall and smoking room
- Each building in the apartment areas is equipped with a fully automatic coin-operated washing machine
- 24-hour unmanned supermarkets are set up in the apartment areas to provide employees with conditions of convenient and fast shopping
- The apartments provide the services of cleaning working clothes and articles of bedding free of charge, and set up locations for replacing articles of bedding to achieve that such articles can be replaced whenever they are dirty
- Free drying and storage of bedding are also provided for employees during seasonal changes
- Each park area is equipped with bathing facilities, so that employees can have baths conveniently
- 84 disinfectant is sprayed on dormitories and bathrooms every day to ensure a healthy living environment
- Independent shower rooms in university student apartments



Employee apartments



Supermarket

## Employee assistance and support

### Golden Autumn Scholarship

The "Golden Autumn Scholarship" program is an initiative that upholds traditional virtues, fosters a spirit of generosity, and strengthens family bonds. It is a demonstration of our care and support for employees, as well as a program that contributes to the Company's development while reflecting employees' aspirations. This initiative has become an important platform for Luthai Group to carry out meaningful actions for employees by addressing their needs, solving difficulties, and delivering warmth. This year, 234 employees' children achieved outstanding academic results and were admitted to universities across the country. Their success is not only a source of pride for their families but also



Scholarship Awarding Ceremony of the Golden Autumn Scholarship Program

### Relief of Employees in Difficulties

Implementing the people-foremost policy and caring for employees have always been an important part of the Company's corporate culture. The grass-roots branches of the Company visit and comfort employees every year, go deep into the front line of production, and understand the living condition of employees through multiple channels. They also take the responsibility of "the first insider" actively, find out the state of mind of employees and take the initiative in solving their problems. The Company has established a bailout foundation, and distributes assistance funds to employees with family difficulties every year, hence helping employees to go through their difficult pass. In 2024, the Company's labor union provided financial assistance to 86 employees in need, distributing a total of RMB214,000 in relief funds.



Distribution of Relief Funds



Summer-vacation daycare program

To address the challenge of childcare during the summer break, enhance employees' sense of well-being, and ensure a safe, enjoyable, and meaningful summer for their children, the Company organized a summer daycare program from July 12 to August 24, 2024. A total of over 260 employees' children participated. The daycare program was conducted in two sessions, each lasting 20 days, and featured four themed weeks: "Creativity & Craftsmanship," "Traditional Chinese Culture," "Labor & Work Ethics," and "Safety & Protection." With a diverse and engaging curriculum, the program incorporated activities such as recitation, painting, calligraphy, handicrafts, film appreciation, and singing, helping children enhance their imagination, creativity, and social skills through an edutainment approach.



Daily Activities and Performance of the Summer Daycare Program

Enriching employees' cultural and recreational life

The Company regularly organizes various cultural, sporting, and recreational activities, to enrich employees' spare-time life, boost employees' mental outlook, and lead employees to achieving the balance between work and life, hence promoting employees' sense of belonging to the enterprise, and enhancing the Company's cohesion.

[Case] "Tribute to Strivers, A New Symphony" – 2024 New Year Concert

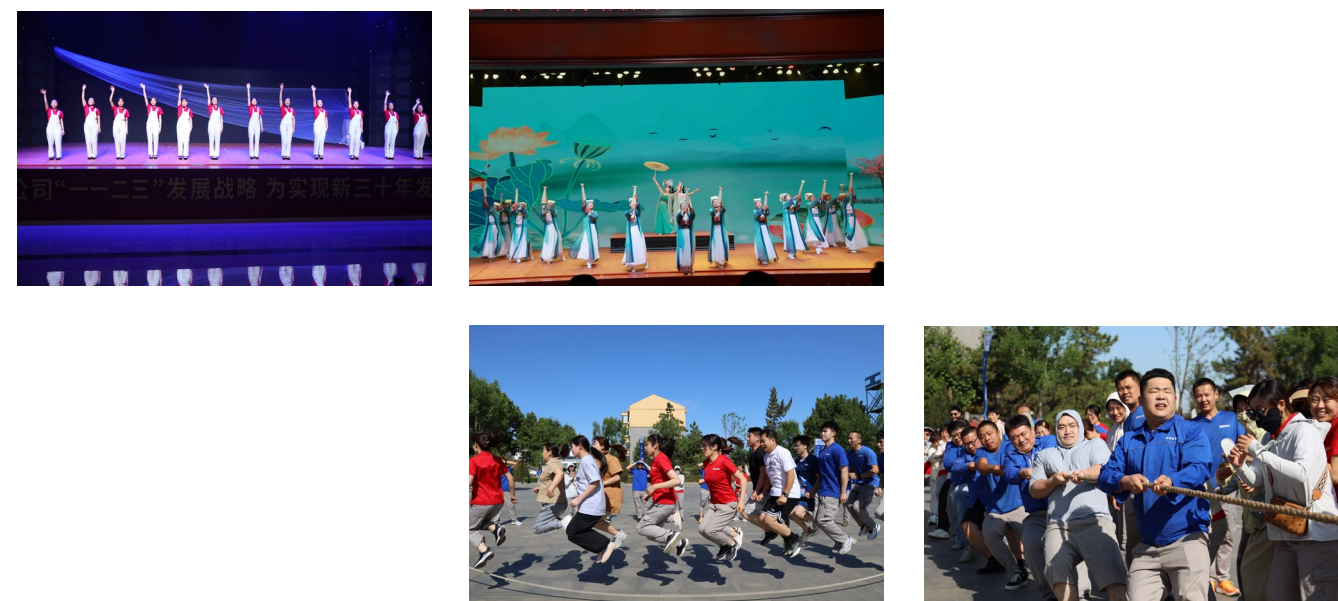
On February 23, 2024, the "Tribute to Strivers, A New Symphony" Luthai Group 2024 New Year Concert was grandly held at Luthai Academy. The concert featured a full performance and accompaniment by the Luthai Textile Orchestra. The event was divided into three chapters, with the first chapter, "Song of Struggle," featuring performances such as Chinese Dragon, Everything Goes Well, Three Hundred and Sixty-Five Miles, and the orchestral ensemble Festive Dance. These performances conveyed the dedication and perseverance behind every achievement amid a complex and ever-changing external environment, highlighting the extraordinary Luthai spirit and strength.



Concert Performance Scene

[Case] The 37th Anniversary Celebration – Series of Cultural and Sports Activities

On June 1, 2024, the "Forging Ahead on a New Journey, Uniting Strength for a New Chapter" Luthai Group 37th Anniversary Celebration Series of Cultural and Sports Activities was held at Luthai Cultural Park. The Chairman of the Company's labor union attended the event and presented awards to the winning teams. The event featured activities such as group rope skipping, tug-of-war, and mixed basketball shooting. Each team carefully prepared, worked closely together, maintained uniform coordination, and encouraged one another, demonstrating the positive, united, and collaborative spirit of Luthai employees in the new era. The event was filled with enthusiasm and joy, celebrating the 37th anniversary of Luthai Group.



Anniversary Celebration Activities



[Case] The 26th Session of Employee Basketball League

In May 2024, the 26th Luthai Group Employee Basketball League was held. Along with over 100 referees, athletes, and employee representatives. The competition was divided into three stages: group elimination, round-robin, and finals. On the court, teams from various departments competed fiercely under the principle of "friendship first, competition second." Players ran, collided, and jumped with full concentration, their movements flashing under the sunlight, earning rounds of applause from the audience. After three days and 38 intense matches among 12 teams, the championship game took place. In the end, the Lufeng Weaving & Dyeing Team won the championship, while the Security Department Team secured second place.



Basketball Match Scene

[Case] The 24th Session of Employee Soccer League

In April 2024, the Company organized the 24th Employee Football League, with over 150 participants including referees, athletes, and employee representatives. A total of 11 teams competed in the tournament, which lasted seven days and included 29 matches, progressing through group elimination rounds, semifinals, and the final.

On the field, players worked together, fiercely contested the ball, and displayed boundless energy. They ran with determination, passed skillfully, and executed precise shots, their agile movements weaving across the green turf. Their outstanding techniques and indomitable fighting spirit were on full display. In the end, the Administration Team won the championship, the Weaving Production Department Team secured second place, and Liu Mingming from the Weaving Production Department was awarded the tournament's top scorer.



Football Match Scene

[Case] Swimming Competition

On August 24, 2024, Luthai Group hosted the "Swim Beyond Limits, Strive for Excellence" 2024 Swimming Competition. The event featured various categories, including Men's 50 m, Men's 100 m, Men's 4 × 50 m Relay, Women's 50 m, Parent-Child 50 m, "Non-Swimmer" Swimming, and Parent-Child Interaction. Participants showcased their skills with different swimming styles, competing fiercely in the pool, demonstrating the indomitable spirit and determined pursuit of excellence that define Luthai employees.



Swimming Competition Scene

[Case] The 11th Employee Choir Competition in Celebration of the 75th Anniversary of the Founding of the People's Republic of China

On the evening of September 25, 2024, the Luthai Group's 11th Employee Choir Competition with the theme of "United in Strength, Advancing with Determination", celebrating the 75th anniversary of the founding of the People's Republic of China, was held at Luthai Cultural Park.

The event was attended by distinguished guests, including a member of the Party Committee and Vice President of Inner Mongolia University of Technology, the Dean of the School of Light Industry and Textiles, the Party Secretary and Dean of the Luthai Textile & Apparel College at Shandong University of Technology, the Secretary and Director of the Standing Committee of the People's Congress of Zichuan District, the Secretary and Chairman of the Zichuan District CPPCC, the Principal of Zibo School of Technology, as well as Company leaders such as the Party Secretary, Chairman, and President. Nearly a thousand employees were present to watch the competition.

This year's choir competition featured 13 teams and over 2,000 employees, who sang with passion, expressing their patriotism and celebrating the national spirit through music. With their voices, dedication, and perseverance, Luthai employees paid tribute to their motherland.



Choir Performance Scene

[Case] Youth Employee Social Event

To create a broader platform for socializing and communication while enhancing the sense of happiness and belonging among young employees, the Company organized a youth employee social event at Banyang Villa on May 18. More than 80 young employees from various departments participated in the event.

The event featured a series of fun and engaging interactive games, including "Sweet Surprise," "Hearts Aligned," "Crossfire Challenge," "True or False," and "Unconventional Thinking." Led by the hosts, participants worked closely together, supported one another, and confidently showcased themselves. Amid laughter and joy, they formed closer bonds, deepened mutual understanding, and shared an enjoyable and unforgettable experience, filled with happiness and cherished friendships.





Youth Employee Social Event Scene

[Case] Series of Cultural and Sports Activities to Celebrate the New Year

On December 27, 2024, Luthai Group launched the 2025 New Year Sports and Cultural Activities with the theme of "Fitness for the New Year, Striving for the Future". The event lasted three days and attracted over 300 participants. Competitions included table tennis, badminton, billiards, card games such as Guandan, Shengji, and Gouji, as well as Chinese chess. Through these activities, employees strengthened their bodies, relaxed their minds, and brought new energy to the Company's development.

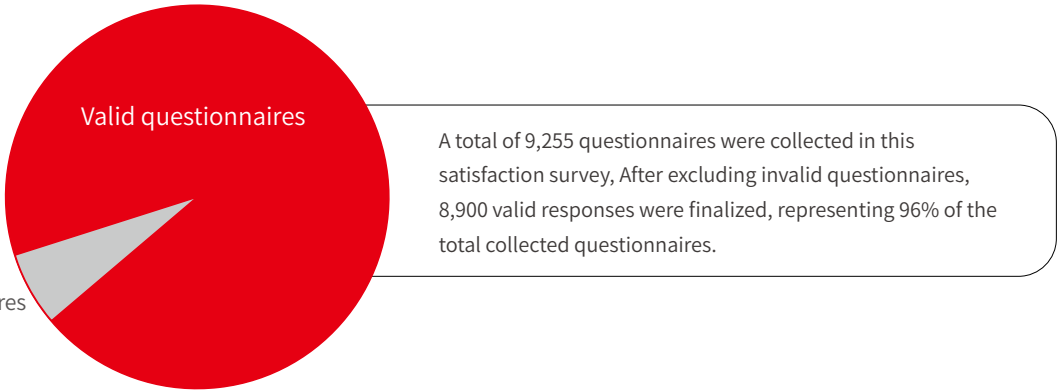


Indoor Activity Scene

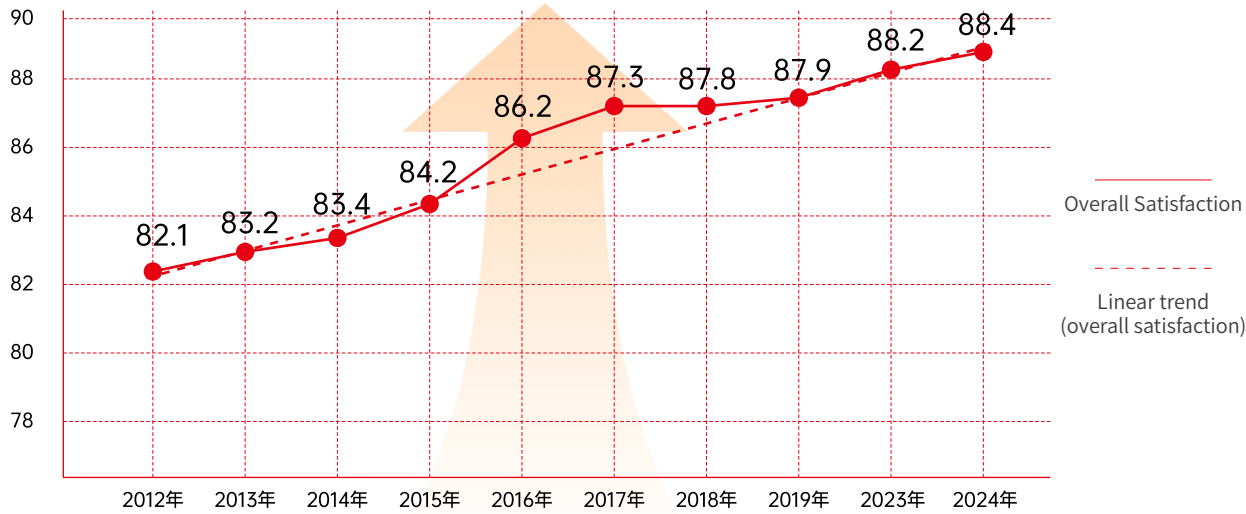
Employee satisfaction survey

To enhance employee satisfaction and strengthen corporate cohesion, the Company conducted an employee satisfaction survey in 2024. The survey focused on six key dimensions: overall recognition, work environment, direct supervisors, team collaboration, learning and development, and compensation and benefits. A total of 8,900 valid responses were collected, accounting for 86% of all surveyed employees.

Survey Analysis



The survey analysis determined that the overall satisfaction rate of the Group was 88.4%, reflecting a 0.2% increase compared to the previous year. Feedback on employee satisfaction levels was provided to each department, and 69 departmental employee satisfaction improvement reports were compiled and distributed to address and rectify identified satisfaction issues.



Overseas employees' learning in China

The Company organized overseas employees to visit domestic factories for learning and training. To accommodate their living habits, bidet sprayers were installed in restrooms, and the cafeteria provided specially prepared light dishes suited to their tastes. To ensure overseas employees felt the warmth and hospitality of Luthai and China, leisure activities were arranged during their rest periods, including sightseeing trips and invitations to participate in anniversary celebrations and performances.



Accommodation and dining





Holiday excursions



Mid-Autumn family banquet



Subsidies and prize distribution



Gathering &amp; dining



Anniversary celebration activities





# Community Engagement/ Striving to Be an Outstanding Corporate Citizen

In the face of a complex and severe external environment, Lu Thai assesses the situation, makes unified decisions, and overcomes difficulties. The Company assists the national education and community public welfare undertakings, and provides strong impetus for local economic development.

UN Sustainable Development Goals

1

NO POVERTY



2

ZERO HUNGER



3

GOOD HEALTH AND WELL-BEING



4

QUALITY EDUCATION



11

SUSTAINABLE CITIES AND COMMUNITIES







## Supporting education initiatives

Education is a long-term endeavor that benefits future generations. Over the years, Lu Thai has actively contributed to education support programs, investing a total of over RMB45 million in educational assistance. The Company has established cooperative education programs with more than 20 vocational and higher education institutions, demonstrating its strong commitment to social responsibility through concrete actions. Looking ahead, Lu Thai will continue to stay connected to its hometown, support the development of education, strengthen school-enterprise cooperation, and drive new achievements in educational collaboration.



### 【Case】Inauguration of the "Peking University Ideological and Political Practice Course Education Base"



Unveiling Ceremony Scene



On January 9, 2024, the unveiling ceremony for the "Peking University Ideological and Political Practice Course Education Base," jointly established by the School of International Studies at Peking University and Lu Thai Textile Co., Ltd., was held at the Company.

During the ceremony, Chairman Liu Zibin stated that the collaboration between Lu Thai and Peking University's School of International Studies would foster mutual promotion and integration between ideological and political practice courses and corporate culture, generating new insights and opportunities. Lu Thai will take this initiative as an opportunity to further strengthen its partnership with Peking University, jointly explore new models and pathways for school-enterprise cooperation, and strive to provide high-quality educational resources and practical opportunities for outstanding students, achieving a win-win situation for the university, the enterprise, and the students.



### 【Case】Donation to the "Lu Thai Textile" Education Fund and 2024 "Lu Thai Textile" Scholarship Awards at Shandong University of Technology



Ceremony Scene



On June 20, 2024, the donation ceremony for the "Lu Thai Textile" Education Fund and the distribution of the 2024 "Lu Thai Textile" Scholarship were held at Shandong University of Technology. Chairman Liu Zibin represented the Company in donating the education fund and personally awarded scholarships to the honored students.



### 【Case】Strategic Cooperation Agreement Signing and Unveiling Ceremony of the "Lu Thai Textile & Apparel Industry Academy" with Shandong Vocational College of Clothing Technology

On December 10, Lu Thai Group and Shandong Vocational Institute of Fashion Technology held a strategic cooperation agreement signing ceremony and the unveiling ceremony for the jointly established "Lu Thai Textile & Apparel Industry Academy." During the ceremony, Chairman Liu Zibin delivered a speech, emphasizing that this signing marks a milestone event for both parties, signifying a crucial step forward in their school-enterprise collaboration and the beginning of a new chapter.

crucial step forward in their school-enterprise collaboration and the beginning of a new chapter.

According to the agreement, Lu Thai and Shandong Vocational Institute of Fashion Technology will co-establish the "Lu Thai Textile & Apparel Industry Academy" to further develop textile and apparel programs, innovate talent cultivation models, and promote the integration of education and industry. This initiative will lay a solid foundation for international development while providing strong support for the transformation, upgrading, and globalization of the textile and apparel industry.



## Welfare and charity actions

The Company has always adhered to its original mission, actively participated in public welfare and charity activities, and continuously donated to public welfare and charity projects, to share the achievements of enterprise development with society through practical actions.



### 【Case】RMB100,000 Donation to Hongshan Primary School, Accumulating a Total of RMB2.2 Million



Donation Ceremony Scene

On July 6, 2024, Lu Thai Group held a donation ceremony at Hongshan Primary School, contributing RMB100,000, bringing its cumulative donations to the school to RMB2.2 million. At the ceremony, Chairman Liu Zibin expressed the Company's hope that this donation would help improve the school's teaching conditions, enhance education quality, and create a better learning environment for students.



### 【Case】Lu Thai Cultural Park' s Free Public Zoo

In the popular internet-famous city of Zibo, there is a well-known attraction—Lu Thai Cultural Park, located less than two kilometers from the former residence of Pu Songling, the world-renowned master of short stories. Within the park lies a zoo, a public welfare facility operated by a private enterprise and open to the public free of charge all year round. Visitors can enjoy the zoo daily, much like visiting a familiar home.

This private enterprise is Lu Thai Group, which invests over RMB3 million annually in maintaining the zoo. Today, Lu Thai Cultural Park has become a popular fitness and leisure destination for local residents, receiving widespread positive feedback from the community.



### 【Case】Chairman Liu Zibin' s Visit to Centenarians on the Eve of the Double Ninth Festival



The Double Ninth Festival is set to show respect to the elderly. On the occasion of this festival, Chairman Liu Zibin, also the Party Secretary and President of the Company, visited centenarians across the district, extending his holiday greetings and best wishes.

Since 2006, Chairman Liu Zibin and his family have been donating to centenarians in the district for 19 consecutive years. Starting in 2022, the donation amount was increased from RMB1 million to RMB 2million annually, bringing the total donation to RMB22 million. This philanthropic effort has received widespread recognition and praise from various sectors of society.

Chairman Liu Zibin Visiting and Honoring Elderly Residents



# Key Performance Indicators

## Economic performance

Indicator (Unit)	2022	2023	2024
Operating revenue (RMB’ 00,000,000)	69.38	59.61	60.91
Payments to contractors and service providers(RMB’ 00,000,000)	3.18	4.72	2.61
Total employee remuneration (including compensation and benefits) (RMB’ 00,000,000)	16.49	15.49	16.07
Payments to capital providers (RMB’ 00,000,000)	1.66	1.85	3.32
Payments to the government (RMB’ 00,000,000)	5.07	3.72	3.55
Retained economic value (RMB’ 00,000,000)	9.12	3.10	1.97

## Environmental performance

### Data related to wastewater and sewage

Indicator (Unit)	2022	2023	2024
COD (Chemical Oxygen Demand) in discharged wastewater (ton)	395	283	248
Ammonia nitrogen content in discharged wastewater (ton)	7	3	3
Industrial wastewater discharge (10,000 cubic meters)	387	311	291

### Air pollutant emissions

Indicator (Unit)	2022	2023	2024
Sulfur dioxide in emitted exhaust gas (ton)	3	1	0.2
Nitrogen oxides in emitted exhaust gas (ton)	6	3	0.5

### Waste discharge

Indicator (Unit)	2022	2023	2024
Hazardous waste generation (ton)	79	41	36
Non-hazardous waste generation (sludge) (ton)	14,320	12,462	11,420

## Greenhouse gas emissions

Indicator (Unit)	2022	2023	2024
Mobile sources emissions (tons of carbon dioxide equivalent)	808	778	771
Stationary source emissions (tons of carbon dioxide equivalent)	12,771	10,520	10,859
Category 1 emissions (tons of carbon dioxide equivalent)	13,579	11,298	11,630
Consumption of purchased power (tons of carbon dioxide equivalent)	375,819	331,445	163,301
Consumption of purchased heat (tons of carbon dioxide equivalent)	145,314	121,992	127,643
Category 2 emissions (tons of carbon dioxide equivalent)	521,133	453,437	290,944
Total (tons of carbon dioxide equivalent)	534,712	464,735	302,574

## Energy consumption density

Indicator (Unit)	2022	2023	2024
Greenhouse Gas Emission Intensity (tCO <sub>2</sub> e/Million Revenue)	79.7	51.1	49.9
Total energy emission density (tons of standard coal per million revenue)	13.5	13.1	12.9

## Human resources

### Protection of employee rights and interests

Indicator (Unit)	2022	2023	2024
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Signing rate of collective bargaining agreement (%)	100	100	100
Number of female employees with parental leave during the year (person)	317	672	796
Number of male employees with parental leave during the year (person)	103	287	182

### Employee diversity

Indicator (Unit)	2022	2023	2024
Employee diversity			
Total number of incumbent employees (person)	23,028	22,850	23,988
Total number of male employees (person)	9,736	9,317	10,432
Proportion of male employees (%)	42	41	43
Total number of female employees (person)	13,292	13,533	13,556
Proportion of female Employees (%)	58	59	57



Indicator (Unit)	2022	2023	2024
Employee age			
Total number of employees aged under 30 (person)	9,866	9,671	9,814
Proportion of employees aged under 30 (%)	43	42	41
Total number of employees aged above 30 (person)	13,162	13,179	14,174
Proportion of employees aged above 31 (%)	57	58	59
Education background of employees			
Bachelor or above (person)	1,400	1,319	1,555
Junior college (person)	4,523	3,726	4,517
High school or below (person)	17,105	17,805	17,916
Nationality			
China (%)	54	51	46
Foreign employees (%)	46	49	54

Employee turnover

Indicator (Unit)	2022	2023	2024
Total number of new employees (person)	7,313	3,338	6,648
Employee turnover rate	21%	13%	20%

Employee training

Indicator (Unit)	2022	2023	2024
Training participants (person)	23,028	22,850	23,988
Average training hour (hour)	56	56	56
Training coverage rate (%)	100%	100%	100%

## Reader Feedback

Dear readers:

Greetings! Thank you for reading this Report. In order to keep improving report preparation, we want to hear your opinions and suggestions. Please help us by telling us your answers to the questions in the feedback sheet via one of the methods listed below:

Mail address: 81 Songling East Road, Zichuan District, Zibo City, Shandong Province

Tel: 0533-5188888

Your information

Name: \_\_\_\_\_ Institution that you work for: \_\_\_\_\_

Position: \_\_\_\_\_ Tel: \_\_\_\_\_

Fax: \_\_\_\_\_ Email: \_\_\_\_\_

Choice questions (Please mark √ in the proper box)

Questio	Very good	Reasonably good	Neither good nor bad	Not really good	Very bad
This report comprehensively and accurately reflects the significant impact of Lu Thai Textile on the economy, society and environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The report's response to and disclosure of stakeholder concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The information, indicators and data disclosed in this report are clear, accurate and complete	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The readability of this report, namely the logical thread, content design, language and layout design of the report language and layout design of the report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Open-ended questions

1. What aspect of this report do you find most satisfying?

2.What else do you think you need to know that is not reflected in this report?

3.What advice do you have for our future preparation of ESG reports?

Scan the QR code to provide feedback to us.

