Annual Sustainability Report 2025

Zhangjiakou Beifang Chuanyue Drilling Tools Manufacturing Co., Ltd.

Contents

Message from the General Manager

In 2025, Zhangjiakou Beifang Chuanyue Drilling Tools Manufacturing Co., Ltd. ("North Star") took an important step in its corporate development by preparing its first sustainability report. As a manufacturer serving industries such as mining, water well drilling, utilities and construction, we recognize that long-term business success depends not only on product quality and operational performance, but also on responsible environmental, social and governance management.

Thisreport reflects our commitment to transparency and building a more sustainable business for the future. During the reporting year, we strengthened management systems, improved workplace practices, enhanced environmental management, and advanced responsible business conduct across our operations and supply chain. New policies introduced in 2025 include business ethics, data and information security, sustainable procurement, supplier conduct, human resources and environmental management, providing a stronger governance foundation for future development.

A key milestone was the completion of our first greenhouse gas (GHG) inventory, using 2024 as the baseline year. This clarified our emissions profile and highlighted priorities in purchased electricity, raw-material sourcing and supply-chain decarbonization. Following the carbon audit, relevant targets were updated in early 2026, reflecting our commitment to data-based decision-making and continuous improvement.

We conducted a materiality assessment to identify the sustainability issues most relevant to our business and stakeholders. Five key topics now guide our sustainability management: Climate Change, Environmental Impact, Labour & Human Rights, Business Ethics and Sustainable Procurement. These topics align operational priorities with stakeholder expectations.

While we have made meaningful progress, we recognize that ESG data collection and performance management remain in early stages and will require continued focus.

As this is our first sustainability report, ESG management and data systems are still developing. Nonetheless, this report demonstrates our willingness to assess performance honestly, strengthen internal systems and establish a clear path for improvement.

Looking forward, we will continue to enhance ESG governance, improve data collection, strengthen employee and supplier engagement, and integrate sustainability considerations into operations and strategy. We hope this report helps stakeholders understand our progress and commitment to responsible development.

On behalf of the company, I thank all employees, customers, suppliers and partners for their continued support. We look forward to working together to promote responsible manufacturing and a sustainable future.

Michael Lyu

General Manager

Sustainability Highlights 2025

- Issued first Business Ethics Policy
- Issued first Data and Information Security Policy
- Issued first Sustainable Procurement Policy
- Issued first Supplier Code of Conduct
- Issued first Human Resources Policy

- Issued new Environmental Policy
- Completed first third-party GHG inventory
- Purchased 6,016 kWh of green electricity (49.6% of total by November 2025)
- Replaced 7 high-power motors, achieving 34.7% average energy savings
- Increased green steel procurement share by ~50%

About This Report

Reporting Purpose

This report presents the environmental, social and governance (ESG) practices and performance of Zhangjiakou Beifang Chuanyue Drilling Tools Manufacturing Co., Ltd. (“North Star”) for 2025.

It is the company’s first sustainability report and reflects our commitment to transparency, responsible business conduct and continuous improvement. Through this report, we aim to communicate our sustainability priorities, management approach, key actions and selected performance information to stakeholders including employees, customers, suppliers, business partners and other relevant parties.

This report has been prepared with reference to internationally recognised sustainability reporting frameworks, including the Global Reporting Initiative (GRI) Standards. Disclosures are aligned, where applicable, with industry-relevant ESG metrics. The reporting boundary covers the company’s primary manufacturing operations.

Reporting Period

The reporting period for this report is:

1 January 2025 to 31 December 2025

To improve completeness and relevance, certain information outside the reporting period is included where necessary, particularly where it helps explain the development of management systems, policy updates or future targets. This includes selected references to developments in early 2026 that are directly linked to sustainability management work initiated during 2025.

Organisational Scope

Unless otherwise stated, the information disclosed in this report covers the operations of Zhangjiakou Beifang Chuanyue Drilling Tools Manufacturing Co., Ltd. (“North Star”). The report covers all relevant departments, management functions and operational activities of the company.

About This Report

Reporting Basis

This report has been prepared with reference to:

• applicable national laws and regulations

• relevant customer requirements

• internal policies, systems and management practices

• operational data and management information

• results of the company's materiality assessment

As this is the company's first sustainability report, certain ESG indicators are being disclosed for the first time. North Star will continue to improve the completeness, consistency and accuracy of ESG information in future reporting periods。

Material Topics

Based on the company's materiality assessment, the following topics were identified as the most significant sustainability priorities for the business and its stakeholders:

• **Climate Change**
• **Environmental Impact**
• **Labour & Human Rights**
• **Business Ethics**
• **Sustainable Procurement**

These topics form the core structure of this report。

Report Review and Approval

This report has been reviewed and approved by company management.
This report has not been externally assured.

Contact Information

For questions regarding this report, please contact:
Wang Jie at wangjie@xhbf.cn

Company Profile

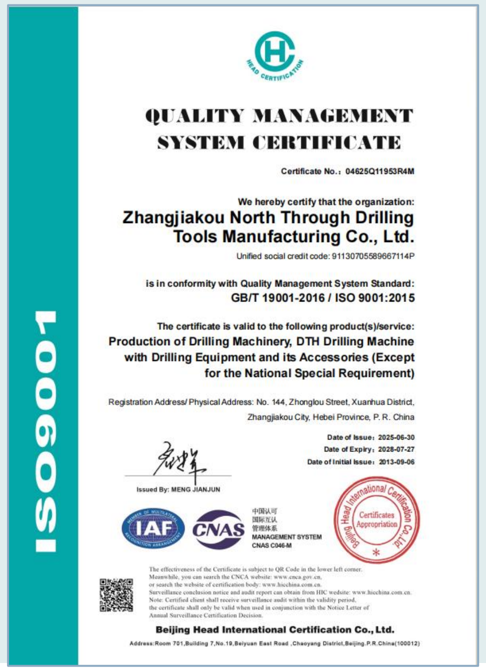
North Star is a private manufacturing enterprise established in 1998 and located at 144 Zhonglou Street, Xuanhua District, Zhangjiakou City, Hebei Province, China. Operations cover 6 hectares and specialize in drill pipes, drilling tools and related products for mining, water well drilling, utilities and construction.

The company has developed a reputation as a leading supplier in its field, both in China and internationally. In the key market segments of DTH, Rotary and Trenchless drill pipes, North Star is widely recognised as having set the standards for the Chinese market.

Employees: **330+ including 20+ technical personnel**

2024 Output Value: **RMB 230 million**

Certifications:
- **ISO 9001 Quality Management System**
- **ISO 14001 Environmental Management System**
- **ISO 45001 Occupational Health and Safety Management System**


ISO9001

QUALITY MANAGEMENT SYSTEM CERTIFICATE

Certificate No.: 04625Q11953R4M

We hereby certify that the organization:
Zhangjiakou North Through Drilling Tools Manufacturing Co., Ltd.
Unified social credit code: 91130705589667114P

is in conformity with Quality Management System Standard:
GB/T 19001-2016 / ISO 9001:2015

The certificate is valid to the following product(s)/service:
Production of Drilling Machinery, DTH Drilling Machine with Drilling Equipment and its Accessories (Except for the National Special Requirement)

Registration Address/ Physical Address: No. 144, Zhonglou Street, Xuanhua District, Zhangjiakou City, Hebei Province, P. R. China

Date of Issue: 2025-06-30
Date of Expiry: 2028-07-27
Date of Initial Issue: 2013-09-06

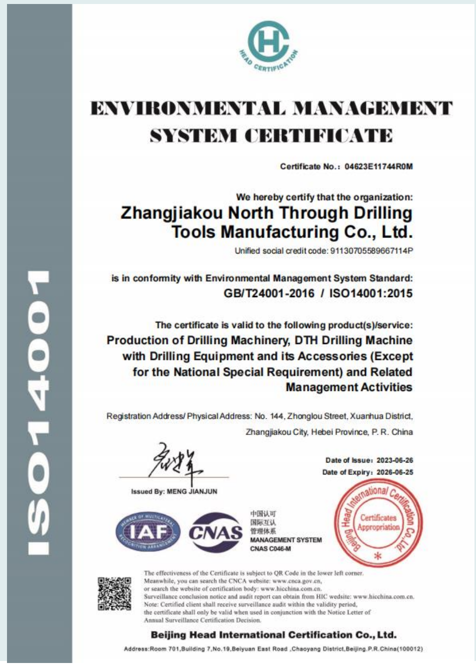
Issued By: MENG JIANJUN

中国认可 国际互认 管理体系 MANAGEMENT SYSTEM CNAS C046-M

The effectiveness of the Certificate is subject to QR Code in the lower left corner. Meanwhile, you can search the CNCA website: www.cnca.gov.cn, or search the website of certification body: www.hicchina.com.cn. Surveillance conclusion notice and audit report can obtain from HIC wedsite: www.hicchina.com.cn. Note: Certified client shall receive surveillance audit within the validity period, the certificate shall only be valid when used in conjunction with the Notice Letter of Annual Surveillance Certification Decision.

Beijing Head International Certification Co., Ltd.

Address:Room 701,Building 7,No.19,Beiyuan East Road ,Chaoyang District,Beijing.P.R.China(100012)


ISO14001

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

Certificate No.: 04623E11744R0M

We hereby certify that the organization:
Zhangjiakou North Through Drilling Tools Manufacturing Co., Ltd.
Unified social credit code: 91130705589667114P

is in conformity with Environmental Management System Standard:
GB/T24001-2016 / ISO14001:2015

The certificate is valid to the following product(s)/service:
Production of Drilling Machinery, DTH Drilling Machine with Drilling Equipment and its Accessories (Except for the National Special Requirement) and Related Management Activities

Registration Address/ Physical Address: No. 144, Zhonglou Street, Xuanhua District, Zhangjiakou City, Hebei Province, P. R. China

Date of Issue: 2023-06-26
Date of Expiry: 2026-06-25

Issued By: MENG JIANJUN

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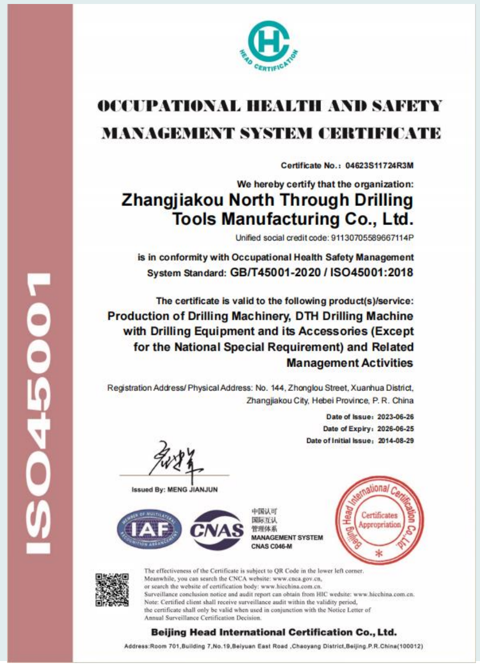
ISO45001

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE

Certificate No.: 04623S11724R3M

We hereby certify that the organization:
Zhangjiakou North Through Drilling Tools Manufacturing Co., Ltd.
Unified social credit code: 91130705589667114P

is in conformity with Occupational Health Safety Management System Standard: GB/T45001-2020 / ISO45001:2018

The certificate is valid to the following product(s)/service:
Production of Drilling Machinery, DTH Drilling Machine with Drilling Equipment and its Accessories (Except for the National Special Requirement) and Related Management Activities

Registration Address/ Physical Address: No. 144, Zhonglou Street, Xuanhua District, Zhangjiakou City, Hebei Province, P. R. China

Date of Issue: 2023-06-26
Date of Expiry: 2026-06-25
Date of Initial Issue: 2014-08-29

Issued By: MENG JIANJUN

中国认可 国际互认 管理体系 MANAGEMENT SYSTEM CNAS C046-M

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Beijing Head International Certification Co., Ltd.

Address:Room 701,Building 7,No.19,Beiyuan East Road ,Chaoyang District,Beijing.P.R.China(100012)

ESG Strategy Framework

North Star is committed to integrating ESG considerations into its business development and daily operations. The company monitors a range of ESG-related risks including evolving environmental regulations, supply chain disruptions and climate-related impacts. These factors are integrated into ongoing operational planning. The company’s ESG strategy is guided by the five material topics identified through its materiality assessment and is built on three broad management objectives.

Three Management Objectives

• **Strengthening Governance:** The company aims to improve internal ESG governance through clearer policies, responsibilities and management processes, strengthening accountability across environmental management, procurement, human resources, operations and business administration.

• **Improving Operational Performance:** The company seeks to improve sustainability performance through practical action, including energy-efficiency measures, green electricity use, cleaner production practices, employee training, safety management and process optimization.

• **Supporting Long-Term Sustainable Development:** The company aims to gradually improve ESG data management, supplier engagement and target setting. The company views 2025 as a foundation year for establishing future direction and performance improvement.

ESG Strategy Framework

Priority Topics

The five material topics, and the company's strategic focus within each, are summarized below. Each is covered in more detail in subsequent sections.

- **Climate Change:** Following completion of its first GHG inventory, the company has strengthened its focus on emissions management, renewable electricity use, energy efficiency and lower-carbon material sourcing.

- **Environmental Impact:** The company is committed to reducing environmental impact through compliance, pollution prevention, resource efficiency and continuous improvement.

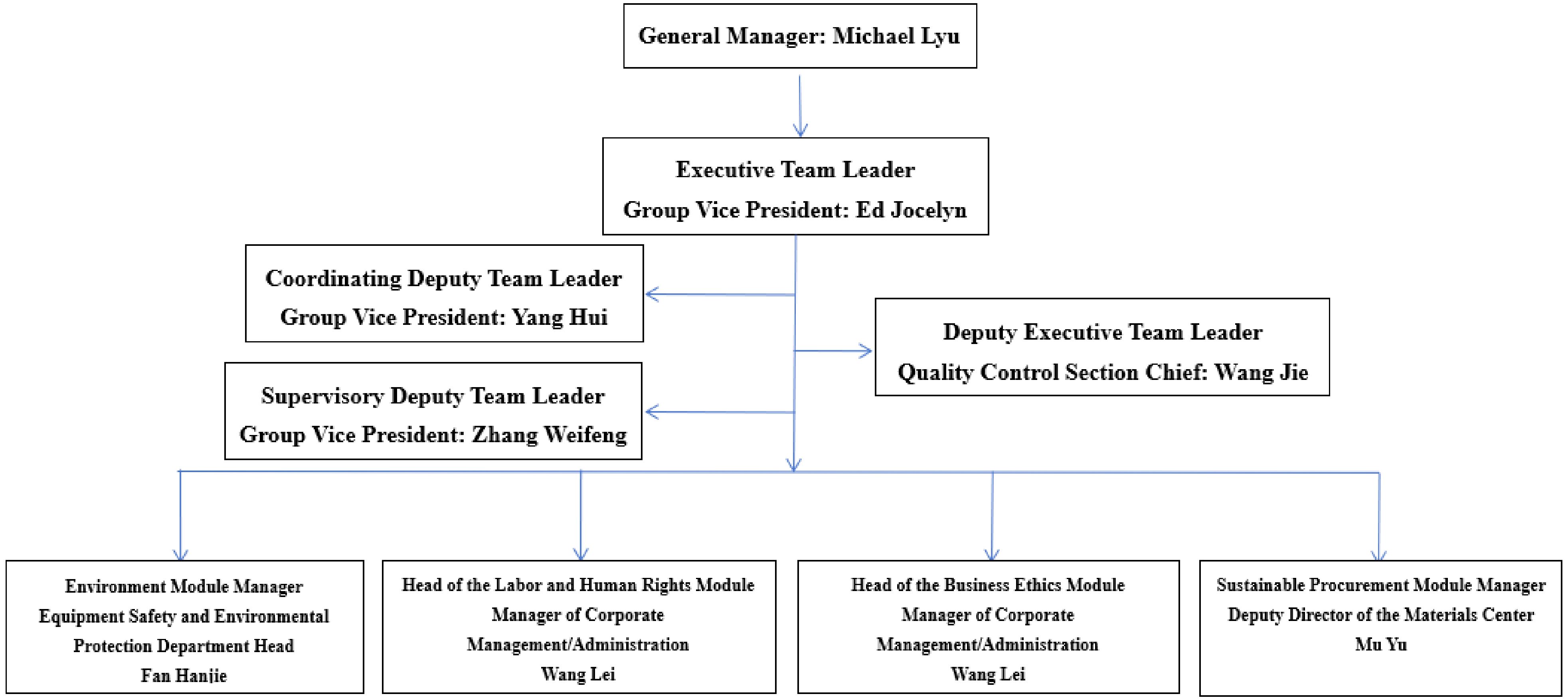
- **Labour & Human Rights:** The company is committed to fair and responsible labour management and to protecting the rights and wellbeing of employees, with focus areas including lawful employment, prohibition of child labour, training, safety and welfare.

- **Business Ethics:** The company is committed to conducting business with integrity, transparency and accountability, covering anti-corruption, fair competition, conflicts of interest, accurate reporting, confidentiality and data security.

- **Sustainable Procurement:** The company recognizes that sustainable development extends into its supply chain. Through its Sustainable Procurement Policy and Supplier Code of Conduct, it has begun to formalize ESG expectations for suppliers, with focus on responsible sourcing, greener materials, compliance, transparency and traceability.

Sustainability Governance

North Star’s sustainability governance framework is still developing. During 2025, the company made clear progress in formalizing responsibilities and issuing key policies.
ESG responsibilities are shared across senior management and relevant departments. The company's management is responsible for overall supervision, while each department is responsible for implementation and monitoring.



Sustainability Governance

Governance Structure

Senior Management： provides overall direction for sustainability-related work, reviewing major ESG priorities, policies and performance, and supporting resource allocation for environmental improvement, employee development, supplier management and governance.

Equipment, Safety and Environment Functions： implement environmental protection and workplace safety measures, supporting regulatory compliance, monitoring, emissions reduction and energy-efficiency improvements.

Materials Center / Procurement Functions： responsible for the implementation of sustainable procurement, supplier management, and procurement requirements related to environment, society and governance, including supplier assessment and low-carbon procurement.

Human Resources Function： manages recruitment, onboarding, competency management, annual training planning and employee records.

Management Center： supports governance implementation in policy administration, oversight and interpretation, and plays a key role in business ethics and data and information security.

Operations and Production Departments： implement sustainability-related measures within daily activities, including resource efficiency, safe working practices and compliance with internal procedures.

Policy Framework

During 2025, North Star issued the following internal policies：

- **Environmental Policy**
- **Business Ethics Policy**
- **Data and Information Security Policy**
- **Sustainable Procurement Policy**
- **Supplier Code of Conduct**
- **Human Resources Policy**

Looking to the future, the company intends to strengthen governance by improving internal coordination, enhancing policy implementation, expanding ESG-related training, and improving the consistency of sustainability data collection.

Stakeholder Engagement

North Star engages with stakeholders through day-to-day business interaction, management processes and operational activities. The company's main stakeholder groups – employees, customers, suppliers and business partners, government and regulatory authorities, and local communities – were all considered during the materiality assessment described on page 14.

Stakeholder Engagement Methods

Employees: are engaged through training programmes, internal communication, management interaction and workplace management processes.

Customers: are engaged through business communication, product cooperation, audits, quality-management processes and sustainability-related information exchange. Customer expectations on environmental performance and supply-chain standards are an important driver of the company's ESG development.

Suppliers and Business Partners: are engaged through procurement processes, contractual requirements and sustainability expectations, strengthened in 2025 through the Sustainable Procurement Policy and Supplier Code of Conduct.

Government and Regulatory Agencies: are engaged through routine compliance management, reporting, inspections and implementation of applicable laws and regulations.

Local Communities: The company recognizes the importance of a responsible relationship with the local community, where concerns may include environmental performance, safe operations and employment opportunities.

Stakeholder Engagement

Key Topics Raised by Stakeholders

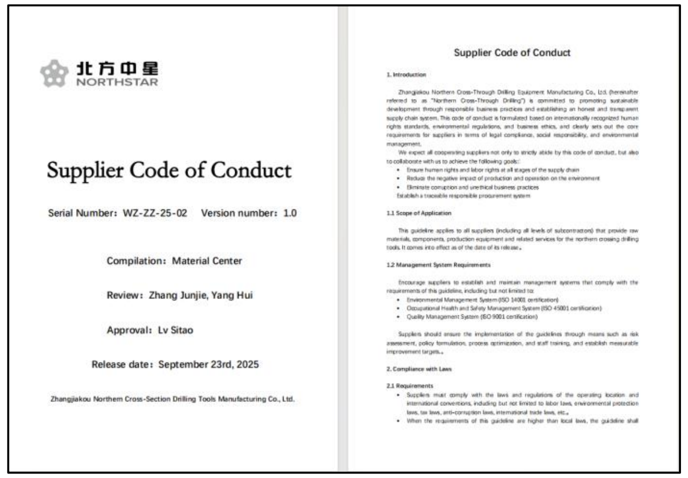
Through ongoing engagement, North Star has identified the following topics as particularly important to stakeholders:

- **Product quality and reliability**
- **Environmental compliance and pollution prevention**
- **Climate change and energy use**
- **Workplace safety and employee wellbeing**
- **Labour practices and human rights**
- **Business integrity and transparency**
- **Responsible sourcing and supplier standards**

These topics directly informed the materiality assessment and helped shape the five priority areas that structure this report.


Waste classification management

Equipment retrofit energy saving statistics



Supplier Code of Conduct


Factory electric vehicle charging station

Materiality Assessment

As part of preparing its first sustainability report, North Star conducted a materiality assessment to identify the ESG topics most relevant to its business and stakeholders. The assessment considered both the significance of topics to stakeholders and their importance to the company's operations and long-term development.

Assessment Approach

Factors considered included：

- **the company's business model and manufacturing activities**
- **industry characteristics and customer expectations**
- **internal management priorities**
- **relevant legal and regulatory requirements**
- **newly established company policies and governance measures**
- **stakeholder concerns identified through routine engagement**
- **stakeholder concerns identified through direct discussion**

Materiality Assessment

Key Material Topics

The assessment identified five key material topics:

Climate Change: due to the company's energy use, GHG emissions and supply-chain carbon impact. Completion of the first GHG inventory highlighted the importance of renewable electricity, energy efficiency and lower-carbon material sourcing.

Environmental Impact: because of manufacturing activities and the importance of compliance, pollution prevention, waste management and resource efficiency, as well as growing customer and regulatory expectations.

Labour & Human Rights: due to the importance of lawful employment, employee wellbeing, training, safety and basic labour protections for a stable and capable workforce.

Business Ethics: because responsible conduct is fundamental to long-term credibility, covering anti-corruption, fair competition, conflicts of interest, confidentiality, accurate reporting and information security.

Sustainable Procurement: because of the company's dependence on raw materials and supplier relationships, and the importance of supply-chain transparency, lower-carbon materials and responsible sourcing. This topic is also closely linked to the climate strategy and customer expectations.

These five topics form the core of this report and provide the basis for the company's ESG strategy framework. In future reporting periods, the company intends to deepen its analysis, expand stakeholder input and further strengthen the linkage between material topics, performance indicators and management actions.

Compliance and Certifications

North Star is committed to conducting its operations in compliance with applicable laws, regulations and relevant customer requirements. The company holds ISO 9001, ISO 14001 and ISO 45001 certifications (listed in Section 4), reflecting its commitment to structured management in quality, environment and workplace safety.

In 2025, the company further strengthened its compliance framework through the six new internal policies described in the following pages, translating legal and management requirements into more systematic internal expectations and practices.

Environmental and Safety Compliance

Environmental and occupational health and safety management measures include:

- **Environmental management and monitoring**
- **Pollution prevention and control**
- **Hazardous waste management**
- **Workplace safety management**
- **Employee safety training**
- **Emergency preparedness and drills**

We will continue to monitor regulatory developments, improve management-system implementation and strengthen internal compliance capabilities including improving the consistency of related disclosures in future sustainability reports.

Fire rescue drill

Emergency drill

Labour & Human Rights

North Star is committed to lawful, responsible and people-oriented labour management. In 2025, the company issued its Human Resources Policy, formalizing responsibilities relating to recruitment, job descriptions, onboarding, annual training planning, competence management and employee records.

Employment and Prohibition of Child Labour

North Star manages employment in accordance with applicable laws. The Human Resources function oversees recruitment, induction, training planning and personnel records, while departments support role-specific training and competence development. We explicitly prohibit child labour and do not employ individuals under 18. Identity verification is required during onboarding to ensure compliance.

Employee Training and Development

In 2025, the company organised 16 training sessions and achieved 100% training coverage. The Human Resources Policy requires departments to identify training and competence needs for different employee groups including new hires, transferred staff, technical personnel, special-process workers and internal auditors. New employees must complete structured onboarding covering company induction, department induction, job-specific skills and safety training before taking up their positions.

Employee skills training examination

Labour & Human Rights

Role Competence and Workplace Safety

Job descriptions and role-based competence requirements support recruitment and workforce planning. For special roles involving operational risk or technical requirements, employees must hold necessary qualifications and complete relevant training. North Star also aims to maintain safe and orderly working conditions through training, supervision and management-system implementation. In May 2025, the company held its first formal first-aid training event; staff across all four main production departments now hold first-aid certificates.

Going forward, we plan to enhance training systems, maintain compliance controls, improve role-based capability management and support employee development across the organisation.

Emergency rescue personnel professional qualification certificate

Business Ethics

North Star is committed to conducting business with integrity, transparency and accountability. In 2025, the company issued its first Business Ethics Policy and Data and Information Security Policy, establishing clearer expectations for lawful and responsible conduct across its operations and value chain.

Ethics Framework

The Business Ethics Policy sets out standards of conduct expected of employees, management, contractors, suppliers and other business partners. It covers:

- **Legal compliance**
- **Conflicts of interest**
- **Accurate reporting and record integrity**
- **Health, safety and environmental responsibility**
- **Human rights and labour standards**
- **Anti-corruption and anti-bribery**
- **Responsible procurement**
- **Confidentiality and protection of sensitive information**
- **Fair competition**

Business Ethics

Anti-Corruption, Fair Competition and Conflicts of Interest

North Star maintains a zero-tolerance approach to corruption, bribery and other improper business conduct. Employees and business partners must not offer, solicit or accept bribes, kickbacks or other improper benefits. The company also prohibits anti-competitive practices such as collusion, price manipulation and bid rigging. Employees are expected to disclose any actual or potential conflicts of interest so they can be managed appropriately.

Business Ethics

Data and Information Security

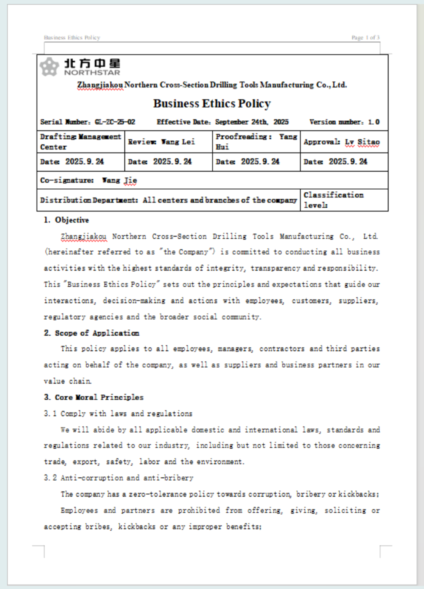
The Data and Information Security Policy, issued in September 2025, applies to all employees and establishes requirements relating to:

- Legal compliance in data and information management
- Confidentiality and controlled handling of sensitive information
- Protection of technical documents, customer information and business records
- Restrictions on unauthorized disclosure or transmission of company information
- Responsible third-party access controls
- Record accuracy and protection against data falsification
- Reporting and investigation of security risks or violations

Reporting Channels

North Star encourages employees and relevant third parties to report suspected violations of business ethics, compliance rules or information-security requirements, and seeks to ensure such reports are handled confidentially and investigated promptly. The Management Center plays a key role in policy interpretation, support and oversight.

Future priorities include enhancing training, reinforcing internal reporting mechanisms and further integrating ethical expectations into supplier and partner management.



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北方中星 NORTHSTAR

Zhangjiakou Northern Cross-Section Drilling Tools Manufacturing Co., Ltd.

Business Ethics Policy

Serial Number: GL-ZC-25-02	Effective Date: September 24th, 2025		Version number: 1.0
Drafting: Management Center	Review: Wang Lei	Proofreading: Yang Hui	Approval: Lv Sitao
Date: 2025.9.24	Date: 2025.9.24	Date: 2025.9.24	Date: 2025.9.24
Co-signature: Wang Jie			
Distribution Department: All centers and branches of the company			Classification level:

1. Objective

Zhangjiakou Northern Cross-Section Drilling Tools Manufacturing Co., Ltd. (hereinafter referred to as "the Company") is committed to conducting all business activities with the highest standards of integrity, transparency and responsibility. This "Business Ethics Policy" sets out the principles and expectations that guide our interactions, decision-making and actions with employees, customers, suppliers, regulatory agencies and the broader social community.

2. Scope of Application

This policy applies to all employees, managers, contractors and third parties acting on behalf of the company, as well as suppliers and business partners in our value chain.

3. Core Moral Principles

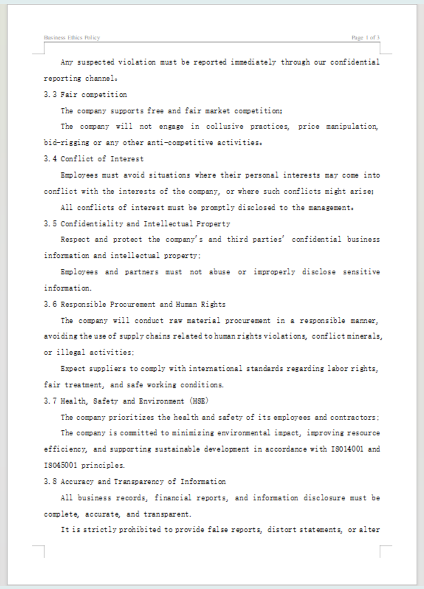
3.1 Comply with laws and regulations

We will abide by all applicable domestic and international laws, standards and regulations related to our industry, including but not limited to those concerning trade, export, safety, labor and the environment.

3.2 Anti-corruption and anti-bribery

The company has a zero-tolerance policy towards corruption, bribery or kickbacks;

Employees and partners are prohibited from offering, giving, soliciting or accepting bribes, kickbacks or any improper benefits;



Business Ethics Policy　Page 1 of 3

Any suspected violation must be reported immediately through our confidential reporting channel.

3.3 Fair competition

The company supports free and fair market competition;

The company will not engage in collusive practices, price manipulation, bid-rigging or any other anti-competitive activities.

3.4 Conflict of Interest

Employees must avoid situations where their personal interests may come into conflict with the interests of the company, or where such conflicts might arise;

All conflicts of interest must be promptly disclosed to the management.

3.5 Confidentiality and Intellectual Property

Respect and protect the company's and third parties' confidential business information and intellectual property;

Employees and partners must not abuse or improperly disclose sensitive information.

3.6 Responsible Procurement and Human Rights

The company will conduct raw material procurement in a responsible manner, avoiding the use of supply chains related to human rights violations, conflict minerals, or illegal activities;

Expect suppliers to comply with international standards regarding labor rights, fair treatment, and safe working conditions.

3.7 Health, Safety and Environment (HSE)

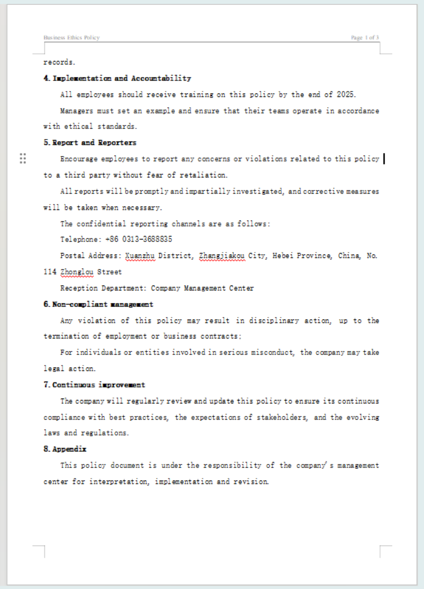
The company prioritizes the health and safety of its employees and contractors;

The company is committed to minimizing environmental impact, improving resource efficiency, and supporting sustainable development in accordance with ISO14001 and ISO45001 principles.

3.8 Accuracy and Transparency of Information

All business records, financial reports, and information disclosure must be complete, accurate, and transparent.

It is strictly prohibited to provide false reports, distort statements, or alter



Business Ethics Policy　Page 1 of 3

records.

4. Implementation and Accountability

All employees should receive training on this policy by the end of 2025.

Managers must set an example and ensure that their teams operate in accordance with ethical standards.

5. Report and Reporters

Encourage employees to report any concerns or violations related to this policy to a third party without fear of retaliation.

All reports will be promptly and impartially investigated, and corrective measures will be taken when necessary.

The confidential reporting channels are as follows:

Telephone: +86 0313-3688835

Postal Address: Xuanzhu District, Zhangjiakou City, Hebei Province, China, No. 114 Zhonglou Street

Reception Department: Company Management Center

6. Non-compliant management

Any violation of this policy may result in disciplinary action, up to the termination of employment or business contracts;

For individuals or entities involved in serious misconduct, the company may take legal action.

7. Continuous improvement

The company will regularly review and update this policy to ensure its continuous compliance with best practices, the expectations of stakeholders, and the evolving laws and regulations.

8. Appendix

This policy document is under the responsibility of the company's management center for interpretation, implementation and revision.

Environmental Management

North Star is committed to reducing the environmental impact of its operations. In 2025, the company issued a new Environmental Policy and completed its first third-party GHG inventory, using 2024 as the baseline year. Following the audit, the Environmental Policy was updated in January 2026 to incorporate verified baseline data and strengthen climate and resource-efficiency targets, reflecting a commitment to data-based target setting.

GHG Inventory Results

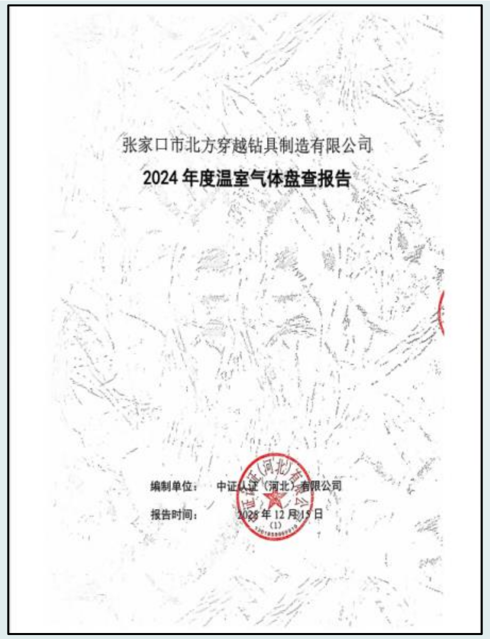
The 2024 baseline GHG inventory recorded total emissions of 58,835.65 tCO_2e:

- **Scope 1: 1,224.78 tCO_2e**
- **Scope 2: 6,242.12 tCO_2e**
- **Scope 3: 51,368.75 tCO_2e**

The results showed that emissions are primarily driven by raw-material-related impacts in the value chain and by purchased electricity, providing the company with its first quantified climate baseline.

Energy Management and Green Electricity

By November 2025, North Star had purchased and used 6,016 kWh of green electricity, representing approximately 49.6% of total electricity consumption during that period. We also replaced 7 high-power motors with more energy-efficient units, achieving an average energy-saving rate of 34.7%.



2024 Annual Greenhouse Gas Inventory Report

Green Electricity Purchase Certificate

Environmental Management

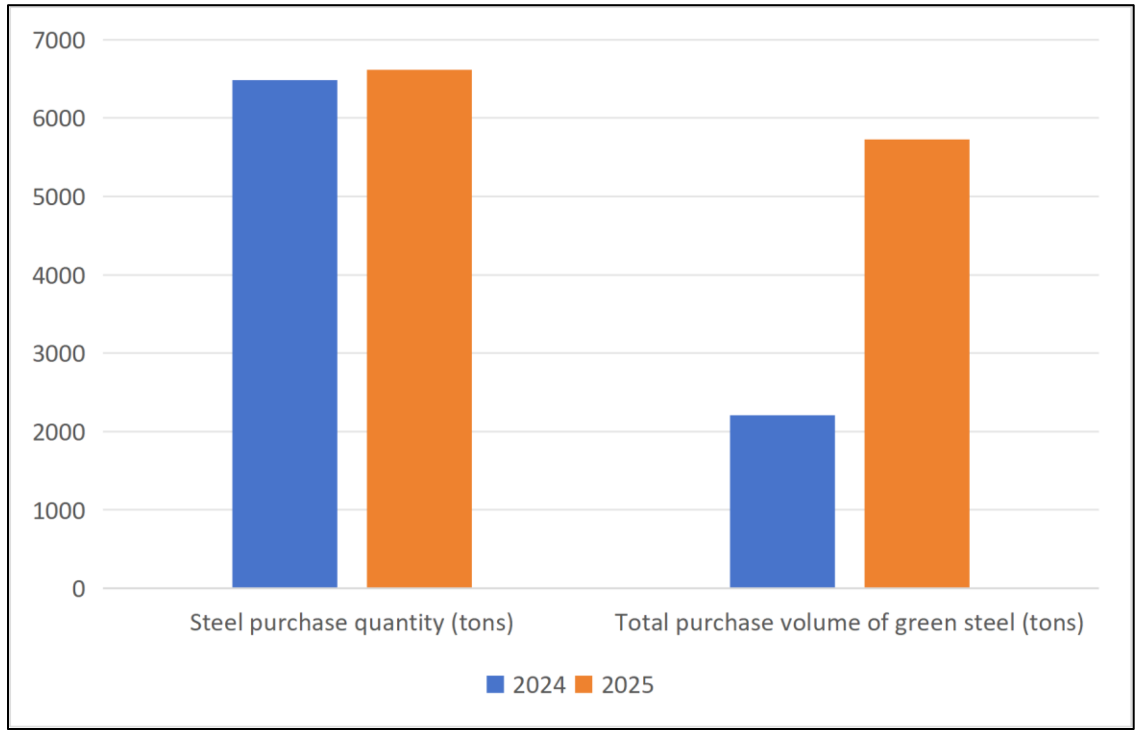
Pollution Prevention and Resource Efficiency

North Star minimises environmental impact through cleaner production, process management and routine environmental controls covering waste handling, emissions control, water saving and energy conservation. Green office practices were also promoted during the year, including reduced paper use through digital systems.

Raw Materials and Supply Chain

As noted in the GHG inventory results above, raw materials represent a major part of the company's environmental footprint. In 2025, while total steel procurement volume remained broadly stable compared with 2024, the share of lower-carbon / green steel procurement increased by approximately 50%.

Going forward, we plan to increase renewable electricity use, improve energy efficiency, strengthen waste management and pollution control, increase lower-carbon raw material sourcing, and improve environmental data collection and monitoring.



Green steel purchase comparison 2024-25

Energy-saving tips are everywhere

Green Steel Certificate

Sustainable Procurement

North Star recognizes that sustainability extends into its supply chain. In 2025, the company issued its first Sustainable Procurement Policy and Supplier Code of Conduct, establishing clearer expectations for suppliers and business partners and providing a stronger basis for responsible sourcing, lower-carbon material selection and supply-chain transparency.

Supplier Standards and Expectations

The Sustainable Procurement Policy and Supplier Code of Conduct apply to suppliers, subcontractors and relevant business partners, addressing:

- **Legal compliance**
- **Labour and human rights**
- **Occupational health and safety**
- **Environmental protection**
- **Climate change**
- **Anti-corruption and fair competition**
- **Information security and confidentiality**
- **Responsible business conduct**

Sustainable Procurement

Greener Materials

As described in Section 12, North Star increased its share of lower-carbon/green steel procurement by approximately 50% in 2025 compared with 2024, while overall steel procurement volume remained broadly stable. This reflects the company's intention to reduce upstream environmental impacts through procurement decisions.

Supplier Engagement and Oversight

We are working to strengthen supplier engagement through procurement communication, policy requirements, disclosure expectations and compliance review mechanisms. Priorities for further development include supplier code acceptance, compliance audits of key suppliers, improved supply-chain transparency and stronger traceability of materials and supplier performance.

Sustainable procurement is closely linked to both our environmental strategy and our business ethics framework. Lower-carbon sourcing reduces upstream climate impact, while supplier conduct requirements support fair business practices, labour protections and greater accountability in the value chain.

Future priorities include broader implementation of supplier sustainability requirements, stronger compliance review of key suppliers, continued growth in lower-carbon material sourcing and deeper integration of ESG expectations into supplier management processes.

ESG Performance Indicators

As this is the company's first sustainability report, ESG data collection is still being developed. The indicators below represent an initial set of sustainability-related performance metrics for the 2025 reporting cycle and, where relevant, the 2024 GHG baseline.

Category	Indicator	2025 / Baseline
Workforce	Total employees	330+
Training	Training sessions conducted	16
	Employee training coverage	100%
Energy	Green electricity purchased	6,016 kWh
	Share of green electricity (by Nov. 2025)	49.6%
Energy efficiency	High-power motors replaced	7
	Average motor energy-saving rate	34.7%
Climate	Total GHG emissions (2024 baseline)	58,835.65 tCO2e
	Scope 1 emissions (2024 baseline)	1,224.78 tCO2e
	Scope 2 emissions (2024 baseline)	6,242.12 tCO2e
	Scope 3 emissions (2024 baseline)	51,368.75 tCO2e
Stakeholder Management	Coverage rate of environmental, occupational health and safety information for relevant parties	100%

ESG Performance Indicators

Category	Indicator	2025 / Baseline
Business ethics	Number of business ethics training sessions	1
	Coverage rate of business ethics training	95%
	Reporting incidents related to business ethics	0
Information Security	Coverage rate of information security training	100%
	Information security breach incident	0
Sustainable Procurement	Proportion of green steel procurement	86%
Environment	Investment in Environmental Protection Projects	RMB187200
	Regular monitoring pass rate of pollutant emissions	100%
	Water consumption (tons)	567.25
	Quantity of hazardous waste (tons)	1.78
Labor and Human Rights	Violations of workers' rights (such as the use of child labor, discrimination, harassment, forced labor, etc.)	0
	Average working hours per person (hours)	8.28
	Enterprise-sponsored cultural activities for employees	20
Occupational Health and Safety	Coverage rate of occupational health examinations for positions exposed to occupational hazards	100%
	Production safety investment	RMB105000

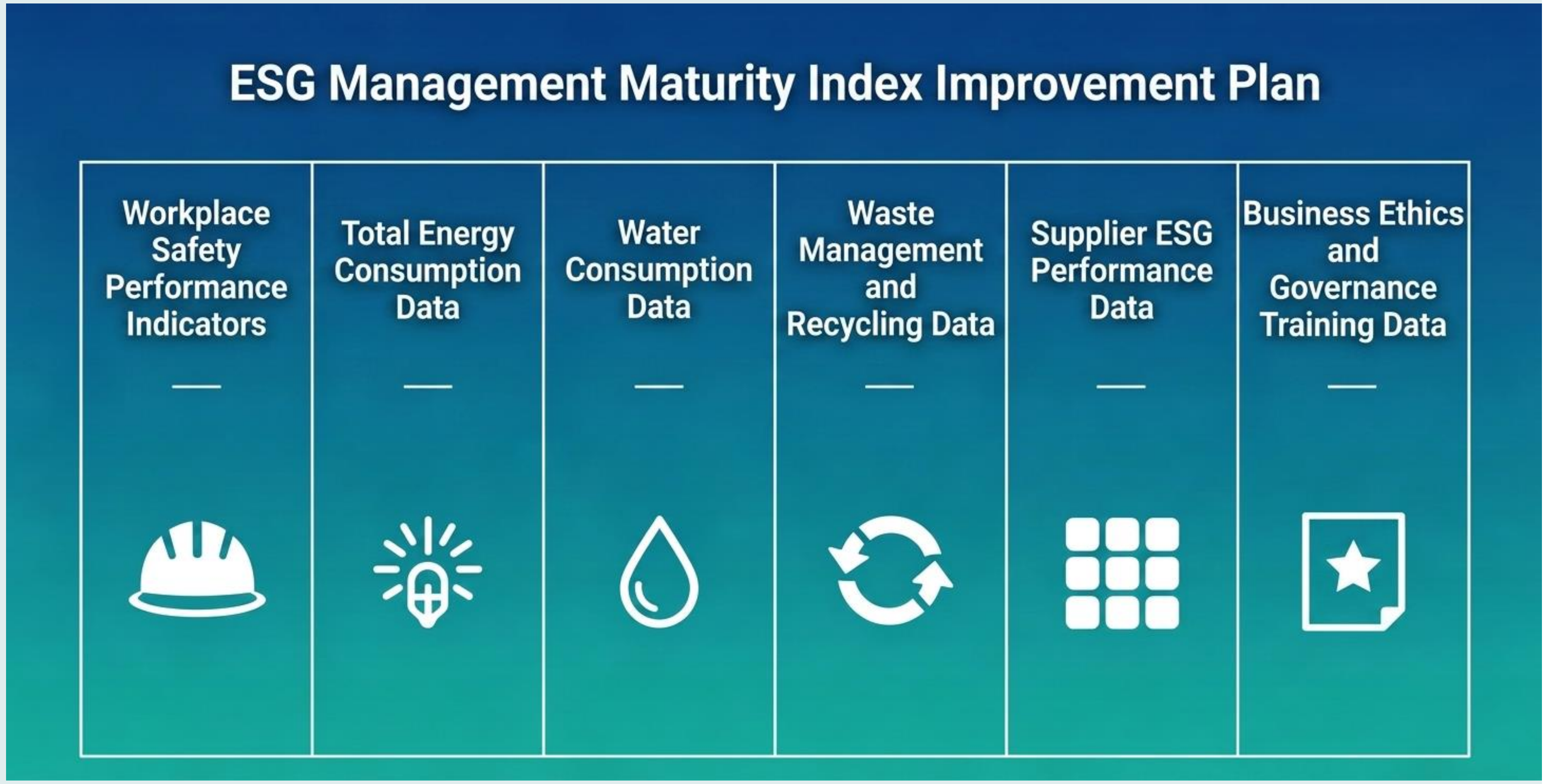
ESG Performance Indicators

Indicators Under Development

As ESG management matures, North Star intends to improve data collection and disclosure for additional indicators, which may include:

- Workplace safety performance metrics
- Broader energy consumption data
- Water consumption data
- Waste management and recycling data
- Supplier ESG implementation data
- Business ethics and governance-related training data

Because this is the company's first sustainability report, some indicators are presented as baseline or initial data. Future reporting periods will provide a stronger basis for year-on-year comparison and performance tracking.



Future Sustainability Goals

North Star acknowledges that ESG management is still developing and will continue to improve data collection, target-setting and disclosure practices. Building on the foundations established in 2025, the company intends to continue improving its sustainability.

Environmental Performance

- Increase the use of green and renewable electricity
- Improve energy efficiency in production and equipment
- Strengthen waste management and pollution-control practices
- Improve water-saving and resource-efficiency measures
- Enhance environmental monitoring and internal management

Climate and Energy Management

- Use 2024 GHG inventory as a baseline and continue to improve GHG data collection
- Increase the share of renewable electricity in total electricity consumption
- Identify further opportunities to reduce Scope 1 and Scope 2 emissions
- Support lower-carbon sourcing to reduce upstream Scope 3 impact

Labour and Employee Development

- Maintain structured onboarding and role-based training systems
- Strengthen competence development and training effectiveness evaluation
- Continue to enforce child-labour prevention controls and identity-verification requirements
- Improve employee awareness of company policies and management-system requirements

Future Sustainability Goals

Sustainable Procurement

- Expand supplier acceptance of the Supplier Code of Conduct
- Improve supplier ESG communication, disclosure and oversight
- Strengthen compliance review of key suppliers
- Increase the use of lower-carbon / green materials where technically feasible
- Improve supply-chain transparency and traceability

Business Ethics and Governance

- Reinforce ethics awareness and policy implementation
- Strengthen anti-corruption, compliance and accountability mechanisms
- Improve data and information security awareness and controls
- Enhance internal reporting and response mechanisms for potential violations

ESG Reporting and Data

- Improve the completeness and consistency of ESG indicators
- Expand sustainability-related internal training and awareness
- Strengthen the link between policies, targets and performance monitoring
- Continue publishing sustainability information on a regular basis

Looking Ahead

The year 2025 marks an important starting point in North Star's sustainability journey. Over the course of the year, we have taken meaningful steps to strengthen our ESG framework: establishing key internal policies, completing the first GHG inventory, making initial improvements in energy use and resource efficiency, and introducing clearer governance and supply-chain management measures.

At the same time, we recognize that our ESG management and reporting systems are still in an early stage of development. Data collection remains incomplete in certain areas and management processes will continue to be refined. We view this as a natural part of our development process and we are committed to improving both performance and transparency over time. We acknowledge that certain data gaps and process refinements remain and these will be addressed as our ESG systems mature.

As a manufacturing enterprise serving both domestic and international markets, North Star believes that responsible development is essential to maintaining competitiveness and supporting long-term growth. By continuing to strengthen its ESG practices – as set out in the goals described on pages 29 and 30 – the company aims not only to meet current expectations but also to contribute positively to the industries and communities in which it operates.

North Star would like to thank all employees, customers, suppliers and partners for their continued support and cooperation, and looks forward to working together to promote responsible manufacturing and a more sustainable future.

NORTHSTAR
DRILLING TOOLS