



久融控股

Jiu Rong Holdings Limited

2022 Environmental, Social and Governance Report

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STATEMENT OF THE BOARD

Jiu Rong Holdings Limited (“Jiu Rong” or the “Company”, together with its subsidiaries and associates (the “Group”), upholds the business philosophy of allowing the Group and its employees to develop and grow together, creates a good mechanism for employees, and actively creates a safe and healthy working environment, content and types of training and learning opportunities for employees.

The Group attaches great importance to environmental, social and governance (“ESG”), and organically integrates green operation and low-carbon development with the Group’s long-term business development strategy to create a win-win situation with satisfied customers, satisfied employees, satisfied governments and satisfied shareholders. The Company’s Board of Directors (“Board”) is the chief ESG decision-making body, and is responsible for the Group’s environmental, social and governance strategies and reporting. The management is responsible for ensuring the consistent implementation of ESG-related work and reporting the progress to the Board on a regular basis. The functional departments formulate work plans for each ESG issue, supervise the implementation of such plans and report to the management regularly. The subsidiaries are equipped with dedicated personnel who are responsible for performing specific ESG tasks and carrying out data and information collection and compilation.

The Board has overall responsibility for the Group’s system of internal controls and enterprise risk management (“ERM”) and reviewing its effectiveness, evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group’s business and strategic objectives, ensuring that an adequate and effective system of internal controls and ERM is in place within the Group. The Board oversees the Group’s management in the context of the Group’s ERM and internal controls (“Designated Management”) in implementation and monitoring of the internal control and ERM system on an on-going basis, so that the Group’s business and strategic objectives can be achieved.

In addition to seeking its own development, the Group also actively fulfills its social responsibilities and regards giving back to the society as an important concept of the company.

OVERVIEW OF CORPORATE DEVELOPMENT

As at 31 December 2022, the Group owned five main operating entities : Soyea Jiu Rong Technology Company Limited (数源久融技术有限公司) (“Soyea Jiu Rong”), Zhe Jiang Jiu Rong Intelligent Technology Limited (浙江久融智能科技有限公司) (“Jiu Rong Intelligent”), Jiu Rong New Energy Science and Technology Limited (久融新能源科技有限公司) (“Jiu Rong New Energy”), Hangzhou Yunqi Cloud Data Limited (杭州云栖云数据有限公司) (“Yunqi Cloud Data”) and Hangzhou Lu Yun Property Limited (杭州绿云置业有限公司) (“Lu Yun”).

The principal activities of Soyea Jiu Rong related to high-tech electronic information products and industry information technology solutions, mainly engaged in digital video and audio products, industry application software, intelligent emergency integrated solutions, etc., it is one of the largest terminal suppliers of Zhejiang Wasu Broadcasting Network Company Limited (浙江华数广电网络股份有限公司). Soyea Jiu Rong is a national high-tech enterprise and named the Hangzhou municipal level Research and Development Center with the strong research and development capability for digital video and audio products.

Jiu Rong Intelligent is a high-tech enterprise that integrates research and development, production and sales. It has advanced automatic production system of intelligent screen, which can produce 50 to 100 inches smart TVs/digital TVs. The company is mainly engaged in the production line of 50-inch to 100-inch ultra-large-size module and complete LCD terminal, which fills the “intelligent” production gap of ultra-large-size LCD products in Zhejiang Province. There is a 50-inch to 75-inch module and a whole machine integrated line, a 75-inch to 98-inch module and a whole machine integrated line, two 300 meters long non-stop high temperature aging line, 14 sets of KAWASAKI six-axis industrial robots, 15 sets of machine vision automation equipment, 8 sets of optical and electrical performance automatic online testing equipment, and all test ports are automatically inserted, 2 sets of AGV material automatic distribution systems. The newly built LCD backlight module line has an automation rate of over 80%, and the online automatic detection rate is over 90%. A 10,000-grade clean room of 4,500 square meter and a 1,000-grade clean room of 960 square meter have been built. Customized development of ERP/MES/SCADA information management system. An advanced environmental laboratory has been established within the province, with equipment such as oversized high and low-temperature test, vibration, and three-coordinate test equipment. Our company's main products include smart TVs, smart conference tablets, and LED displays.

OVERVIEW OF CORPORATE DEVELOPMENT

Jiu Rong New Energy is principally engaged in the development and application of new energy technologies, construction and operation of new energy vehicle charging stations and smart parking. Jiu Rong New Energy integrates Jiu Rong's advantages in big data technology and internet technology, Hangzhou's advantages in internet industry and its related talents to integrate the intelligent control platform in order to construct and operate intelligent charging parking. Currently, Jiu Rong New Energy is operating 89 social and public transportation charging stations; the annual charging capacity ranks No. 1 among Hangzhou's electric vehicles charging capacity. The Company operates with a market-oriented approach, driven by research and development, actively exploring product innovation, management innovation and institutional innovation, improving the company's core competitiveness constantly, and striving to create the industry leading products to provide customers with quality services.

Yunqi Cloud Data is committed to the research and development and application of big data and cloud storage technology and related services. To achieve efficient business operations, data control and big data value-added by the use of cloud computing, big data technology, software and hardware seamless integration, through the provision of data-centric high-tech and high-quality services, to solve customer problems, enhance the value of information resources.

The Liuhe Yun Cloud Ecological Smart Industrial Park operated by Lu Yun focuses on the PRC companies and entrepreneurs actively engaging in big data and artificial intelligence to establish the most influential big data and artificial intelligence cloud ecological tribe.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF THE GROUP

A well-developed corporate governance structure is key to the success of the Group's ESG strategy. Therefore, the Group has established an ESG taskforce, which includes senior management as well as department heads of different functions while the Board has the overall responsibility for the Company's ESG reporting and strategy in order to achieve green operations for sustainable development.

The key responsibilities of the ESG taskforce include the following:

1. Establishing the long-term ESG goals and missions of the Company;
2. Monitoring and managing ESG-related risks;
3. Evaluating the effectiveness of the Company's ESG management systems; and
4. Reporting the ESG objectives achieved to the Board.

The Group is committed to complying with the latest laws and regulations. The Group's environmental, social and governance measures will be revised and communicated with employees in a timely manner to enhance the effectiveness of environmental, social and governance work.

REPORTING PRINCIPLES

The Company strictly follows the four Reporting Principles during the preparation of the ESG Report:

Materiality: The Company conducted the annual stakeholder engagement and identified the material ESG issues during the Reporting Period. The final ESG issues have been confirmed by the management and the Board of the Company

Quantitative: The Company monitored various Key Performance Indicators (“KPI”) during the Reporting Period, which are presented in this Report, to keep track of the progress of our ESG initiatives. In this way, the effectiveness of ESG policies and management system can be evaluated and validated.

Balance: The Report presents an unbiased picture of the Company’s ESG performance during the Reporting Period.

Consistency: The Company adopted consistent methodologies in the data calculation as compared to prior years to show comparable ESG data.

RESPONSIBILITY OF THE BOARD AND GOVERNANCE STRUCTURE

The Board has the overall responsibility for the Group’s sustainability strategy and reporting, evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Board has established an ESG team which comprises directors and senior management and an ESG task force formed by heads of departments of different functions. The ESG team evaluates, prioritizes and advises on the effectiveness of the Group’s sustainability strategy and policies, and reports to the Board for reviewing on its operations and the progress made against ESG-related goals and targets.

REPORT COMPILATION BASIS

This Report is prepared with reference to the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The information disclosed in this Report is derived from the results of internal statistics and analyzes of the Group’s internal resources.

SCOPE OF REPORTING

For the year from 1 January 2022 to 31 December 2022, the Group’s main businesses are the digital audio and video business; new energy vehicles business; cloud ecological big data business; properties development, properties investment and general trading, for specific details of the above-mentioned businesses, please refer to the Group’s 2022 Annual Report.

REPORTING PERIOD

The information published in this Report covers the period from 1 January 2022 to 31 December 2022, which period is the same as the financial year as reported in the Group’s 2022 Annual Report.

On behalf of the Board
Executive Director
Siu Chi Ming
28 April 2023

IDENTIFICATION OF STAKEHOLDERS

Based on the experience and frequencies of enquires and interactive communications between relevant business executives and customers, and those between external organizations and internal staff, the Group identified six different groups of stakeholders, these include shareholders/investors, customers, employees, local community, government/regulatory authorities and suppliers.



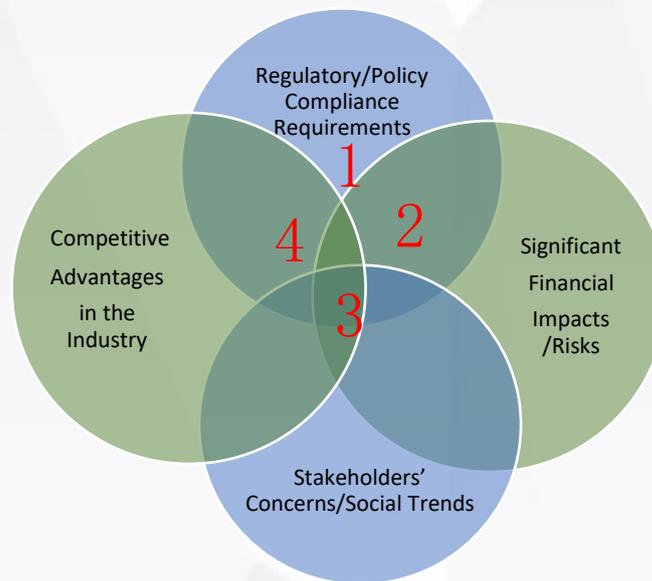
INTERACTIVE COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF MAJOR ISSUES

Regarding issues that are of concerns to the stakeholders, the Group via relevant business contact windows, seeks for their opinions and suggestions through scheduled and ad hoc meetings and transparent and good interactive communications. Internal meetings are conducted to report and discuss the information received from the stakeholders' feedback, which will then be used as important reference for the Group's sustainable development strategy.

Through various communication channels, the issues concerned will be sorted according to their categories and nature before sending to relevant departments to handle and respond. Letters received through relevant communication channels in 2022 included business cooperation proposals, shareholders/investors services, career opportunities, requests for research and survey, and academic visits, etc., no complaints were received from stakeholders regarding social impacts and related issues.

Regarding the issues which are of concerns to the stakeholders, relevant internal department heads of the Group have filtered and selected major issues according to the “Four Principles for the Internal Assessment of Major Issues” as follows.

Four Principles for the Internal Assessment of Major Issues



Stakeholders	Major Issues	Communication Channels and Methods
Government / Regulatory Authorities	<ul style="list-style-type: none"> Corporate governance Compliance with laws and regulations 	<ul style="list-style-type: none"> Cooperate with the government and regulatory authorities on compliance inspections Due submission Participate in conferences / seminars
Shareholders / Investors	<ul style="list-style-type: none"> Economic performance Corporate governance 	<ul style="list-style-type: none"> Publish news on Company / HKEx websites (such as announcements, circulars, interim reports, annual reports, etc.) Convene shareholders' meetings

Chapter 2

Stakeholder Engagement

Stakeholders	Major Issues	Communication Channels and Methods
Customers	<ul style="list-style-type: none"> Product quality Management of prohibited / restricted substances Environmental, safety and hygiene management performance Code of Conduct implementation performance (labor relations / labor rights / compliance with the laws and regulations) Transparency and reliability of information disclosure 	<ul style="list-style-type: none"> Business visits / regular meetings / regular and ad hoc communication meetings Audit feedback / self-management performance feedback Email and phone contact
Employees	<ul style="list-style-type: none"> The Group's business condition (job security) Salaries and benefits / Career development Labor relations/labor rights/working hours management Workplace safety / reasonableness of rules and regulations Feedback channels for opinions 	<ul style="list-style-type: none"> Group internal website / email / Wechat / QQ / employee suggestion box Safety Committee/Labor Union Committee for Complaints, Rewards and Penalties / internal staff publications (regular) Employees / managers forums / surveys (from time to time) Life counselling rooms located in production factories
Community	<ul style="list-style-type: none"> Environmental issues / compliance with the laws Transportation Career opportunities / community welfare outreach activities 	<ul style="list-style-type: none"> Proactive visits External feedback communication windows Sponsorship of public welfare activities / community visits / Company website
Suppliers	<ul style="list-style-type: none"> Management of prohibited / restricted substances Fair competition / quality and price Suppliers evaluation 	<ul style="list-style-type: none"> Letters of undertaking Business communication / procurement contracts / email and phone contacts Suppliers evaluation mechanism

For 2022, the Company conducted a comprehensive internal materiality assessment to identify and assess ESG-related concerns and priorities that were shared by the Group and its stakeholders. Based on the assessment, environment and safety management performance, occupational safety and career development and environmental protection are considered as the most important to the stakeholders and the Group.

The Group's operational guidelines firmly comply with the Environmental Protection Law of the People's Republic of China to facilitate environmental protection, pollution prevention and efficiency of resource use. Environmental sustainability is a top priority for the Group, and the Group is committed to improving the efficiency of the use of energy, water resources and materials, reducing the use of natural resources and protecting the environment to minimize the negative impact of the Group's operations on the environment and natural resources.

3.1 EFFECTIVE USE OF RESOURCES

Use of Raw Materials and Procurement

Video products are the primary business of the Group, we are committed to complying with China's environmental protection laws and regulations, in order to meet the standards of emissions, reduce the impact of pollutants on the environment and the surrounding areas, through green procurement and cleaner production, reduce the amount of pollutants and waste generated in the operation process. With reference to the ISO 14001 Environmental Management System, we will formulate various guidelines for reducing emissions and actively introduce emission reduction technologies and equipment. The raw materials used in the video products can be categorized into electronic component, case, PCB, solder, cable, screw and packing materials, etc., environmentally friendly materials being used which meets national requirement. The Group has always maintained close communication with brand customers and suppliers in the course of material selection, we follow the quality requirements and standards in selecting materials, and use the green materials for the relevant materials. With respect to material procurement, we rely on the respective local suppliers to supply the materials in order to reduce the risk of supply interruption as well as to reduce carbon emissions in transportation.

The cloud ecological big data, property development and property investment businesses of the Group do not produce any harmful emissions and pollutants, while the only harmless greenhouse gas carbon dioxide is generated directly from the use of electricity from office and rental properties. In the reporting period, indirectly generated 1.996 tonnes of carbon dioxide greenhouse gases (In 2021, indirectly generated 1.897 tonnes of carbon dioxide greenhouse gases).

The Group targets to maintain stable or reduce the emission standard of the major businesses given the similar operational level across years by implementing energy-saving initiatives and increasing energy efficiency. In medium term, the Group targets to reduce the emission standard of the major businesses by around 5% to 10% by 2025 voluntarily.

The Group targets to maintain stable or declining harmless waste volume level of major businesses given the similar operational level across years voluntarily by implementing various recycling policies and strengthening staff education.

Chapter 3

Environmental Protection

Usage of Energy

The type of energy used by the Group in 2022 and 2021 include: electricity and fuel oil. In 2022 and 2021 Energy Consumption and Average Energy Consumption per set-top box/smart TV/digital TV and new energy vehicle charging pile shown in the following table:

Energy Type	Year of 2022		Year of 2021	
	Fuel Oil	Electricity	Fuel Oil	Electricity
Consumption	11.972KL	152646554KWh	14.285KL	19002194KWh
Average Energy Consumption per set-top box/smart TV/digital TV	0.0977L	9.1778KWh	0.0375L	0.0336KWh
Average Energy Consumption per new energy vehicle charging pile in KWh	0.00017L	0.08KWh	0.0000241L	0.1KWh

Water Resources Utilization

Most of the water resources are for the daily use by employees, and such discharged water is in compliance with the local discharge regulations. On the other hand, the Group adopts active measures to reduce water consumption such as prominently displaying promotion of water conservation and using sensor water taps.

Hazardous waste treatment

All hazardous waste produced by the Group is disposed by a professional recycling company. The hazardous waste density in 2022 and 2021 were (HW/U)= 0.000002 (HW/U) and (HW/U)= 0.000002 respectively.

Harmless waste treatment

All the harmless waste produced by the company is disposed by the Government's professional environmental service company. The harmless waste density in 2022 and 2021 were (HW/U)=0.000005 and (HW/U)= 0.000005 respectively.

The density of the packaging material used in the finished product

The density of the packaging material used in the finished product in 2022 and 2021 were (PA/U)=0.0000056 and (PA/U)= 0.0000056 respectively.

3.2 GREENHOUSE GAS AND CARBON EMISSION

The direct generation of greenhouse gases from the Group's production and operation activities is extremely limited, mainly from the fuel consumed in production. Indirect generation of greenhouse gases is mainly caused by the electricity consumption in the production process. The data is as follows:

Total Carbon Emission of Greenhouse Gas			
Year	Total Carbon Emission of Greenhouse Gas (Approximate)	Primary Source (Approximate Percentage)	Average Carbon Emission per set-top box/Smart TV/Digital TV (Approximate)
2022	51.65tonnes	Electricity (99.9999%) Fuel (0.0001%)	0.63kg CO2e/set
2021	105.06tonnes	Electricity (89%) Fuel (11%)	0.88kg CO2e/set
Year	Total Carbon Emission of Greenhouse Gas (Approximate)	Primary Source (Approximate Percentage)	Average Carbon Emission per new energy vehicle charging pile
2022	9565tonnes	Electricity (99.999%) Fuel (0.001%)	0.5039kg CO2e/unit(KWh)
2021	12545.61tonnes	Electricity (99.904%) Fuel (0.096%)	0.00081kg CO2e/unit(KWh)

Scope 1: Direct greenhouse gas emissions, greenhouse gas emissions from the source owned or controlled by the organization. (Remarks : The statistics include the production process and the fuel consumption generated)

Scope 2: Indirect greenhouse gas emissions, greenhouse gas emission from the generation of purchased electricity, heat or steam consumed by the organization. (Remarks: Generated by the purchase of electricity)

Scope 3: Other indirect greenhouse gas emissions are the result of the organization's activities, but the source of the production is not owned or controlled by the organization. The Group has not established a data collection method for the greenhouse gas emissions in scope 3, so scope 3 does not apply to this report.

3.3 POLLUTION PREVENTION AND CONTROL MANAGEMENT

Environmental Management Policy

By adhering to the principle of maintaining a balance between environmental protection and production, the Group is committed to the following environmental protection measures:

1. Comply with relevant environmental laws and regulations and other requirements, and develop and implement relevant standard operating procedures.
2. Optimize production processes, promote clean production, reduce pollutants emission, implement pollution control and management, and perform regular tests and inspections.
3. Reduce the use of hazardous substances, promote industrial waste reduction, resource recycling, and save energy and reduce carbon emission in order to enhance the performance of corporate environmental protection.
4. Strengthen education and training and enhance staff awareness of environmental protection so as to thoroughly carry out environmental protection.

In the actual operation management, the Group has established guidelines related to environmental protection as implementation standards for all factories under the Group. With reference to ISO 14001 environmental management system, we have established the self-management system.

Environmental Management Compliance

To respect and protect environmental resources, the Group's factories have installed facilities for the collection and treatment of pollutants generated during the production process. This is to ensure that pollutants are treated according to local regulatory requirements before emission.

In 2022, there were no major emissions violations and leaks at the Group's factories that resulted in serious environmental pollution.

Environment and natural resources

The Major Businesses neither have significant impacts on the environment and natural resources nor generate heavy pollution.

3.4 GREEN OFFICE

The Group promotes and implements green office with the following measures:

Office Power Saving: Policy to turn off lights when not in use, partitioned control of office lighting circuit, air-conditioning temperature control, shut down of computers during lunch break.

Paper Saving: Implement paperless office, use email and online signature system for document review, signing and communication where possible, and reduce the use of office paper.

Reduce the Use of Bottled Water: Provide drinking water supply equipment at all factory production bases for the use by factory employees, meetings and visitors. Employees are encouraged to bring along their own reusable cups to reduce the use of bottles.

3.5 CLIMATE CHANGE

The climate change issue has attracted much attention in recent years, which resulted in the increasingly stricter environmental laws and regulations, the rigorous demands from the application of environmental-friendly materials. In order to address the challenges brought by climate change, the Digital Video business minimizes the underlying impacts of its day-to-day operation on the environment, we are committed to minimizing energy consumption in our day-to-day operation for the reduction of greenhouse gas emissions through a variety of energy and resources saving plans. For the purpose of reducing carbon emissions, close cooperation is also kept with our suppliers and clients in terms of better design of environmental-friendly products and enhancement of production efficiency. In addition, we keep a close watch on international and local laws and regulations relating to climate change, and to examine the waste gas and waste water discharged by the production facilities on a regular basis.

In 2022, the Group was not aware of any material non-compliance of environmental laws and regulations relating to emissions, wastewater discharges, and generation of hazardous and non-hazardous waste from the major businesses.

Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences. The ESG team evaluates the potential risks that may cause disruptions to the major businesses and sets up corresponding precautionary measures such as work arrangement and safety guidance for extreme weather conditions. It is expected that potential extreme weather condition, sustained high temperature, change in environmental-related regulations do not have a material impact on the major businesses. The Group believes that the major businesses posed no significant impact on the climate and we will keep track of our business and formulate emergency mitigation if any suspected climate-related issues have occurred.

Chapter 4

Employment and Labor Practices

4.1 PROPER ASSIGNMENT OF ROLES

Diversified Recruitment Channels

The Group strictly complies with labor laws, regulations and standards to hire and dismiss employees in order to protect the interests of employees. The Group actively recruits talents of different nationalities, genders, ages and religions in a fair and equitable manner through various channels including internet advertisements, social recruitment, student internship programs, and internal staff referrals, etc.

As at 31 December 2022, the Group had 474 employees. Professionals in different fields are our greatest assets.

	Year 2022	Year 2021
Total no. of employees	474	394
Categorized by employees' gender	474	394
Male	326	295
Female	148	99
Categorized by employees' age	474	394
Aged 25 and below	35	56
Aged 26 to 35	118	92
Aged 36 to 45	153	111
Aged 46 and above	168	135
Categorized by job function	474	394
Manufacturing	113	82
Administration	57	32
Marketing	189	169
Others	115	111

Chapter 4

Employment and Labor Practices

Turnover Rate (Approximate) – By Gender and Age

	Year 2022	Year 2021
Total no. of employees who left / Total no. of employees	47	67
Turnover rate	9.91%	17.0%
Categorized by employees' gender / Total no. of employees	47	67
Male	38	50
- Turnover rate	8.01%	12.7%
Female	9	17
- Turnover rate	1.89%	4.3%
Categorized by employees' age / Total no. of employees	47	67
Aged 25 and below	5	5
- Turnover rate	1.05%	1.3%
Aged 26 to 35	13	38
- Turnover rate	2.74%	9.6%
Aged 36 to 45	11	13
- Turnover rate	2.32%	3.3%
Aged 46 and above	18	11
- Turnover rate	3.79%	2.8%

4.2 EDUCATION, TRAINING AND CAREER DEVELOPMENT

Performance Management System

The Group implemented performance management system to achieve operational goals and enhance employees' capabilities. The Group evaluates the results of assessment by tracking the assessment forms and categories, results feedback and improvements, to ensure the performance appraisal worked. The fundamental purpose of performance management system is not to punish the employees who do not fulfill their targets and not perform their duties properly, but to enhance the motivation of employees through improving the working methodology, quality and establishment of a fair competitive mechanism to improve working efficiency continuously and develop planning and responsibility of employees that can timely point out working deficiencies and to improve promptly, in order to have the work done successfully.

Training

The objective of training is to upgrade the quality of manpower and job skills continuously, to motivate employees' job enthusiasm and welcome challenges, thereby creating greater corporate value and achieving operational goals and future development.

To achieve the Group's training and development policy and objectives, it is necessary to consider not only the Group's business vision and objectives, but also the assessment of employees' performance and capability deficiency. In line with the Company and its management system to establish an education and training framework, plan training for newcomers, professional training, management training at all levels, environment-related training, and company core values and other internal and external courses. Through physical or e-learning methods, provide employees with a full range of training. Allowing employees to continuously improve their professional and management capabilities at the same time.

In 2022, the Group held a total of approximately 41 training courses, total approximately 371 training hours, and with total participants of approximately 594 person-times.

Total number of Training Courses (Approximate)	Total person-times (Approximate)	Total Training Hours (Approximate)
41	594	371

Training Courses

To ensure the training courses meet the requirements of corporate strategies, in addition to the evaluation of training and development performance in annual business review meeting, regular reviews on operations of different business units are done in the said meeting to serve as the basis for future development planning. Talents' competitive advantages are enhanced according to the Group's overall business strategies, and a comprehensive training system is established according to its mission. Our annual training plan not only follows the Group's business vision and targets, but also considers the employees' personal development plans, functional training system at various levels, quality management system and law-related courses in relation to labor, safety and hygiene licenses.

These courses are planned to enhance the employees' job skills and bring the employees to mutual understanding and identification to organizational values, in order to achieve the best operating performance for the Group.

General staff: Job knowledge and skills training, the Group's core values training, and personal development training.

Professional stream: "Professional skills training" is designed according to the roles and professional requirements.

Management stream: "Management skills training for senior, middle management personnel and management associates" is designed for various management levels according to corporate core and management function development of the Group.

4.3 COMPREHENSIVE REMUNERATION AND BENEFITS SYSTEM

Competitive Remuneration Scheme

The Group recognizes the employees as its most valuable assets, in order to attract, motivate and retain talents, we offer attractive and competitive remuneration packages. We uphold the principle of equal pay for the same position regardless of gender, race, religion, political affiliation, sexual orientation or marital status of the employees. The remuneration of an individual will be determined with reference to his/her educational background, experience, job duties, professional skills and technical capacities, the salary levels in the industry as well as market conditions. The basis of reward and promotion depends on an employee's work attitude, demonstration of professional ability and overall performance. The Group also reviews the remuneration policies regularly to make sure our salary standards are competitive. The performance management system is introduced to assess individual employee's performance, the results of which will be used as the basis for salary adjustment and job promotion.

Comprehensive Employee Benefits

The attendance mechanism of our Group is established according to the relevant laws and regulations of the operating bases. Employees are allowed to arrange their time-off according to their own needs within stipulation.

For the interests of the employees, the Group provides the local insurance plan (including pension; medical insurance; unemployment insurance; maternity insurance and work-related injury insurance) and housing provident fund, so as to protect the employees' livelihood and reduce the employees' burden of medical expenses, and so as to safeguard employees' retirements.

Diversified Employee Benefits

The Group offers diverse and flexible employee benefits motivating the employees to contribute in their job positions under employee benefits system. In addition, the Group provides benefits including work performance bonuses; year-end bonuses; staff quarters, catering and transportation allowances, and so on. To provide reading rooms with borrowing of books and magazines for free; and organize of various cultural and sports activities regularly.

4.4 RESPECT FOR LABOR RIGHTS

The Group complies with the local laws and regulations, it is committed to promoting the principle of fairness and human rights policies.

Equal Opportunity and Protection of the Right to Work

The Group protects the employees' right to work, employees are not discriminated in employment (including recruitments, salaries, promotions, disciplinary actions, dismissals, and retirements) because of their backgrounds in gender, race, religion, age, disability, sexual orientation, nationality. At the time of appointment for every new recruit, the employee is required to sign an employment contract which clearly defines the employer's and the employee's rights, responsibilities and obligations. All employees have the right to terminate the labour relationship with the Group. The setting up, amendment, cancellation and termination of the relevant employment contract are strictly subject to the relevant local laws and regulations. During the reporting period, there was no discriminatory act reported or complaint received in relation to equal opportunity, transfer, promotion, recruitment, termination, severance, holidays, benefits and training.

Child Labor

The Group does not hire child labor aged below the relevant legal threshold of the respective markets. At the time of interview, the Human Resources Department will request the job applicants to produce valid identity document for the verification of actual age of the applicants.

No Practice of Forced Labors

The working hours of the employees strictly comply with the local laws and regulations, the employees' resting time is well respected and the employees enjoy paid holidays in accordance with the laws and regulations. To maintain the physical and mental balance of the employees, work attendance checking by human resource is effectively managed the working hours and resting dates of the employees. To prevent forced overtime work, any necessary arrangements of overtime must be agreed by the employees voluntarily, overtime and overtime pays are in line with the local laws and regulations.

4.5 WORKPLACE SAFETY

Safety and Hygiene Management

Occupational Safety and Hygiene Management Policy

The Group’s policy on occupational safety and hygiene management is to “provide a safe and healthy working environment for the employees and avoid occupational hazards”. To fulfill commitment of providing a safe working environment to the employees, the Group has established a standardized safety management system.

Safety and Hygiene Management

With respect to occupational safety and hygiene management, in addition to compliance with the corresponding local laws and regulations, the Group has established a series of management directives for all departments to follow, and at the same time implemented management and hazards prevention measures. The Company regularly reviews the relevant issues related to safety and hygiene inspection, and develop internal safety and hygiene management policy.

Standardized Management Measures

The Group continues to strengthen various safety and hygiene management issues by phases, in addition to fire safety, chemical safety, special hazards operation control, etc.

From the year 2020 to 2022, there were no cases of work related fatalities and serious injuries.

Item	Year 2020	Year 2021	Year 2022
Number of work related fatalities	0	0	0
Number of work related handicapped	0	0	0
Lost day rate	0	0	0

Fire Safety Management

To ensure the protection of lives and properties, the Group promotes fire safety, fire prevention, containment of disasters, emergency response and disaster relief, and the risk of fire is reduced by improving and adopting relevant control mechanisms.



5.1 CUSTOMER SERVICE AND PRODUCTS

Customer service

The Group's customers include media companies specializing in digital TV network operation and new media development, high-tech companies specializing in digital electronic information and communication products and famous "mobile car networking" enterprises. The Group and its customers maintain long-term cooperation and mutual benefit relationship.

The Group placed its customers in the first place by providing safe and quality services. The Group also respects the intellectual property rights. In the event of any breach discovered in the protection of privacy or intellectual property rights, the Group will immediately stop the breach, review the mechanism and take improvement measures.

The Group continually improves its service quality and responds immediately to customers' needs in terms of delivery lead time, quality and price. Customers' needs are attended to immediately so to strengthen the relationship with the brand customers who increasingly rely on the Group's product development capability and quality service.

Product Management and Service

Product Service Policy

The Group is committed to providing customers with products of high quality and safety and places high importance on any customer demand for product quality. From product development to production, the Group strictly follows international legal requirements and complies with the brand customers' lists of prohibited and restricted substances and the Sustainable Chemistry Guidance in the selection of raw materials. We also monitor the production from-start-to-finish to ensure products are consistent with the principles of eco-friendliness and human health.

Product Quality and Safety Management

Before the Group's developed products are officially put into mass production, standardized production procedures are formulated, and stringent test of physical properties and chemical properties are performed on the products.

In production process, all materials must go through sampling tests before warehousing to prevent inappropriate materials from being used in production. All products are subject to inspection before packing, all qualified products are loaded, are under the supervision of quality inspectors carried out, and take records of shipping situation.

Product Service

All of our products need to pass high standard quality testing by the customers, and we follow the customers' requirements and the exporting countries' laws and regulations to provide a reasonable packaging and detailed product information labeling which include product size, material, ingredients, instructions etc. As such, the consumers not only can obtain related product information and service through the brand customers, but they can also identify the production plant through the factory code on the product information label, and contact the relevant production plant to inquire about product related issues.

Product liability

The Group adopted internal products control system to inspect products on a full or sample basis and will retrieve unqualified products. For those products sold or delivered in 2022, no retrieve has been done in relation to quality or safety issue.

The Group adopted internal after-sales service management system that must response within 30 minutes upon receipt of complaints. The after-sales engineers will visit the site within 24 hours to solve the problems.

5.2 SUPPLY CHAIN MANAGEMENT

The Group aims to provide comprehensive solutions that meet customers' needs and establish a comprehensive vertical supply chain management system through resource integration and suppliers screening and management. We also focus on the suppliers' development capability and their ability of sustainable development. We hope to collaborate with supplier in innovation development and application, participating in production process enhancement and materials improvement for the continuous optimization of supply chain capabilities as well as performing responsibilities in social and environmental protection.

The Group is committed to meeting customers' needs, suppliers' development and social responsibilities. The Group is looking forward to developing more new materials, new production processes, new technologies and applications; to create product innovation and green value; and to realize the concept of corporate social responsibility and sustainable operation.

Strategic Supplier Management Strategy and Implementation Plan

In 2022, the Group worked with 543 suppliers for the digital video business (1. Zhejiang – 241 suppliers; 2. Guangdong – 139 suppliers; 3. Shanghai – 47 suppliers; 4. Jiangsu – 68 suppliers; 5. Hong Kong – 29 suppliers; 6. Anhui – 12 suppliers; 7. Fujian – 7 suppliers). The Group worked with 117 suppliers for the new energy vehicle business (1. Zhejiang – 97 suppliers; 2. Jiangsu – 3 suppliers; 3. Guangdong – 9 suppliers; 4. Sichuan – 1 supplier; 5. Anhui – 1 supplier; 6. Hubei – 1 supplier; 7. Hunan – 1 supplier; 8. Shanghai – 4 suppliers). Yunqi Cloud Data worked with 34 suppliers (1. Zhejiang – 27 suppliers; 2. Guangdong – 2 suppliers; 3. Heilongjiang – 1 supplier; 4. Beijing – 2 suppliers; 5. Fujian – 1 supplier). Lu Yun worked with 28 suppliers (1. Zhejiang – 21 suppliers; 2. Anhui – 1 supplier; 3. Guangdong – 3 suppliers; 4. Sichuan – 1 supplier; 5. Hubei – 1 supplier; 6. Shanghai – 1 supplier).

The strategies of the Group in respect of supplier management are based on strategic supplier screening and management system, and the objectives are to deepen the collaborative relationship with the strategic suppliers and to create competitive advantages in the value chain, with the aim to strengthen the positive impact on the society and the environment.

Suppliers screening process proposed by the potential suppliers, the need for the relevant internal audit unit for field audit, while the procurement unit for competitiveness analysis, and then by the factory production units and the relevant departments of the Committee, through the fair, open and just manner, to vote through, in order to formally obtain the certification for the company's strategic supplier qualification. Through this rigorous supplier screening mechanism, the selected strategy providers ensure that their performance meets the needs of the Company and develop long-term strategic partnerships with them to establish a quality supply chain management system.

The suppliers are required to strictly follow the relevant regulations and requirements in labor safety and hygiene, human rights and environmental protection. In addition, the Quarterly Business Review is introduced to the supplier management mechanism for the quarterly assessment and review of suppliers' performance in all aspects. The Quarterly Business Review indicators cover six aspects including quality, price (cost), delivery lead time, service, research and development management as well as green supply chain. Qualitative and quantitative indicators are defined for each aspect, which will be weighted differently according to the specific items supplied and procurement strategies. The assessments are made jointly and systematically by the procurement team, the factory production team and the audit team. The contents of the indicators are adjusted flexibly according to the environment or the Group's strategies with the objective to achieve the control of supply chain risks. Through collaborative review with the suppliers of the assessment results, the suppliers are able to improve continuously, uplift the performance of business operation, and achieve the goal of mutual growth with the Group.

The Quarterly Business Review was officially launched in 2016, and continuous to implement, in addition to giving recognitions to suppliers with outstanding performance, a "Green Supplier Team" has been set up against the indicator of the green supply chain to specifically evaluate the suppliers' fulfilment of corporate social responsibility. This is to fulfill the Group's mission in sustainable development while the competitiveness of the supply chain is improved.

Regular assessment of indicators (Quarterly Business Review): "QBR" includes green supply chain, quality, cost, delivery, service, and research and development management.

Supplier Audit Program and Results

The Group annually visits the major suppliers to review and audit on-site their product qualities and green management. In addition to clearly establish audit rules and procedures for suppliers' product quality and green management, the suppliers who are found to have deficiencies are requested to provide improvement plans and prevention measures, which then will be followed up periodically for improvement progress. The Group works cooperatively with the suppliers and utilize multiple means to uplift the capabilities of the suppliers and the Group. Through the supplier screening and management mechanism, together with supplier audit program, the Group is able to select highly qualified suppliers which meet the expectation of the Group.

On-site Audit of Product Quality and Green Management and Tracking of Major Problem Improvement Progress

The Group insists that all strategic suppliers go through the stringent review and audit system. The Group adopts corrective and preventive actions to manage quality issues. The basic items under green management are environmental protection and prohibited/restricted substances management. With and relevant improvements are proposed. The suppliers have to make improvements within on-site audit by a professional team, non-compliant items are pointed out specified periods or produce substantial improvement plans. Audit reports are issued to the suppliers and the tracking of deficiency improvements would be completed within specific time after the issuance of the reports.

Quality Management Highlights in 2022

1. We have requested suppliers to comply with ISO9001: 2008 quality management system. We have established guidelines for the selection and evaluation of suppliers. An investigation form is used to understand the suppliers' business conditions, quality management systems, production capacities, service qualities and delivery capabilities, etc. The results of the risk assessment based on the aforesaid elements serve as a base for the selection of strategic suppliers.
2. To effectively manage suppliers and ensure that the procurement quality can meet the requirements of the Group and the brand customers, we request suppliers to adopt improvement measures after supplier audits based on principles of "Plan, Do, Check, Action". The objective is to enhance the suppliers' control on quality, reduce the costs of quality failures, and to ensure that the quality control of all incoming materials to the factories are in line with the brand customers' requirements.

Green Management Highlights

1. With the growing concerns of the global community, government authorities and brand customers over environmental protection, the Group attaches great importance to the performance of green management in the supply chain. The Group is gradually implementing green supply chain management policies in order to achieve environmental sustainability through green design, green procurement, green manufacturing and value creation of green products, thus fulfilling social responsibility and putting the concept of sustainable operation into practice.

2. The Group considers the suppliers as our important partners. A stable supply chain is key to maintain continuous production. Therefore, continuously making improvements and enhancement of the suppliers' self-management capabilities is a major task in supply chain management for the Group. With improved tracking mechanism, the suppliers can understand the objectives of global management and effectively enhance their self-management capability.

Quality and Green Management Audit Results

1. The scales, management capabilities and degrees of cooperation vary between suppliers. The strategic suppliers who are unable to meet the Group's requirements in quality and green management indicators are requested to improve within specified time span, after which they will be removed from the strategic supplier list if the requirements are not met in order to reduce the risks in the supply chain. This is to ensure the Group's supply chain management can comply with the basic requirements of quality management in ISO 9001, and conform to the global green management trend.

2. The Group pushed forward quality management and green management for materials suppliers in order to enhance their quality management and green management capabilities continuously. Unqualified suppliers were removed from the supply chain.

5.3 MORAL INTEGRITY AND ANTI-CORRUPTION

Laws and Regulations

The Group established the Whistleblowing and Whistleblower Protection Policy and Anti-Fraud, Corruption and Bribery Policy to uphold high standards of business integrity, honesty and transparency in all of its business dealings, the above policies has published on the Company's website. In addition to compliance with relevant laws and regulations in different regions, the Group also maintains a "Code of Business Integrity", which requires the employees, during the course of business engagement, not to (whether directly or indirectly) provide, undertake, request or receive any improper benefits, or take any other actions which are in violation of integrity, illegal or dishonest behaviors which are in breach of fiduciary duties. Such behaviors to be prevented include criminal acts such as bribery, extortion, fraud, money laundering and other acts such as the provision of illegal political contributions, inappropriate charitable donation or sponsorship, provision or acceptance of unreasonable gifts, entertainments or other improper benefits, infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights, and engagement in acts of unfair competition, etc.

Communication and training

The Group has systematically organized irregularities and disciplinary measures through the construction of financial, operational and management systems, standardized groups and individual acts, and announced policies to report line and disclose business integrity so that the Group's personnel, suppliers, customers or other business-related agencies and personnel can clearly understand the integrity of the company's business philosophy and norms and to be subject to supervision within and outside the group. During the course of business conduct, the Group shall explain the integrity management policies and related regulations of the Company to the object of the transaction and shall expressly refuse to provide, promise, demand or accept any form or name of any improper advantage directly or indirectly to the individual.

During the reporting period, there were no corruption case occurred.

Apart from business development, the Group also actively devotes its commitments to community care and participation of social welfare activities. The Group believes that the business development should not sacrifice the environment and social benefits of other relevant parties and that will lead to mutual win-win relationship between enterprise development and social development.

The Group is committed to enhance the social value with interest groups which are relevant to business operation. This is realized by satisfying the needs of the employees in the first place and then further extending the caring and services to their families and to the surrounding community.

The Group pays special attention on female employees' health by organizing B Ultrasonic examination for female employees every year and women's health seminars regularly as well as establishment of mother's room, etc. The Group also shows its care for the employees through home visits, regular staff health checks, financial assistances to difficult families, to initiate donations for employees in difficulty and specific caring actions, in order to express the company's concern for employees. These activities not only represent the Company's care of the employees but also allocate more resources to the local community for social caring and benefits. Please refer to the summary of major activities below.

Caring for Employees

- **Discussion Forums:** employees forums, managers forums, rationalization suggestions, etc.
- **Appreciation of Outstanding Employees:** star employee of the month, outstanding employees of the year, outstanding team of the year, Industrial Craftsmanship, etc.
- **Health Activities:** annual health checkups, employee medical care, Tai Chi Association, visits to injured and sick employees, birthday benefits, health care mutual aid, and assistance for employees in difficulty.



[Craftsmanship Commendation]



[Tai Chi Association]

Chapter 6

Community Participation



[Party Member Activity]



[Seminar]

- **Caring for Female Employees:** Gynecological lectures, establishment of mother's room, knowledge competition on protection of special rights and interests of female workers, Women's Day activities.
- **Recreational Activities:** "Healthy New Year's Greetings, Enjoyable Hiking" hiking event; "Beautiful Home, Happy Children's Day" calligraphy and painting competition; "Unite and Climb to the Summit" mountain climbing event, 926 Craftsman Day activities, "Welcoming the Asian Games, Ensuring Safety and Health, Thorough Investigation of Hidden Hazards" and "Report Safety Hazards on the Spot" activities, "Encounter the Craftsmanship, Discover the Beauty of Art" event, "Marching Forward Together Towards the Future" team building activity, and human resources management skills competition.
- **Other Welfare and Convenience Facilities:** staff quarters, transportation cards, basketball court, badminton court, yoga, etc.



[Human Resource Management Skills Competition]

Chapter 6

Community Participation



[Women's Day activities]

Chapter 6

Community Participation



["Marching Forward Together Towards the Future" party building activity]

Chapter 6

Community Participation



["Beautiful Home, Happy June 1" Painting and Calligraphy Competition]



["Unite and Climb to the Summit" mountain climbing activity]

Chapter 6

Community Participation

- Appreciation of outstanding employees : 42 person-times
- Health checkups : 241 person-times
- Women's health lectures : 95 person-times
- Visits employees with illness or injury : 8 person-times
- Assistance for financially struggling employees : 5 person-times
- Birthday benefits : 324 person-times
- Communication meetings : 3 person-times
- Entertainment activities (team building、 photography contests、 healing activities, etc.) : 1552 person-times
- Festival activities (Women's Day activities) : 96 person-times



Employees Caring

- To visit employees on maternity leave
- To visit employees who are sick
- Home visits: 8 times
- Assistance for those in need: approximately RMB6,000

Participation in Community Activities

- Rotating duty at community outbreak prevention and control checkpoints
- Providing support for centralized quarantine facilities during the epidemic



Chapter 6

Community Participation



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