

股票代码：002600

2023

Corporate Social Responsibility Report



LINGYI iTECH (GUANGDONG) COMPANY

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About the Report

Report Description

This report is the fourth corporate social responsibility report (hereinafter referred to as “CSR report” or “the report”) issued by LINGYI ITECH (GUANGDONG) COMPANY (hereinafter referred to as “the Company”, “Company”, “LINGYI ITECH” or “we”). This report is published regularly every year on our philosophies, strategies and practices on corporate social responsibilities, with priorities given to the disclosure of the Company’s performance in terms of responsibility control, product quality, innovation and R&D, partnership, talents development, safety production, and health, environmental protection and social feedback.

(I) Basis of Compilation

This report is prepared as per such relevant social responsibility national standards as Guidance on Social Responsibility (GB/T 36000-2015), Guidance on Social Responsibility Reporting (GB/T 36001-2015), and Guidance on Classifying Social Responsibility Performance (GB/T 36002-2015), the Listing Rules of Shenzhen Stock Exchange Listing Rules, International Organization for Standardization’s Guidance on Social Responsibility (ISO 26000) and the Global Reporting Initiative’s Uniform Standard for Sustainability Reporting (GRI Standards) (hereinafter referred to as the “Standard”). Please refer to Appendix 3 hereof for the content index of GRI Standards.

(II) Range and Boundary of the Report

Unless otherwise specified, the timeframe of the information contained in this report ranges from January 1, 2023, to December 31, 2023 (hereinafter referred to as “this year” or “the reporting period”). Some of the contents related to the previous data and activity descriptions might go beyond the above time range. Unless otherwise specified, this report covers the performance of LINGYI ITECH (GUANGDONG) COMPANY and its subsidiaries in mainland China.

(III) Information Sources and Reliability Assurance

The data in this report come from the Company’s internal information, investigations & interview records, and related files. RMB shall be the unit for the calculation of all types of financial data herein. The financial data in our annual financial statements shall prevail. The Company’s Board of Directors promises that this report does not contain any false or misleading information and is accountable for the authenticity, accuracy, and integrity hereof.

(IV) Confirmation and Approval

As confirmed by the Executive Management, the report, containing no false records, misleading statements or major omissions, was approved for publishing on April 29,2024.

(V) Access and Response to This Report

This report is available in simplified Chinese and English for readers' reference. You can browse the electronic version of the report on our official website: <http://www.lingyiitech.com> or download the report from <http://www.cninfo.com.cn/new/index>. If there is a discrepancy between this report's Chinese and English versions, the Chinese version shall prevail.

(VI) Contact

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Message from the Chairman



In the current era of global sustainable development, the ESG concept has become an important part of the core competitiveness of enterprises. As a leader in the precision manufacturing of consumer electronics, we are well aware that it is an important mission for us to promote sustainable development and fulfill social responsibilities. We always insist on integrating the ESG concept into our daily operations and decision-making processes, fulfill our responsibilities to the environment, society and stakeholders in practical ways, and work to achieve sustainable development.

We continue to optimize the corporate governance system and improve governance capabilities. We adhere to compliant and transparent operations, strengthen internal system construction, and fully integrate compliance management into various aspects of our business development and management. We put people first, care for employees, and initiate a new journey of common prosperity, encourage employees to work together on ecological conservation, and make tireless efforts towards career development, income growth, protection and experience enhancement, and fulfillment of social responsibilities of all employees. We take environmental protection as our responsibility and integrate environmental

protection requirements into product research and development, manufacturing solutions, and practice green manufacturing and green development. We become more motivated to explore sustainable production and development mode, in order to achieve the unity of economic benefits, social benefits and environmental benefits.

In recent years, we have made significant progress in environment, society and governance (ESG) practices. This is the result of our sustained efforts and our commitment to the future.

We released our corporate social responsibility report for the first time in April 2021, and were rated as one of China's Top ESG 500 Companies that year. In the past three years, we have seen a rise in the MSCI-ESG rating twice, getting an "A" in the MSCI-ESG rating in November 2023. Data shows that the MSCI-ESG rating is one of the world's most authoritative and highly credible ESG rating systems, and has become an important basis for global investors' investment decisions and data analysis. The rise in the MSCI-ESG rating is solid evidence of LINGYI iTECH's efforts in the ESG sector, and also a crucial manifestation of its recognition in the global green supply chain.

The manufacturing sector, as the foundation of the real economy, plays an important role, and high-end, intelligent and green development has become a new development goal for the manufacturing sector in the new era. In recent years, LINGYI iTECH has insisted on fulfilling and implementing the primary responsibility of green and low-carbon manufacturing in multiple aspects such as using clean energy, reducing energy consumption, recycling waste, and building a green supply chain. Upholding the mission of "leading the worldwide intelligent manufacturing, striving to achieve goals" and the concept of "green, low-carbon, and sustainable development", the Company vigorously develops green intelligent manufacturing, integrates sustainability into its core strategy, thus contributing to China's "carbon peak, carbon neutrality" goals. The Company actively utilizes advanced technologies to promote green operations by motivating its subsidiaries to set energy goals, establishing green factories, and transforming energy-saving equipment, focusing on the comprehensive improvement of environmental protection, social responsibility and corporate governance, and always insists on pushing for the implementation of the sustainable development strategy with practical actions, with greater efforts put into green manufacturing, energy conservation and consumption reduction, carbon emission reduction, and other environmental initiatives.

The Company actively implements and responds to policies to address climate change at home and abroad, uses more clean energy, and accelerates the energy structure transformation. The Company continues to develop rooftop photovoltaic systems, advance the construction of photovoltaic facilities in each factory, and increase the use of renewable energy and clean energy through the Green Electricity Certificates (GEC) purchase and other forms. In 2023, the GEC purchases reached 302 million kilowatt-hours and photovoltaic power generation reached 30.99 million kilowatt-hours, an increase of 21% over the previous year. In the past three years, the Company has generated 80,615,000 kilowatt-hours in total. In its business operations, the Company unwaveringly follows the high-quality development path of “ecological first, green and low carbon development”, protects the ecological environment, develops its business stably while assisting the sustainable development of the industry and even the whole society, and is determined to move forward on the road of implementing the concept of green development.

LINGYI iTECH is an organization with an international perspective, international business and international employees. The Company works to comprehensively improve individual and team effectiveness through efforts in multiple aspects such as organizational management, cadre management, talent development, and organizational culture construction to implement the corporate spirit of “Accomplishing the Mission” from the top down, and pays more attention to the development and welfare of employees, focuses on the development of talents, and pays attention to the growth of employees. The Company invests heavily in the integration of production and talents, and consolidates and develops training resources. In 2023, the total investment in training was about RMB 79,361,800, with the online and offline training covering 826,882 person-times. The training coverage rate reached 97%, and the total training hours reached 4,027,870 hours.

The Company continued to consolidate the foundation of corporate governance and established and improved corporate governance bodies such as the General Meeting of Shareholders, the Board of Directors and the Supervisory Board, each of whom independently exercises its powers in accordance with laws, regulations, the Articles of Association and other relevant provisions. Laying great emphasis on honesty and integrity operation, the Company actively fulfills its social responsibilities to other stakeholders in the market and promotes common development, while pursuing economic value. The Company will continue to improve its corporate governance structure, improve its internal control system, strengthen risk management, and improve its decision-making level, thereby achieving a virtuous cycle of corporate development, and providing a powerful guarantee for the legitimate rights and interests of its shareholders. The management team will further improve its managerial and administrative expertise and continuously enhance the Company’s core competitiveness, profitability and comprehensive risk management capabilities, with a view to achieving rapid development and giving back to investors. The Company strictly adheres to the principles of “truth, accuracy, completeness, timeliness and fairness”, further perfects the “investor demand-oriented” information disclosure requirements from the breadth and depth of information disclosure, to help investors fairly and accurately know its operating status and major risks and continuously improve the effectiveness and transparency of information disclosure. The Company was assigned 2022 Information Disclosure Rating A in the annual information disclosure evaluation of the Shenzhen Stock Exchange.

Looking forward to the future, LINGYI iTECH will continue to deepen the practical application of the ESG concept in various fields of the Company and take more solid steps on the road to sustainable development. We will continue to increase our investment in environmental protection, social responsibility and corporate governance, and strive to become a model of sustainable development in the precision manufacturing of consumer electronics.

 CEO
Mrs. Zeng Fang Qin

About LINGYI iTECH

LINGYI iTECH was established in Shenzhen in 2006, formerly known as Triumph Lead Electronic Technology (Shenzhen) Co., Ltd. In 2018, it was listed on the Shenzhen Stock Exchange (Stock code: 002600) through a major asset reorganization.

As the world's leading intelligent manufacturing platform, we are committed to providing one-stop AI terminal hardware manufacturing services and solutions for global customers. The business covers the whole industrial chain of precision functional parts, structural parts, modules, and charger business, with products used in multiple downstream markets, including AI terminal equipment and communications, new energy vehicles, photovoltaic energy storage and other fields, especially in the field of consumer electronics in the industry leader. The Company's market share and shipments of products related to precision functional parts have remained the global industry leader for many years, setting industry standards in quality, process, technology and other aspects, and further penetrating emerging markets such as new energy vehicles, photovoltaic, energy storage, etc., as well as actively exploring the potential for development in the field of AI hardware, enhancing the stability and depth of business with core customers, and activating a new kinetic energy for high-quality development.

The Company always carries out the service concept of "customer-centered", and establishes strategic cooperative relationships with many high-quality customers all over the world. Through in-depth discussions with customers in terms of technology, equipment, product design concepts, long-term market research and testing, The Company has intervened in the early stages of product development of many well-known customers around the world, manufacturing processes, production sites, technology development, project management and other aspects of the study, with high-quality customer service to get the customer's sustained and stable orders, to establish win-win cooperative relationship.

In 2023, the Company has been selected as one of the "2023 Fortune China's Top 500 Listed Companies", "2023 China's Top 500 Private Enterprises", "2023 Top 100 Private Enterprises in Guangdong Province", The Company has been listed in the "Fortune China's Top 500 Listed Companies" for six consecutive years.



(I) Product Solutions



Precision Functional Parts

The Company makes a wide variety of precision functional parts from various metals (such as stainless steel, aluminum alloys and titanium alloys) and various non-metallic materials (such as carbon fiber, rubber, foam, mesh) by employing targeted processes and surface treatment methods, in conjunction with proprietary automation and visual inspection technologies, ensuring that precision parts meet strict requirements from customers in terms of dimensions, appearance and performance.



Structural Parts

Components within a device that either convey motion or provide structural support. Precision structural parts are metal, plastic or other non-metallic structural parts designed to offer high dimensional accuracy, superior surface quality, and exceptional performance. The Company is based on the establishment of intelligent manufacturing facilities, and its structural part production encompasses the entire process from research and development, mold manufacturing, injection molding, painting, and CNC machining to assembly. The production equipment is interconnected, featuring intelligent management of key manufacturing processes and automation throughout the entire manufacturing process.



Module

Modules generally refer to specialized functional parts, composed of one or more elements (such as precision functional parts and structural parts) that are processed and combined through various manufacturing processes to offer comprehensive functionality. Modules can be integrated into various end products. Leveraging the advantages of long-term technical expertise and experience accumulated in the precision functional parts and structural parts, the Company's module business has rapidly grown and progressively improved its vertical integration capabilities. The Company has multiple product lines, including keyboard modules, heat dissipation modules, backlight modules, radio frequency (RF) modules, motor modules, rotary axis modules, acoustic modules, touchpad modules and wireless charging modules, which are widely used in various types of products.



Chargers, Adapters and Power Management Related Products

A charger is composed of many components such as a plug, converter, control circuit, isolator and USB interface. With the continuous development of mobile devices, charger components have also seen ongoing innovation, including wireless chargers, fast chargers and more, to meet the varying needs of different users. The Company's charger business focuses on assembly solutions for consumer electronics, leveraging its expertise in developing various parts and integrating the manufacturing capabilities for the remaining components. An adapter is a small, portable power supply transmission device for electronic devices and appliances. It typically consists of components like a casing, transformer, inductor, capacitor, control IC, PCB board and more. The Company's product range covers various power levels, including products that support the PD3.1 protocol with charging power up to 140W. Additionally, it offers adapters that support traditional charging interfaces with power capabilities of up to 330W.

At present, The Company has the production capacity of all kinds of mainstream chargers and adapters, mainly including all types of chargers and power supplies, CMC (Common Mode Choke), transformers, coils, adapter accessories and other products, with chargers dynamic dual output and other core technologies, product quality, technical level and supply capacity is widely recognized by downstream customers. In addition to the relevant technology reserves, The Company also has the relevant production line process design, production capacity and perfect product inspection and testing capabilities to meet customer demand for product yield and performance.

(II) Core Competencies



1. The world's leading one-stop AI terminal hardware manufacturing platform, Leading position in the consumer electronics industry

The Company adheres to the vision of "Become a world-leading intelligent precision manufacturing company relying on modern management philosophy and unremitting effort to pursue excellence", takes "Lead the worldwide intelligent manufacturing, strive to achieve goals" as its mission, and upholds the core values of "Respect, Integrity and Pragmatism, Customer First, Responsibility, Long-termism, and Value Symbiosis" and the corporate spirit of "Self-improvement, mission

accomplished ". As the world's leading intelligent manufacturing platform, The Company provides customers with one-stop AI terminal hardware intelligent manufacturing services and solutions globally, covering the whole industry chain of precision functional parts, structural parts, modules and charger business, with products and services widely covering a number of downstream fields such as electronics and communications, new energy vehicles, photovoltaic storage, etc., and is in an industry-leading position especially in the field of consumer electronics.

The Company's market share and shipments of products related to precision functional parts have remained the global industry leader for many years, setting industry standards in quality, process, technology and other aspects, and further penetrating emerging markets such as new energy vehicles, photovoltaic, energy storage, etc., as well as actively exploring the potential for development in the field of AI hardware, enhancing the stability and depth of business with core customers, and activating a new kinetic energy for high-quality development.



2. Continuously forging new quality productive forces, comprehensively empowering product innovation and technological development

With forward-looking strategic vision and firm execution to actively grasp the pulse of the times, The Company takes technological innovation as the lead, green manufacturing as the long-term goal, talent training as the backing, forging new quality productive forces with practical action. The Company comprehensively promotes the "One core, four modernizations", technology as the core competitiveness, "Leanization, Automatization, Informatization and Intellectualize" as the concept of manufacturing, the research and development of artificial intelligence, robotics to automate the production of industrial solutions, combined with independent Combined with the independent research and development of a variety of multi-functional CNC and automation equipment, we are committed to building an intelligent production workshop with international advanced technology and equipment level and domestic leading level, to build a modern and efficient intelligent factory, and strive to become a global leading precision manufacturing enterprise through the pursuit of excellence with the concept of modern management. By investing in self-developed automation equipment, The Company comprehensively improves the degree of automation in many aspects of manufacturing, handling, testing, packaging, etc., which effectively saves production costs and enhances the flexibility, precision and expandability of business.

The Company strong R&D system is a solid foundation for the forging of new quality productivity. The systematic construction of the system as well as the rich talent reserves and patent accumulation together constitute a strong support for LINGYI iTECH in the forging of new quality productivity. The Company has a systematic three-tier research and development platform, consisting of the R&D Institute, BG/BU Research Centers. The R&D Institute focuses on future industry trends and leads the Group's lean production by training employees in the latest production technologies and lean concepts through systematic practical teaching and lean guidance.

The BG/BU Research Centers specialize in cutting-edge product and process research and development. Under this systematic platform, there are six major sub-platforms: Heat Dissipation Module Research Center, Mechanical Engineering Research Center, Advanced Materials Research Center, Assembly Center, Electromagnetic Research Center, and Modeling and Simulation Center.

The four production capabilities are a powerful driving force for the forging of new quality productivity. The IE Automation School under the R&D Institute has a four dojo (lean, automation, intelligence and digitalization) for trainees' internships as well as an intelligent workshop for trainees' practice, and the R&D Institute cultivates/maintains more than 800 lean masters every year, with more than 100 training sessions and more than 2,000 trainees. As of the end of the reporting period, the Company has obtained a total of 2,094 patents, including 240 invention patents, 1,796 utility model patents and 58 appearance patents, with 5,902 R&D personnel, accounting for about 10% of the workforce.



3. The Company maintains long-term and stable partnerships with world-renowned terminal electronic brands, and adheres to a customer-centric service philosophy and actively expand relationships with leading customers in emerging fields

In both the electronics and communications as well as the new energy vehicle and photovoltaic energy storage sectors, most global terminal product manufacturers have strict supplier certification standards. They collaborate only with suppliers who have been certified by them or possess relevant certifications from authoritative organizations. Certification

processes are comprehensive and complex, covering aspects such as production capacity, product quality, factory environment and human resources. These certification processes help the Company continually evaluate and improve its various capabilities, enabling it to acquire new customers based on excellent product quality and driving comprehensive business development. The Company consistently adheres to a “customer-centric” service philosophy and establishes strategic partnerships with numerous high-quality customers worldwide. Through in-depth discussions with customers in areas such as technology, equipment, and product design concepts, as well as through long-term market research and testing, the Company becomes involved in the early stages of product development for many well-known customers globally, and engages in research related to manufacturing processes, production facilities, technical research and development, project management, and more. By providing high-quality customer service, the Company secures continuous and stable orders from customers, establishing mutually beneficial cooperation relationships.



4.A learning organization and engineering culture fostered by iteration, innovation and transformation

The Company adheres to the core values of Integrity & Pragmatism, Customer First, Respect, Responsibility, Long-termism and Value-based Cooperation”, and the corporate spirit of “Striving to Be Stronger and Accomplishing the Mission”, providing continuous driving force for the Company to realize its mission and vision. The cooperative relationship between the Company and its customers cannot be divorced from the high correspondence between the two sides in terms of values, culture, social responsibility, etc. As a learning organization, the Company relies on its strong learning and self-iteration capabilities to continuously optimize itself, adjust its product and service portfolio, constantly review past experience and predict changes in the future market environment and customer requirements.

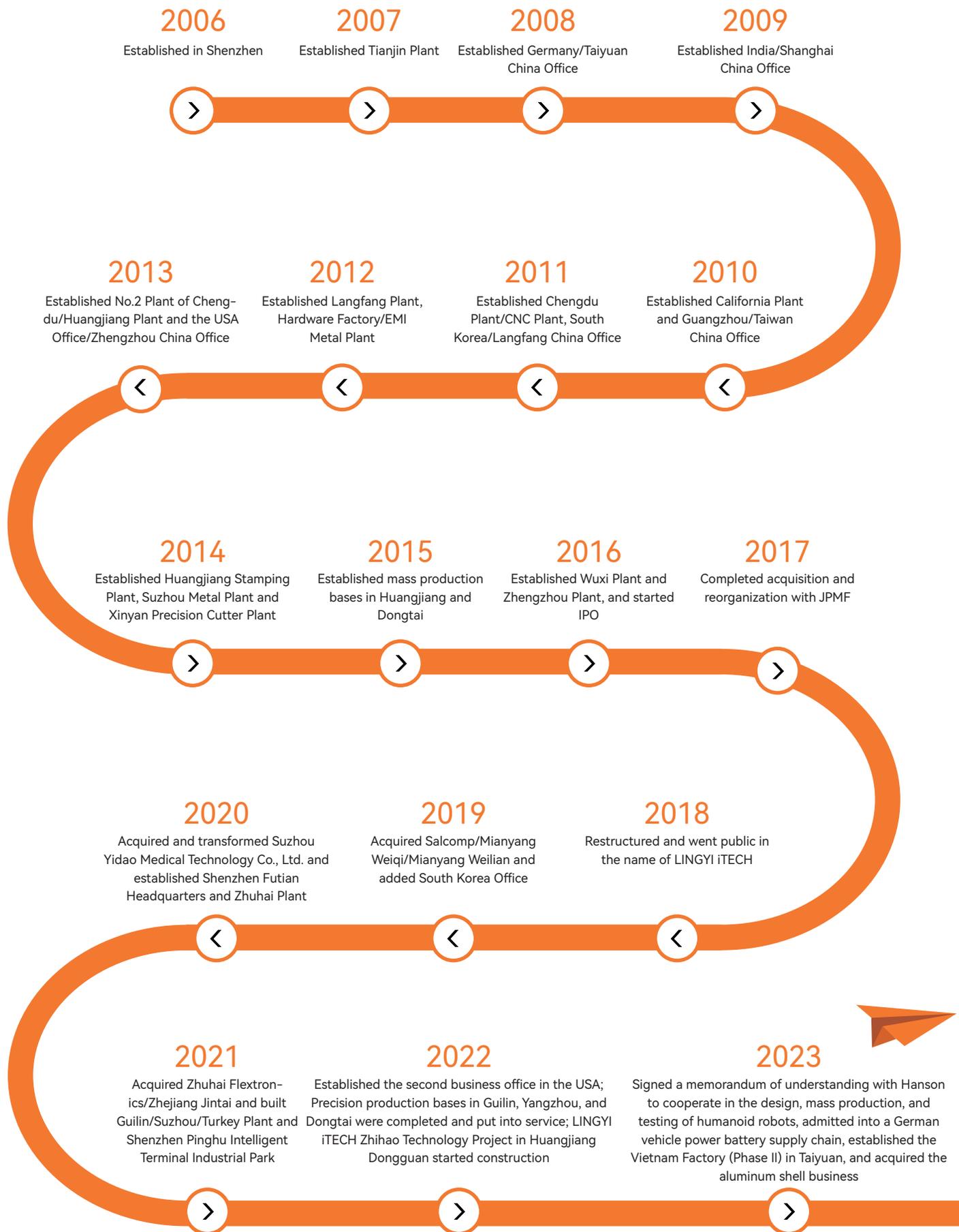
Talent is an indispensable and important force for enterprise development and building new quality productivity, and the kernel of the Company is engineering culture. In recent years, the Company has opened up the grade system and promotion channels for technical personnel, and tilted the incentives, cultivation and welfare resources to technical talents, so that the key talents can play a key role in the key technical positions. The Company regularly organizes the inventory of key positions for the technical sequence, and draws a hierarchical and graded learning map for key positions. Through the establishment of talent cultivation standards, job competencies, career paths and learning activities are organically combined to provide clear guidelines for employee growth. At the same time, the Company carries out a number of technical refinement and talent training specialties in R&D, engineering, lean, quality and other technical fields, and also specializes in opening a rapid promotion channel for young talents to accelerate the growth of outstanding young talents.



5. ESG Construction Achieved Significant Results, Leading Green Manufacturing

The Company adheres to the ESG concept, vigorously develops green manufacturing, and integrates sustainable development into its core strategic objectives. According to the latest rating released by Morgan Stanley Capital International (MSCI), an authoritative international indexing agency, the Company's ESG rating for FY2023 jumped from "BB" to "A", reflecting the international community's high recognition of the Company's efforts in sustainable development. "Green development is the base color of high-quality development, and the new quality productivity itself is green productivity". In terms of its business, the Company actively expands its presence in the green energy sectors such as new energy vehicles and photovoltaics energy storage. The Company is committed to implementing the national “carbon neutrality” strategy, contributing to the China's goals of “carbon peak” and “carbon neutrality”. In production, the Company actively utilizes advanced technologies to promote green operations. The Company fulfills its environmental responsibilities by investing in accelerating the transition to clean energy, motivating its subsidiaries to set energy goals, establishing green factories, and retrofitting energy-saving equipment. The Company implements environmental initiatives such as Zero Waste to Landfill (ZWP) and Clean Water Project (CWP) to promote the recycling of materials throughout the supply chain. The Company is comprehensively promoting process optimization, emphasizing low-carbon operations, advocating paperless offices, and continuously improving resource utilization efficiency. This approach effectively fosters harmony between the Company and the environment, promoting sustainable development. The Company closely follows the principles of the China's new development concept and actively promotes green development throughout the industry's upstream, middle, and downstream supply chains. The Company responds proactively to environmental requirements from end customers, provides high-standard products, and voluntarily engages in environmental disclosure. Furthermore, the Company is committed to building a green supply chain, where fulfilling corporate social and environmental responsibilities is a crucial evaluation criterion for suppliers.

(III) Development History



(IV) Our Corporate Culture

▶ Mission

- Lead the worldwide intelligent manufacturing, strive to achieve goals

▶ Vision

- Become a world-leading intelligent precision manufacturing company relying on modern management philosophy and unremitting effort to pursue excellence

▶ Values

- Integrity and Pragmatism: Be realistic and keep our promises
- Customer First: Exceed expectations and create value
- Respect: Be strict with yourself and treat people in good faith
- Responsibility: Face the problem, take on the burden
- Long-termism: Achievements for the present and benefits for the future
- Value Symbiosis: Solidarity and mutual benefit, sharing results

▶ Corporate Spirit

- Self-improvement, mission accomplished

LINGYI iTECH has achieved significant culture development in 2023.

Firstly, the company conducted a global culture research and organizational improvement project, covering more than 10 countries and regions and involving more than 60,000 employees. This extensive and in-depth research helped the company to dig deeper into organizational management issues and resulted in more than 50 comprehensive Global Culture Research Reports. Through the establishment of four project groups, LINGYI iTECH has made robust improvements to the common issues identified, as well as specific improvement plans for the characteristic issues of each business group (BG). These measures improved the management system, values, rewards and punishments, competency development, employee achievement and other dimensions, effectively enhancing organizational efficiency and employee satisfaction. Secondly, LINGYI iTECH has strengthened organizational cohesion and employees' sense of belonging through a series of innovative and diverse cultural campaigns and cultural activities. This included the creation of cultural newsletters such as "Kathy Talk" and "LINGYI News", as well as the innovative production of videos such as "Pillars of Strength" interviews with outstanding managers, "LINGYI Culture TALK" interviews, "Moving Forward Together" interviews with veteran employees, and "LINGYI iTECH Old Stories" cultural documentary. These contents were not only circulated internally within the company but also showcased externally through platforms such as WeChat, video platforms, and Douyin, allowing employees to stay updated on the company's management philosophy, outstanding employee achievements, and latest developments, thereby strengthening their identification and pride in the company.

LINGYI iTECH firmly believes that a strong corporate culture is the key driving force behind sustained company development. Therefore, the company will continue to devote itself to cultural development, continuously promoting the deep practice and implementation of culture to achieve a win-win situation for culture and business development, thereby creating a brighter future for the company.

LINGYI iTECH upholds the values of "Integrity & Pragmatism, Customer First, Respect, Responsibility, Long-termism, and Value Symbiosis", and advocates the vision of "modern management philosophy and unremitting effort to pursue excellence". With advanced technology and outstanding talents, proven international management, sustainable development strategies and other advantages, we keep expanding our scale, enhancing sustainable profitability and risk resistance capacity, and developing into a global leader in the field of precision manufacturing.

(V) ESG Highlights



Time of Awarding	Winner Unit	Name of Awards	Awarding Body
October 2023	LINGYI ITECH (GUANGDONG) COMPANY	2023 Top 500 Enterprises in Guangdong Province (No. 90)	Guangdong Enterprise Federation, Guangdong Entrepreneurs Association
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	Top 500 most creditworthy listed companies in China in 2023 (No.323)	China Enterprise Reform and Development Research Association, China Cooperative Trade Enterprises Association
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	Top 500 Chinese Enterprises in Credit in 2023 (No. 323)	China Enterprise Reform and Development Research Association, China Cooperative Trade Enterprises Association
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	The 7th China Excellent IR - Best Capital Market Communication Award	Road Show China
October 2023	LINGYI ITECH (GUANGDONG) COMPANY	Top 500 Chinese Enterprises for China's 5A High Quality Brand	CNISA - World 5A High Quality Rating Center
November 2023	LINGYI ITECH (GUANGDONG) COMPANY	The Reputation List of China Listed Companies for 2023 -- Best Board of Directors of Listed Companies	National Business Daily
November 2023	LINGYI ITECH (GUANGDONG) COMPANY	The 2023 8th Golden Tangerine Awards of Time Finance -- High Quality Development Listed Company Award	Guangdong Times Media Group
December 2023	LINGYI ITECH (GUANGDONG) COMPANY	Most Valuable Brand of the Year	CaiLianPress
December 2023	LINGYI ITECH (GUANGDONG) COMPANY	The 5th Industrial Engineering and Lean Management Innovation Competition of Dongguan City - 2023 Lean Practice Pioneer Award	Guided by the Industrial Engineering Institution of the Chinese Mechanical Engineering Society, the Industrial Engineering Branch of Guangdong Mechanical Engineering Society, and the Dongguan Municipal Bureau of Industry and Information Technology, and sponsored by the Lean Research Association of Dongguan
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	2023 Tonghuashun Annual List of Listed Companies - TOP100 Most Popular Listed Companies	Tonghuashun
October 2023	LINGYI ITECH (GUANGDONG) COMPANY	2023 ESG Gold Medal	Responsibility of the Times Forum 40 Think-tank
December 2023	LINGYI ITECH (GUANGDONG) COMPANY	2023 China's TOP100 Digital Enterprises by Green Credit Index (No. 43)	The Investment Consulting Special Committee of the Investment Association of China Beijing Green Credit Rating co.,Ltd.
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	The 7th China Excellent IR - Best ESG Award	Road Show China
January 2024	LINGYI ITECH (GUANGDONG) COMPANY	Listed Companies of the Year 2023 - Best ESG Practice Award	Easy-Board Value Online

Time of Awarding	Winner Unit	Name of Awards	Awarding Body
November 2023	LINGYI ITECH (GUANGDONG) COMPANY	Top 100 Private Enterprises in Dongguan	Dongguan Municipal People's Government
November 2023	LINGYI ITECH (GUANGDONG) COMPANY	Top 100 Private Industrial Enterprises in Dongguan	Dongguan Municipal People's Government
October 2023	LINGYI ITECH (GUANGDONG) COMPANY	Excellent Enterprise in Jiangsu Province	Jiangsu Provincial People's Government
April 2023	Salcomp (Guigang) Co., Ltd.	Innovative Enterprise for Industry Revitalization	Guilin Municipal Party Committee, Guilin Municipal People's Government
April 2023	Salcomp (Guigang) Co., Ltd.	Outstanding Entrepreneur for Industry Revitalization	Guilin Municipal Party Committee, Guilin Municipal People's Government
April 2023	Huangshan Lingyi Communication Technology Co., Ltd.	Tunxi District Worker Pioneer	Tunxi District Trade Union
February 2023	Huangshan Lingyi Communication Technology Co., Ltd.	Top 10 Private Enterprise Tax Payers of Tunxi District	CPC Committee of Tunxi District, Huangshan City, and People's Government of Tunxi District, Huangshan City
April 2023	Lingyu (Suzhou) Electronic Technology Co., Ltd.	2023 Suzhou May Day Labor Award	Suzhou Federation of Trade Unions
February 2023	Zhengzhou Led Technology Co., Ltd.	Henan Provincial Outstanding Growth & Innovation-Oriented Private Enterprise	United Front Work Department of the CPC Henan Provincial Committee, Henan Provincial Department of Industry and Information Technology, Henan Federation of Industry and Commerce, and Department of Human Resources and Social Security of Henan Province
June 2023	Zhengzhou Led Technology Co., Ltd.	Top 10 Excellent Enterprises in the Airport Economy Zone in February 2023	Zhengzhou Airport Economy Zone Management Committee
November 2023	Zhengzhou Led Technology Co., Ltd.	High-tech Enterprise	Department of Science and Technology of Henan Province
January 2024	Salcomp (Guigang) Co., Ltd.	2023 "Large Tax Payer" in Guigang City	CPC Guigang Committee Guigang Municipal People's Government
October 2023	Mianyang Weiqi Electronic Technology Co., Ltd.	High-tech Enterprise	Science and Technology Department of Sichuan Province Sichuan Provincial Finance Department Sichuan Provincial Tax Service, State Taxation Administration
January 2024	Mianyang Weiqi Electronic Technology Co., Ltd.	2023 Advanced Taxpaying Enterprise	Mianyang Economic and Technological Development Zone Working Committee of the Communist Party of China Mianyang Economic and Technological Development Zone Management Committee
January 2024	Shenzhen Lingpeng Intelligent Technology Co., Ltd.	Annual Core Technology Innovation Award	Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences

(VI) Identification of Material Issues

Committed to the values of “Integrity & Pragmatism, Customer First, Respect, Responsibility, Long-termism, and Value Symbiosis”, LINGYI iTECH maintains the relationships of honesty and mutual trust with customers, employees, and partners and keeps upgrading the multi-layered and multi-faceted communication channels with such stakeholders as customers, employees, community and partners to gain their trust and support while enhancing our ESG management.

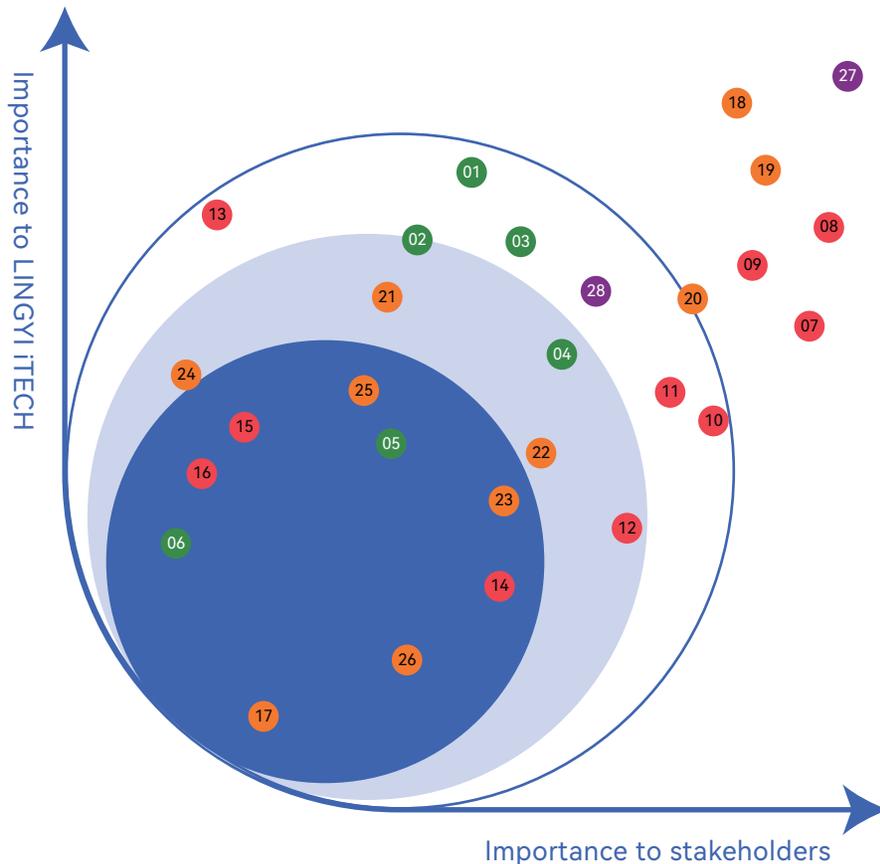
During the reporting period, LINGYI iTECH, based on the nature of its business operations, products and production and operations, identified the issues of concern to relevant stakeholders who had the right to make decisions and influence on us and were closely related to us, as well as the channels for the Company’s response and communication, as shown in the table below:

Stakeholders	Expectations and Demands	Responses and Communication Approaches
Shareholders /Investors	Steadily growing business performance Impressive market value performance Enhancing company value Open and transparent enterprise information Sustainable development modes	Convening shareholder meetings Issuing company announcements and regular reports Holding communications of investors, performance presentations, and field trips Promptly disclosing material operation information, provisional notices and revealing financial data regularly Company website and irm.cninfo.com.cn of SZSE
Employees	Employment and protection of rights & interests Employee compensation and welfare Clear-cut occupational development Diversified employee training sessions Employee safety and health	Launching recreational and sports activities for employees Creating a multidimensional training system Building a smooth promotion pipeline Providing diversified welfare for employees A sound health and safety system
Customers	High-quality products R&D and innovation capability Information security and data protection	Providing hotlines for customer consultation and complaint Customer satisfaction survey and complaint callback Customer requirement surveys and project reports
Government and regulatory bodies	Abiding laws and business compliance Accepting supervision and providing data reports promptly Paying tax according to law to spur economic growth	Abiding by laws and rules Cooperating for supervision and inspection Disclosing information on a regular or interim basis Enhancing supervision of clean and honest practice
Environment	Alleviating greenhouse effect Curtailing resource consumption Reducing the environmental impact of operation activities	Building environmental management systems Providing education on environmental protection Governing effluent, waste gases, and industry residues Launching resource-saving campaigns Managing greenhouse gases Saving energy consumption to propel green production
Partners	Mutual benefits Driving the sturdy development of the industry	Participating in or hosting industry forums and communications Business negotiation with partners

Stakeholders	Expectations and Demands	Responses and Communication Approaches
Suppliers	<ul style="list-style-type: none"> Sharing the growth with enterprises Fair and transparent purchase Clean and honest purchase 	<ul style="list-style-type: none"> Issuing notices of invitation for bids to publish the process and results Supplier management Selecting suppliers Responsible purchase Sunshine Purchase Creating green purchase chains
Community	<ul style="list-style-type: none"> Caring for and supporting community development 	<ul style="list-style-type: none"> Charity donation Providing volunteer services for public welfare

(VII) Analysis of Material Issues

We use a matrix analysis approach to conduct annual reviews and assessments of the materiality of our ESG issues mainly by referring to domestic and foreign sustainable development guidelines and peers' ESG issues, and incorporate the assessment into our risk management process, with assessment results to be confirmed by the Board of Directors and the senior executives. We comb out ESG issues in combination with our ESG work, and determine the importance and priority of material issues from the two dimensions of "Importance to stakeholders" and "Importance to LINGYI iTECH".



- |  Employee issues |  Operation issues |  Environmental issues |  Economic issues |
|---|--|--|---|
| 01 Employee compensation and benefits | 07 Technology and innovation | 18 Environmental compliance | 27 Business ethic and anti-corruption |
| 02 Employee training and promotion | 08 Product and service quality | 19 Hazardous waste management and reduction | 28 Economic performance |
| 03 Talent management | 09 Social and economic compliance | 20 Waste gas management and reduction | |
| 04 Occupational safety and health | 10 Data security and customer privacy management | 21 Sewage disposal and reduction | |
| 05 Employee communication | 11 Customers and consumers' rights | 22 Management and saving of water resource | |
| 06 Employee diversity and equality | 12 Intelligent property | 23 Waste management and reduction | |
| | 13 Conflict mineral management | 24 Raw material saving and usage | |
| | 14 Supplier management | 25 Energy management and saving | |
| | 15 Green supply chain | 26 Coping with climate change | |
| | 16 Product sales | | |
| | 17 Community investment | | |



Responsibility and Compliance Management

Corporate Governance

Risk Management

Business Ethics

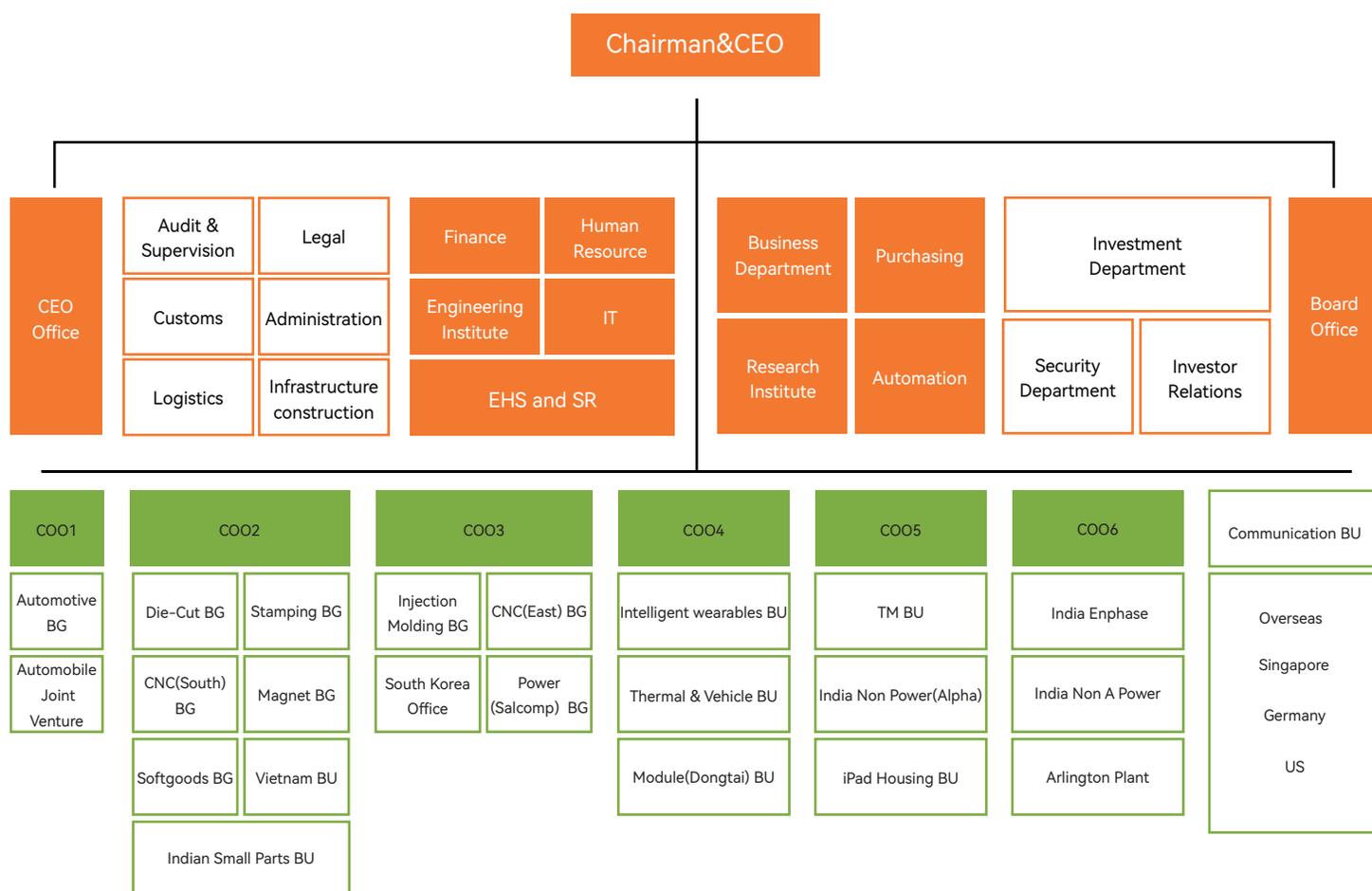


(I) Corporate Governance

1. Corporate Organizational Structure

We have established a system of rules and a governance system based on the Articles of Association, Rules of Procedure for the General Meeting of Shareholders, Rules of Procedure for the Board of Directors, and Rules of Procedure for the Supervisory Board to ensure that the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Executive Management fulfill their roles properly in accordance with the Articles of Association, rules of procedure, and working instructions correspondingly to meet future challenges.

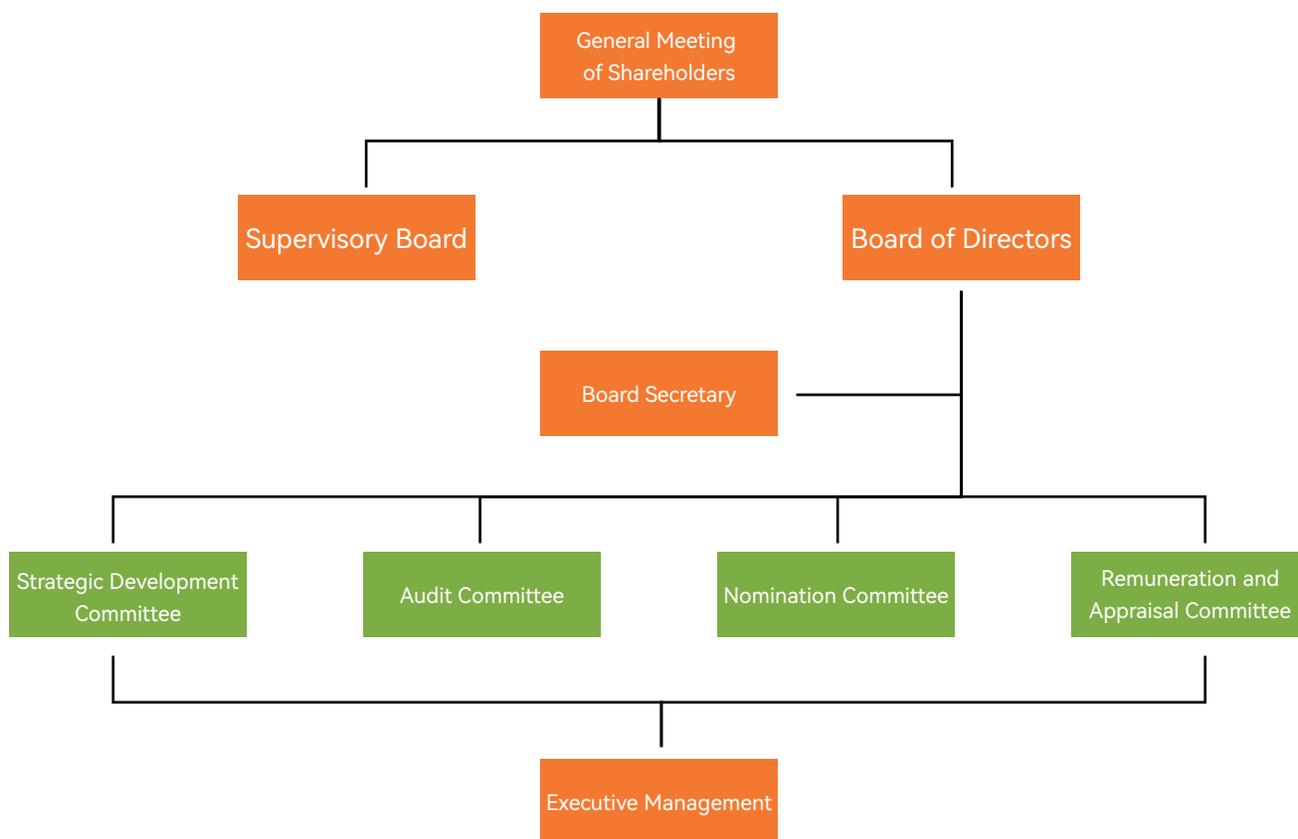
The Board of Directors shall be the supreme decision making body of LINGYI iTECH. As required in the Listing Rules of Shenzhen Stock Exchange, Guidelines on Self-Regulation of Shenzhen Stock Exchange Listed Companies No. 1 - Standardized Operation of Mainboard Listed Companies, and other regulations, we have regularly disclosed relevant reports and formulated the Information Disclosure Management Measures to fulfill information disclosure obligations, and establish a clear-cut governance structure to cope with internal and external challenges and achieve sustainable development.



Organization Chart-LingYi iTECH

2. Operation of Three Boards

The General Meeting of Shareholders, the Board of Directors, and the Supervisory Board perform their duties with defined power and obligations and mutual restraint for better corporate governance. The Board of Directors, to supervise company affairs and safeguard the rights and interests of shareholders and investors, commands four subsidiary committees: the Audit Committee, the Strategic Development Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. In 2023, the Company convened 34 meetings, laying a solid foundation for sustainable high-quality development in the future.

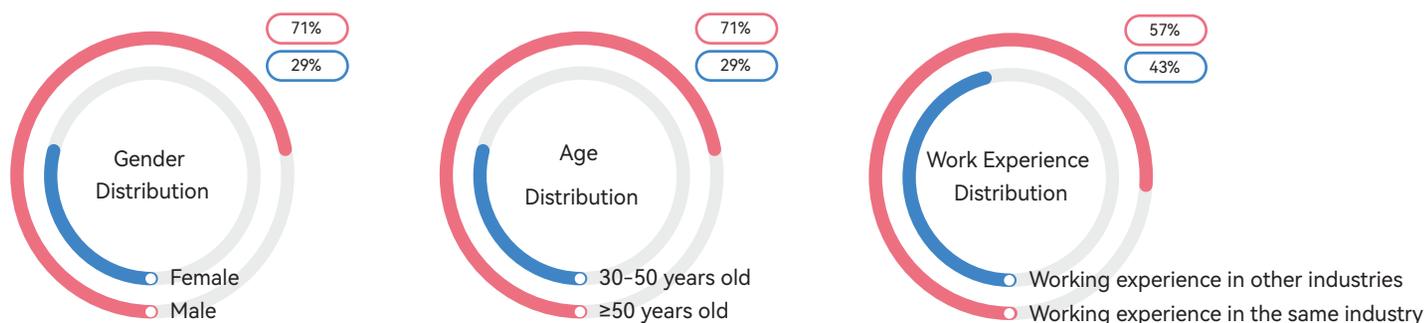


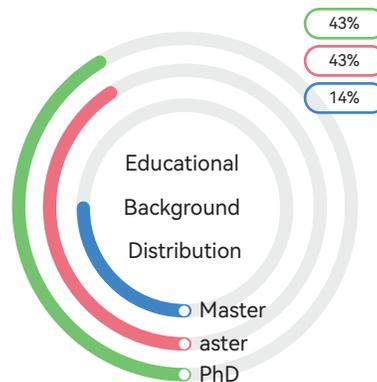
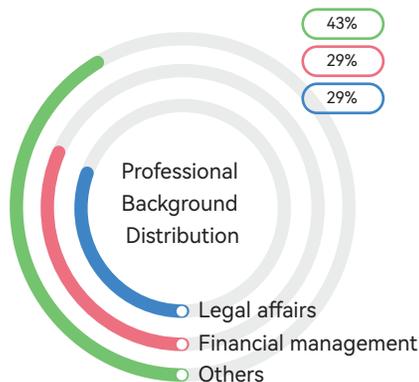
LINGYI iTECH Organization Chart

(1) Board Diversity

The Company follows the diversity policies of the Board of Directors as per the Articles of Association and other regulations. All appointments by the Board of Directors shall be made in consideration of such factors as work experience and independence to handpick the best candidates for each position based on the principle of diversity. The factors considered shall include but not be limited to age, gender, culture, educational background, work experience, skills, academic background, length of service, and ethnicity to secure well-balanced diversity in skills, experience, and perspectives, thus improving efficiency and maintaining the smooth operation of the Board of Directors. We believe that to realize sustainable and balanced development, we should regard the increasing diversity at the board level as vital to enable the Company to reach strategic goals and sustainable development. A truly diversified Board of Directors should bring together and give full play to the members with a wide band of expertise, skills, regional origin, industry experience, background, gender, and other traits.

By the end of the reporting period, the Company’s Board of Directors consisted of 7 members, including 2 female directors and 3 independent directors. An independent director works to provide independent and impartial advisory opinions to inform the decision-making of the board and safeguard the legal rights and interests of all shareholders. With an average tenure of 3 years, the current directors of the Company all have remarkable proficiency and educational backgrounds, including 3 directors with doctorate degrees. In 2023, the Company convened 8 board meetings and completed the deliberation of 64 issues with 100% attendance.





(2) Subordinate Committees of the Board of Directors

All the specialized committees fulfill their roles to supervise and audit corporate governance affairs as per the Articles of Association and Detailed Work Rules for Specialized Committees of the Board of Directors. Directors of the Company shall serve as the members of the specialized committees, which are elected by, responsible to, and regularly reporting to the Board of Directors on work.

Duties and performance in 2023 of all specialized committees:

Name	Duty	2023 Annual Performance
Audit Committee	<ul style="list-style-type: none"> Independent directors constitute the majority and act as conveners, and at least one independent director is a professional accountant Responsible for the communications, supervision, and verification of internal and external audits Reviewing and voicing out opinions on the financial reports of the Company Supervising and evaluating the internal control of the Company 	<p>During the reporting period, the Audit Committee convened 5 meetings with 100% attendance.</p> <p>Auditing the regular financial reports, the utilization of collected funds, justification of the provision for the impairment of assets, and changing accounting policy, etc. The audit covered all businesses, and the completion rate of audit issues reached 100%.</p>
Nomination Committee	<ul style="list-style-type: none"> Studying and providing suggestions on the candidates, selection criteria, and procedures of the directors and executives of the Company. Investigating and providing suggestions on the candidates of directors (including independent directors) and executives. Providing suggestions on the scale and constitution of the Board of Directors 	<p>During the reporting period, the Nomination Committee convened 1 meeting with 100% attendance, where the qualification of candidates of non-independent director was investigated.</p>
Strategic Development Committee	<ul style="list-style-type: none"> Studying and providing suggestions on the strategies and plans for the long-term development of the Company Studying and providing suggestions on major investments and financing plans Studying and providing suggestions on major capital operation and asset operation programs 	<p>During the reporting period, the Strategic Development Committee convened 4 meeting with 100% attendance, where discussion and planning about stock ownership incentive and outbound investments were performed.</p>
Remuneration and Appraisal Committee	<ul style="list-style-type: none"> Determining the criteria of assessment and evaluating the performance of directors and executives of the Company Formulating and reviewing the remuneration policies for directors and executives of the Company Supervising the execution of remuneration policies and providing suggestions on resignation and proposal of recall regarding the violations and inadequate due diligence of directors and executives. 	<p>During the reporting period, the Remuneration and Appraisal Committee convened 3 meetings with 100% attendance, where how the remuneration policies are implemented for directors, supervisors, and executives of the Company was validated.</p>

(3) Supervisory Board

The Supervisory Board of the Company elects supervisors in accordance with the Company Law of the People's Republic of China, Listing Rules of Shenzhen Stock Exchange, and Articles of Association. The Supervisory Board consists of 3 supervisors, including 2 shareholder representatives and 1 staff representative. The supervisors acted by shareholder representatives shall be elected and replaced by the General Meeting of Shareholders while those acted by staff representative shall be elected and replaced by the staff democratically.

The Supervisory Board, responsible for all the shareholders of the Company, supervises the financial personnel, directors, managers, and other executives on compliance and safeguards the rights and interests of the Company and shareholders as per Articles of Association, Rules of Procedure for the Supervisory Board, and other rules and regulations. During the reporting period, the Supervisory Board convened 6 meetings with 100% attendance, where 45 proposals were passed, including A Proposal on Carrying out Foreign Exchange Derivative Transactions in 2023 and A Proposal on Estimating Daily Related Transactions in 2024, involving the key affairs about corporate governance ranging from changes in accounting policies, stock option & restricted stock incentive scheme and profit distribution. Besides, reasonable suggestions and opinions on the work in 2023 were also proposed.

(4) General Meeting of Shareholders

The Company convenes General Meetings of Shareholders and regulates the acts of shareholders in strict accordance with relevant laws. During the reporting period, the Company convened 7 General Meetings of Shareholders with 100% attendance, where 37 proposals were deliberated and passed.

Meanwhile, in accordance with the relevant requirements and provisions of the Articles of Association, during the deliberation by the General Meeting of Shareholders, the Company shall communicate with shareholders through varied channels, especially those small and medium ones (via approaches including but not limited to online voting and attendance to meetings) to collect their opinions and demands and address their concerns promptly to safeguard their rights to propose, be informed and speak out. The General Meeting of Shareholders shall count the votes of majority and minority shareholders separately and make sure that related shareholders are withdrawn from the voting on interested issues to safeguard the legal rights and interests of all the shareholders and secure equality among shareholders.

To guarantee the rights and interests of small and medium shareholders of the Company, we implement sustained and steady profit allocation policies, in which a reasonable return on investment is provided to investors and the opinions of independent directors and small and medium shareholders are fully addressed to secure the continuity and stability of the allocation policies implemented while facilitating the sustainable development of the Company.

3. Corporate ESG Management

The Company has established an ESG management structure consisting of the Board of Directors, Social Responsibility Review Committee, and ESG Task Force to enable a top-down ESG supervision mechanism and ensure the smooth development of its ESG work.

The Board of Directors, as the final supervisory body for the Company's ESG matters, decides on and supervises the Company's ESG-related matters, assesses and confirms the risks and opportunities related to ESG and climate change, and takes overall responsibility for the ESG management system and information disclosure to ensure that the Company sets up a proper and effective ESG risk management and internal control system for supervising and managing the normal development of ESG-related work.

At LINGYI iTECH, the Social Responsibility Committee consisting of the senior executives of Operation Department, HR Department, EHS Department, CSR Department and Administration Department, aims to elevate sustainable development to the Company's top management level and gradually integrate the mindset of sustainable development into daily operations and management to ensure the smooth development of social responsibility work.

Such departments as CEO's Office, Human Resources Department, Quality Department, Procurement Department, Audit Department, EHS Department, CSR Department, Administration Department, Legal Affairs Department and R&D Department work hand in hand to improve and maintain the ESG performance of the Company. We will keep a critical eye on our ESG performance and strive to upgrade our ESG practices.

Board of Directors

Formulating the Company’s sustainable development strategies and coordinating the decision-making and supervision of CSR-related matters.
 Evaluating the ESG (including climate change) risks and opportunities of the Company
 Reviewing CSR reports, major ESG events, key ESG plans and systems, etc.
 Controlling the information disclosure in ESG reports of the Company
 Examining and approving the sustainable development strategies, major projects, and relevant work plans and attending the presentations made by the Sustainable Development Management Committee.

Social Responsibility Committee

Supervise the implementation of the Company’s management systems for workers’ human rights, EHS and CSR
 Interpreting the standards of customers’ social responsibilities and building up internal systems
 Approaching brand customers to inform them of their social responsibilities, thus containing internal risks
 Arranging the education of social responsibilities and providing relevant training for subsidiaries and their departments regularly

ESG Task Force

ESG task force coordinates and arranges the key ESG issues for all business segments to enhance LINGYI iTECH’s ESG practices.
 Preparing the annual social responsibility reports of the Company and other relevant information disclosures
 Preparing and carrying out relevant policies and measures to support the implementation of the strategies for sustainable development
 Coordinating the improvement and maintenance of LINGYI iTECH’s ESG ratings

Human Resources Department
 Administration Department
 Audit Department

Promoting and maintaining our CSR performance

Promoting and maintaining our CSR performance

EHS Department
 IT Department
 Procurement Department

Sustainable Development Framework of LINGYI iTECH

4. Management of Investor Relations

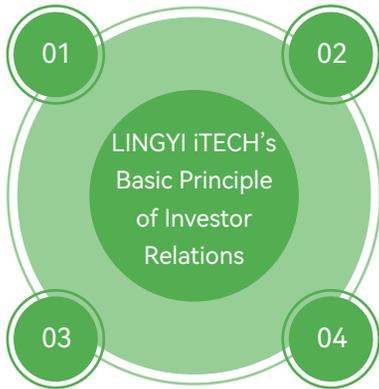
We work to build regular and effective two-way communications with shareholders and investors and have established a sound information disclosure system to deliver information to shareholders promptly. Board Secretary is responsible for investor relations management. Investor and Media Relations Department, a relevant function to work on investor relations, also manages investor relations. The Company hosts varied investor communication activities by the Company as per Management System of Investor Relations to make investors know better of the Company and the information disclosure more transparent. Enhanced awareness and recognition of the Company among investors will help upgrade the governance and overall value of the Company.
 During the reporting period, 2 online performance presentations were held to fully inform investors of the contents of regular reports. The Company played an active role in strategy meetings and road shows and ensured smooth communications with investors via such approaches as telephone, WeChat, and irm.cninfo.com.cn. During the reporting period, the Company convened 3 online or offline investor exchanges, 201 inquiries and communications on irm.cninfo.com.cn., contributing to the long-term stable relations between the Company and investors.

01 Compliance

Fulfilling the information disclosure obligation in accordance with the laws and abide by code of ethics and rules of conduct.

03 Initiative

Actively hosting investor relationship management and promptly addressing the opinions, suggestions and demands of investors



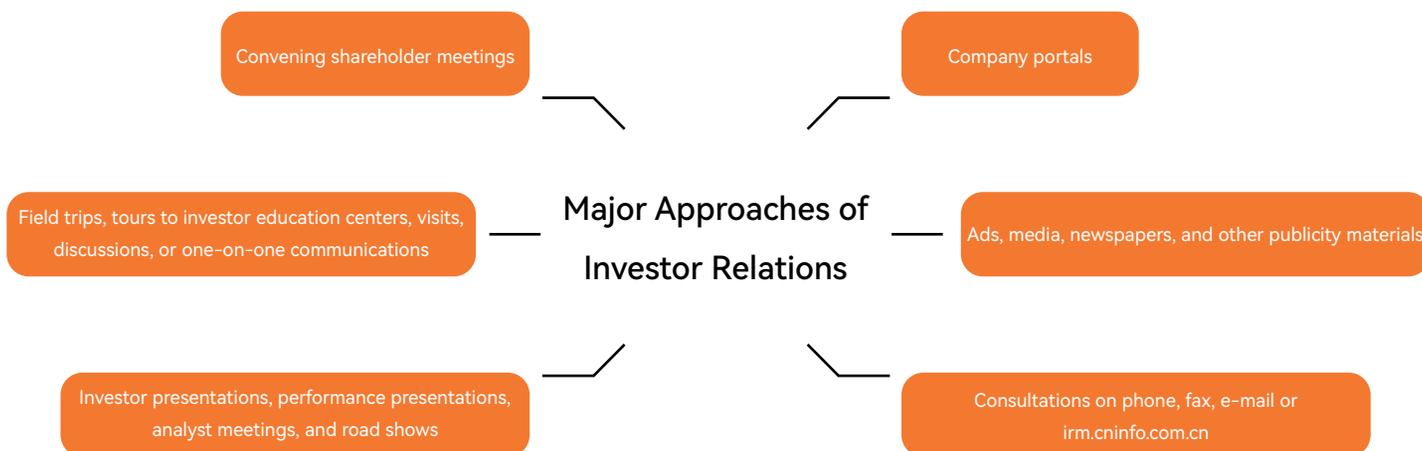
02 Equality

Providing equal opportunities and access for investors, especially small and medium ones

04 Honesty and Integrity

Committed to honesty and integrity by sticking to our moral bottom line as a responsible and accountable player compliant to laws and regulations to contribute to a favorable market eco-system

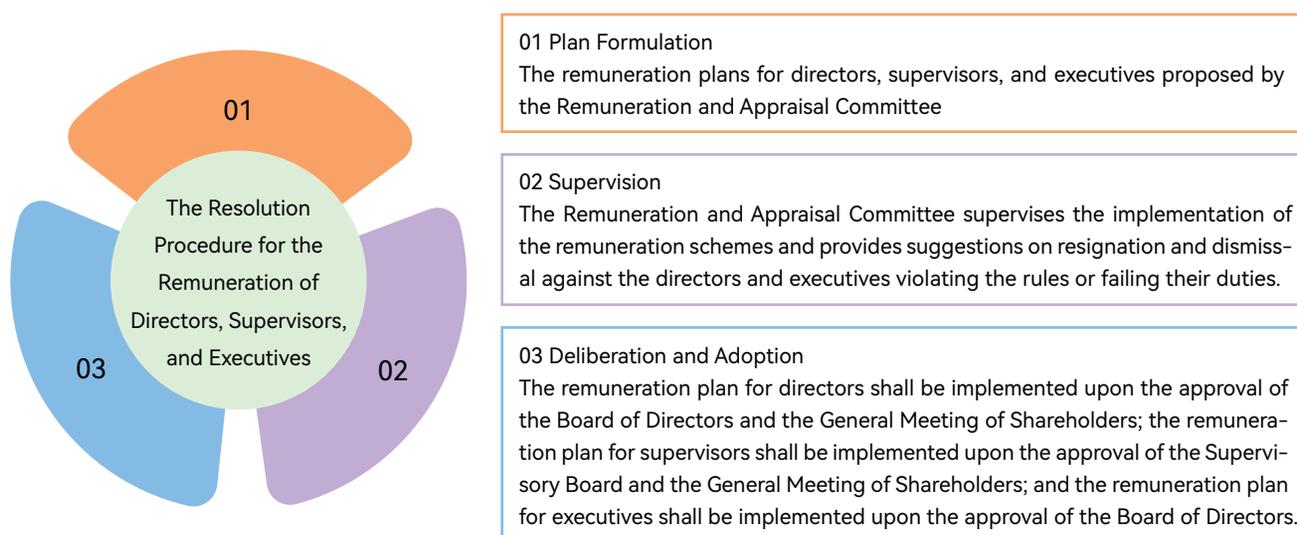
ESG: Environment, Social, Governance
 EHS: Environment, Health, Safety
 CSR: Social Responsibility



5. Remuneration System

(1) Resolution Procedure

LINGYI ITECH abides by the resolution procedure of remuneration strictly and sticks to the workflow of formulation, supervision and deliberation. The remuneration plans for directors, supervisors, and executives will be deliberated and determined by the Board of Directors, the Supervisory Board and the General Meeting of Shareholders.



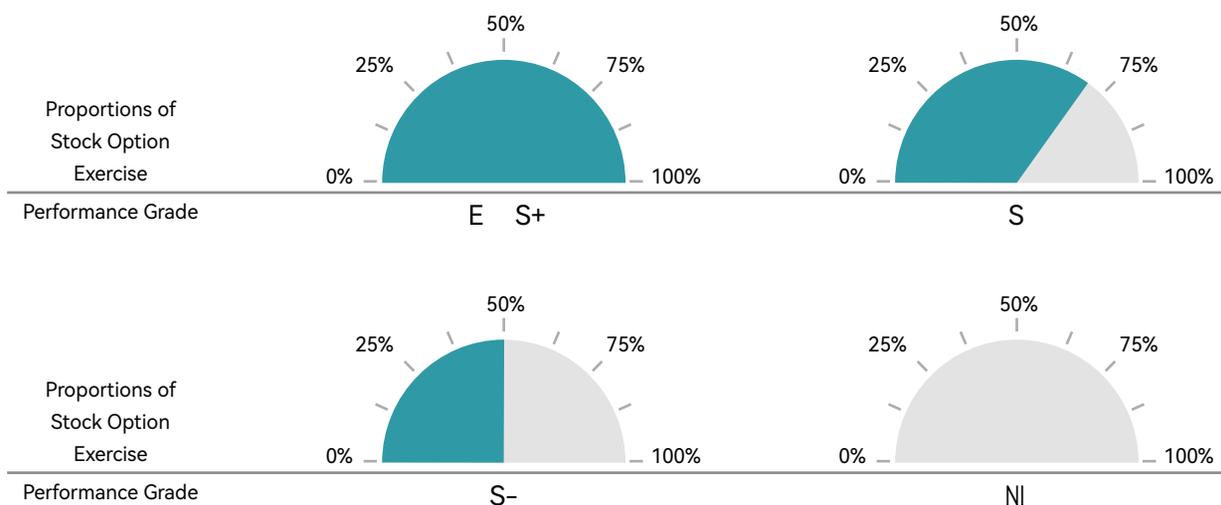
(2) Basis of Determination

Upholding a value-oriented performance culture, we follow the principles of level-to-level administration, unified control, carrot & stick approach, fairness & efficiency, and long-termism to formulate the policies and amount of pay. By doing this, we guide employees how to act and achieve desired results to fulfill our strategic goals.

We implement stock incentive programs to promote the shared sustainable development of the Company and individuals to give full play to the proactivity and creativity of the executives at the middle to high levels and the technology (business) backbone which has direct influence on the sustainable development of the Company. We also strive to attract and retain outstanding managerial talent and business backbone to pool our HR resources and inject new driving forces to spur the growth of the Company. We work to build a sound, long-term, effective incentives and restraint mechanism and keep improving the remuneration and appraisal system, in which the interests of shareholders, the Company and the objects of incentives are interwoven to propel the sustained, steady and rapid growth of the Company.

Exercise Conditions

The performance goals of the Company and personal performance indicators are reached last year. The Company sets or revises the performance assessment indicators of each position annually and determines the weight and value based on the significance of each performance assessment indicator. Moreover, the annual assessment will be performed based on such indicators to measure personal performance. The performance will be graded into five classes (E,S+,S,S-,NI), each linked to the proportions of the unlocking of the employee stock ownership plan.



Appraisal of Employee Stock Ownership Plan of Lingyi iTech

(II) Risk Management

The Company keeps improving its internal control system, building up in-house control schemes and strengthening internal audit supervision. Each department shall formulate relevant management schemes to identify and address risks based on their functional features, to ensure the compliant, continuous and steady development of the Company, and enhance its overall risk resistance and sustainability. The head of each department is responsible for its risk management and control.

The Company shall arrange and round off the duties and functions of the Audit Committee of the Board of Directors and internal Audit Department to strengthen the supervision power under the leadership of the Board of Directors, thus beefing up the supervision by internal audit departments on how the internal systems are implemented in the Company. Meanwhile, targeted supervision and inspection shall be performed on the key aspects of internal control to improve the internal control evaluation mechanism, spot defects of internal control, propose and track the measures of rectification to ensure effective internal control.

Risk Categories	Risk Contents	Response Measures
Operation risks	Risks of Product Quality Management	Managing the quality based on independent and sophisticated business lines and a strict, effective quality supervision system throughout the product life cycle on such links as product R&D, raw product purchase, production, product audit and product distribution to keep product quality risks at bay.
	Supply Chain Risks	Actively identifying the potential risks of the in-house links throughout supply chain management and imposing risks audits for suppliers like on-site review, monthly review and annual assessment.

Risk Categories	Risk Contents	Response Measures
Operation risks	Climate Change Risks	Identifying and exercising active control on the possible impacts on the corporate business segments and financing prone to climate changes in the short term (1-2 years), medium term (3-5 years), medium to long term (6-9 years), and long term (10 years and above) following the suggestions of Task Force on Climate-Related Financial Disclosure (TCFD) on physical risks and transition risks.
	Intellectual Property Protection Risks	Establishing an intellectual property management body and formulating the Provisions of Intellectual Property Management to regulate the workflows of the application, maintenance, transfer, technical patent retrieval, and infringement action, and imposing rigorous reviews on the intellectual property applications of business departments.
	Information Security Risk	Building up an emergency response mechanism and regulating the responsive procedures for information security issues to make sure the process can help minimize the impact of any security incident.
	Risks of Epidemic	Taking proactive and preventive measures, enhancing informatization level, establishing remote collaborations with customers, suppliers, and other partners to minimize physical contact through online platforms.
Compliance Risks	Risks of Business Ethics	Establishing the Audit Department under the direct leadership of the Audit Committee of the Board of Directors to manage commercial activity and business ethics and provide honesty training for employees and carry out anti-corruption, anti-embezzlement and other business ethics internal audits.
	Environmental Compliance Risks	Improving existing operation approaches, building up emergency handling mechanisms of accidents, and regulating the emission work to prevent environmental compliance risks.
	Labor Relation Risks	Rounding off the labor-management scheme, keeping smooth communications with employees via varied approaches, and addressing the feedback of employees effectively.
	Health and Safety Risks	Integrating safety, occupational health, and fire control into the range of EHS audit and imposing a tight grip on the work safety and occupational health of the Company and all the subsidiaries to create a safe environment free from occupational injury.
Industry Risks	Technological Innovation Risks	The Company has ramped up its efforts on new energy battery structural parts, AR/VR and carbon fiber. On new energy battery structural parts, we seek to become a leader of this trade by enhancing our competitive edge by improving techniques, developing molds, curtailing raw material waste and slashing costs. Aiming to become a beacon of the industry, we strive for the R&D of AR/VR techniques to cater to the needs of pioneering Metaverse companies and provide quality products and services for customers. We are dedicated to developing thermoplastic carbon fiber products, solving the pain points thereof, reducing the waste of raw materials and increasing material utilization.
	Industry Policy Risks	Keeping updated on industrial policies and adjusting accordingly to fulfill the latest needs of development.

(III) Business Ethics

Integrity and Pragmatism have always been the core values of LINGYI iTECH.

Our performance in 2023

100%

freshmen passed the training on clean and integrity

100%

workers exposed to major risks of corruption are subject to relevant training

100%

complaints on business ethics were properly addressed

407 person-times

The integrity training delivered by the Audit Department benefited

8 times

(online and offline) integrity training sessions covering all employees

To enhance the quality of internal audit and protect the legal rights and interests of investors, we have formulated Internal Audit System as per the currently applicable Audit Law of the People's Republic of China, Listing Rules of Shenzhen Stock Exchange, Rules of the National Audit Office on Internal Audit Work and Articles of Association, to improve discipline, implement the countermeasures against bribery, corruption and fraud to facilitate the management of business ethics risks with a rigorous and transparent review mechanism. All the issues relevant to business ethics risks shall be directly reported to the Board of Directors for supervision.

The Company establishes the Audit Committee under the Board of Directors, of which all the members shall be directors. More than half of the members shall be independent directors and at least one of the independent directors shall be an accounting professional. The Audit Committee, directly responsible to the Board of Directors, shall have an independent director serving as its convener. Under the assistance of the internal and external auditors, we, as per Internal Audit System, evaluate and audit the effectiveness of internal controls and risk management covering all businesses, the authenticity and integrity of financial information, and the efficiency and effectiveness of operating activities of all departments and subsidiaries of the Company, and survey, investigate and handle high-risk areas of business ethics and business ethics. All problematic areas have been rectified.

The scheme improves internal audit, boosts audit efficiency, ensures the quality of audit work and defines how to establish, round off and implement the system to guide and supervise internal audit. The Audit Committee shall convene meetings at least once a quarter to deliberate the work plans and reports submitted by the Audit Department. The Audit Committee reports to the Board of Directors at least once a quarter, on the contents including but not limited to the progress, quality and material problems discovered of internal audit work.

1. Anti-corruption

LINGYI iTECH follows the principle of integrity and equity to implement commercial activities and abide by the anti-corruption laws of the areas where our premises are located. Any employee shall not, directly or indirectly, offer to, demand from, accept from or promise to offer to leaders, colleagues, customers, suppliers, public officials or other interested parties any illegitimate benefits by taking advantage of his/her work or position, or commit any illegal actions such as corruption, bribery, theft, blackmail, embezzlement or abuse of power for personal gains. As stipulated in the Employee Handbook, the workers committing any of such acts are deemed to have materially violate the management scheme of the Company and the Company shall be entitled to dismiss the labor contract unilaterally. The Audit

Department shall be responsible for business ethics governance, such as anti-corruption and anti-bribery. During the reporting period, we conducted 6 internal audits on anti-corruption, anti-bribery and other business ethics. We did not find any significant violations of laws and regulations related to anti-bribery, anti-extortion, anti-fraud, anti-money laundering, and anti-corruption that would have a significant impact on LINGYI iTECH.

2. Anti-bribery

LINGYI iTECH believes in integrity management and promises to abide by any anti-bribery rules and laws at home and abroad. To this end, we have formulated Regulations on Bribery to contain offering or accepting bribes, and perform business work in line with the rules and procedures formulated by the Company to regulate how the work is done at each link to curb illegal operation. We require all our suppliers to sign up the Supplier Integrity Agreement and comply with all anti-bribery provisions and requirements therein. We follow zero-tolerance policies on bribery and say no to any offering or accepting bribes and any other actions to seek illegal income.

Meanwhile, the Company has formulated the Code of Conduct on Integrity to regulate the behaviors of purchasers. We have established Integrity Inspection Committee to supervise the purchase behavior throughout business links to prevent and ban commercial bribery via varied channels to secure good discipline of business, and a strong public image of the Company and our purchasers. By following the Code of Conduct on Integrity, we can create an enabling and sound environment for collaboration.

We also perform audits on internal anti-bribery and anti-corruption policies and business ethics standards. During the reporting period, the Company conducted an audit on business ethics standards and anti-corruption policies respectively. We will keep eliminating the flaws spotted to secure the effective implementation of business ethical policies of the Company.

At LINGYI iTECH, the following acts are prohibited

- (1) Giving any gift against the applicable laws and regulations;
- (2) Receiving rebates, cash, or other precious gifts in any form;
- (3) Seeking interests for oneself or any particular interested party by any operation of the same trade or related transaction at the advantage of his or her position;
- (4) Obtaining insider information by intervening or disrupting market access, tendering & bidding, and contract signing;
- (5) Making suppliers or other related units pay or reimburse any personal bill to be paid by oneself or the relative thereof by taking advantage of one's position;
- (6) Seeking any unjustified interests for oneself or others by abusing one's powers;
- (7) Bribery in the attempt to shun the compliance management procedures and processes of the Company;



Any proven bribe-taker shall be seized of any illegal gains and subject to the fine of the same amount. The bribe-takers with gross violation or bad attitude shall be fired or transferred to national judicial authority for due punishment. Any customer, supplier, service provider and contractor found to offer bribery shall be dealt with seriously according to relevant regulations of the Company. Those suspected of committing crimes shall be transferred to judicial organs for due punishment.

3. Integrity Operation



Fair Competition

In strict accordance with the Law against Unfair Competition of the People's Republic of China, we forbid any employee to obtain competitive intelligence through corporate spying, bribery, theft, or eavesdropping, or viciously spreading any fake information about competitors or their products and services. We play an active role in maintaining sturdy economic growth and fair play against any unfair competition. During the reporting period, the Company did not report any lawsuit against the Company or employees due to the violation of anti-unfair competition laws and regulations.



Anti-Money Laundering

We stick to the Law of the People's Republic of China on Anti-money Laundering and any relevant procedures of the Company. Moreover, we abide by any rules of accounting, book-keeping and financial reports relevant to the cash and payment of transactions and contracts. We also stand fast to the principles and commitments of business collaboration with the customers, consultants and partners running legitimate commercial activities with legitimate sources of funds and good reputations. During the reporting period, the Company did not report any lawsuit against the Company or employees due to the violation of anti-money laundering laws and regulations.



Protection of Intellectual Property Rights

We respect and protect intellectual property and proprietary technology and have formulated Provisions on the Management of Intellectual Property to regulate the control of the intellectual property to ensure that the assets and intellectual properties of customers are protected effectively. We prohibit any infringement of or participation in the infringement of the intellectual property of other companies or individuals. Meanwhile, we consider the expectations and basic demands of the society and industry while protecting our own intellectual property.



Advertising

In strict accordance with the Advertisements Law of the People's Republic of China, we have formulated the Integrity Compliance Manual to uphold equal-footed consultation and integrity operation, and prohibit all forms of false advertising. We are committed to showing the market the service capabilities and competitive advantages of LINGYI iTECH, and strive to maintain absolute authenticity and objectivity and say no to false advertising. During the reporting period, the Company found no complaint or lawsuit about misleading publicity or fraudulent advertising.



Tax Compliance

As a responsible taxpayer, LINGYI iTECH performs its global tax liability as per its mission and values. We has always been committed to complying with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations, the Provisional Regulations of the People's Republic of China on Value-added Tax and its implementation rules, the Measures of the People's Republic of China for the Administration of Tax Collection, and other Chinese tax laws and regulations and the applicable tax laws and regulations of other jurisdictions in which the Company operates, and have formulated the Tax Management System. By doing this, we practice the tax principles of integrity, legality and compliance with commercial purposes, standardize and guide the Company's tax registration, declaration, payment and other businesses.

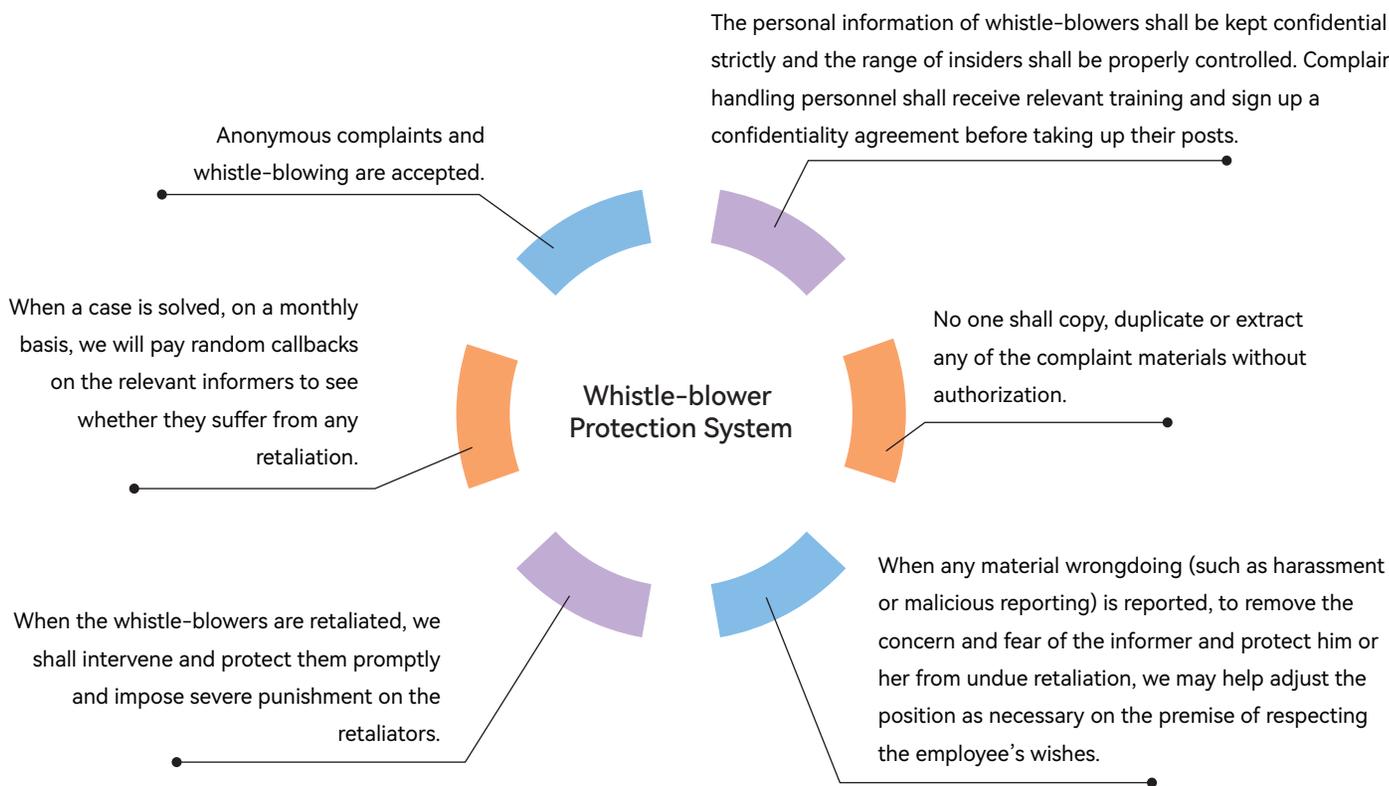
- ▶ Under the supervision of the Board of Directors, LINGYI iTECH implements tax strategies that comply with tax laws based on its commercial economic substance
- ▶ LINGYI iTECH keeps a frank and open dialogue with tax authorities and tax policy makers
- ▶ LINGYI iTECH reports and discloses its tax conditions as per applicable tax laws and rules at home and abroad
- ▶ LINGYI iTECH spares no effort to align the taxes paid with the business activities carried out by it and avoid using the tax structure without commercial substance
- ▶ LINGYI iTECH follows the arm's length principle in related-party transactions for transfer pricing in accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations
- ▶ Every year, with the evaluation and support of external and internal tax experts, LINGYI iTECH follows national tax laws and regulations to declare taxes and fulfill its tax obligations, and ensures that its tax planning is in line with sustainable development, CSR and risk management principles

4. Conflict of Interests

As stipulated in the Articles of Association of LINGYI iTECH, the controlling shareholders and actual controllers shall not impair the interests of the Company by taking advantage of their association. The transactions of funds, commodities, services or any other asset between the Company and shareholders or actual controllers shall be made strictly in line with the deliberative procedures of the Board of Directors and the General Meeting of Shareholders based on the policy-making regime relevant to related transactions. The related directors and shareholders shall be withdrawn from the voting. Moreover, the Company sets up the Supervisory Board consisting of members acted by shareholder representatives and staff representatives, which shall supervise the directors and executives of the Company in their work, review the regular reports prepared by the Board of Directors and obtain internal control audit reports through external audits.

5. Whistle-blowing Mechanism

We allow and encourage employees and stakeholders to file complaints or report to their supervisors or the Human Resources Department and Audit Department on any acts and facts that violate the Employee Handbook, laws and regulations and harm the interests of the Company and its employees. We have formulated employee complaints and whistle-blowing management procedures such as the Complaint and Whistle-blowing Management Regulations and established special channels including whistle-blowing mailbox and whistle-blowing telephone. We expressly require that the complainants and informers who visit or call shall be received or answered by full-time personnel, and any unrelated personnel shall not receive, listen to, inquire or record them. When investigating and verifying the contents of the whistle-blower, we choose a place that is strictly confidential and convenient for time of the whistle-blower. We implement an anonymous reporting system, where all complaints and reports are submitted confidentially. We promise to keep all documents confidential to the extent permitted by law and will never tolerate any retaliation against the informers.



Our performance in 2023

100%

effective handling rate of business ethics complaints during the reporting period

The Company has established the complaint channels for honesty and integrity issues to deal with the violations of the code of professional ethics and impairment of the Company's interests such as malpractice, falsification and other serious irregularities by employees of LINGYI iTECH and its subsidiaries. Following informer confidentiality policies, the Audit & Supervision Department, the only authorized department at LINGYI iTECH to investigate corruption issues, reports to the Audit Committee of the Board of Directors directly to secure the independence and objectivity of whistle-blowing acceptance and investigation. The Audit & Supervision Department gives priority to the confidentiality of whistle-blowing information and keeps strictly confidential the personal information of and all the whistle-blowing materials provided by the whistle-blowers (including individuals, suppliers and other partners).

Meanwhile, both internal and external whistle-blowers will be entitled to material or other rewards depending on the nature, impact or their collaboration as long as the clues are verified and help to recover economic loss for the Company.



We welcome every employee to provide clues about fraud, including but not limited to: Taking bribery or rebate, corruption/embezzlement/occupation of the Company's assets, colluding with external units to deliver illegal interests, performance fraud, claiming for false expenses and revealing or selling out secrets of the Company. We promise to strictly protect the information of whistle-blowers, who will be rewarded with varying amounts of money as soon as the clues about the fraud are proven.

Whistle-blowing Channels of the Company:



E-mail address for reporting honesty & integrity issues:
ia@lingyiitech.com



Hotline for reporting honesty & integrity issues:
17520165052



DingTalk ID for whistle-blowing and complaint:
"Hotline for reporting honesty & integrity issues"



Complaint channel for honesty & integrity issues on LINGYI ITECH's portal:
LINGYI ITECH's Website → About us → Complaint channel for honesty & integrity issues

6. Integrity Culture Construction & Publicity of Integrity Policies



The Company designates March 15 every year as "LINGYI Integrity Day", when the Company organizes various integrity culture building activities to enhance the anti-fraud, anti-corruption and anti-bribery awareness of all employees.

In daily operations, we communicate the integrity policy and related knowledge to all employees through a combination of online and offline channels such as DingTalk push, WeChat official account, email, and on-site presentations. During the reporting period, we conducted a total of 8 publicity campaigns related to integrity.



Customer First and Innovation -driven Development

Quality Management

Innovative R&D

Responsible Operation



(I) Quality Management

1. Management Policies and Measures

Quality Policy

Centered on customer satisfaction, with quality as the top priority;
Driven by technological innovation, with continuous improvement as the constant pursuit.

Interpretation

The company adheres to putting customers first and striving for excellence; quality is the primary vitality, with a focus on process control and results orientation; Innovation leads to success, providing comprehensive solutions; continuously striving for excellence to become a globally leading precision manufacturing enterprise.

Through independent business lines and a rigorous quality management system, the company ensures professionalism and core competitiveness. Continuously improving product quality and promoting technological innovation and new product development to provide reliable products and services to customers. The company establishes a quality department responsible for quality management, and each level of the quality department formulates relevant systems according to business characteristics and strengthens quality management.

Our company continuously improves and enhances various management systems such as ISO9001/ISO14000/ISO45001/QC080000. During the reporting period, relevant subsidiaries have all passed the above management system certifications, and subsidiaries producing automotive-related products have all passed the IATF16949 automotive quality system certification. Every year, our company invites internationally renowned institutions with qualifications to conduct external audits and continuously optimizes management based on the Quality and HSPM Manual and the EHS Management Manual developed according to the above management systems to enhance management levels.

The company not only refines product environmental requirements but also strictly controls every aspect of production according to the Green Product Management Program. The Engineering Department strictly adheres to laws and regulations when developing new products, rigorously selects materials, fully considers the use of chemical substances and environmental impacts, ensuring that market demand is met while also meeting environmental standards. These measures not only demonstrate the company's high sense of responsibility to customers, employees, and the environment but also win widespread acclaim in the market.

Additionally, the company attaches importance to personnel training and development, providing on-the-job training for key positions such as quality, systems, and EHS, enabling them to deeply understand the relevance and importance of their work, understand the serious consequences of not meeting quality management requirements, and learn how to contribute to achieving quality and quality goals. Furthermore, the company strives to create an environment that advocates innovation and continuous improvement, encouraging employees to actively participate in quality and technological innovation, continuously enhancing the company's overall competitiveness.

To ensure the excellent quality of company products and services, we firmly require suppliers to obtain ISO9001 and other third-party quality system certifications, which is a firm safeguard for customer rights and a strong proof of quality commitment. We believe that only by cooperating with suppliers who pursue excellence can we create trustworthy products and gain market recognition. We will always adhere to this principle, continuously pursue excellence, and create more value for customers.

Our performance in 2023

100%

The ISO9001 certification coverage rate for relevant subsidiaries

100%

The IATF16949 certification coverage rate for automotive-related products

0%

The percentage of products recalled due to safety and health reasons

2. Product Traceability

To ensure the standardization of raw materials, semi-finished products, and finished products management, the company has formulated the "Product Identification and Traceability Procedure". This procedure clarifies the product identification and traceability process, making products easy to identify and trace. Through this procedure, non-conforming products can be quickly and accurately distinguished, avoiding confusion with conforming products and preventing misuse. This not only strengthens product quality control but also enhances product quality, providing customers with higher quality products and services, and earning market trust.

Product Identification System of LINGYI iTECH

Conforming	▶	A product inspected as Up To Standard shall be marked with a green label or seal
Nonconforming	▶	A product inspected as nonconforming or complained or returned by any customer shall be marked with a red label or seal
Accept on deviation	▶	A product received based on relaxed inspection standards shall be marked with a yellow label
Hold	▶	A product whose production and shipment needs to be suspended, whose re-inspection or whose state is difficult to determine
Rework & Repair	▶	Products to be reworked or repaired or placed in Rework & Repair Zone
To Be Inspected	▶	Products or materials to be inspected or placed in To Be Inspected Zone
Scrap	▶	Materials picked out in full inspection or the separated materials evaluated as scrapped items shall be marked with a grey label

Product Traceable Information Chain of LINGYI iTECH



3. Product Audit

We always adhere to a customer-centric approach in conducting independent and comprehensive evaluations of our products. We understand deeply that whether a product can truly meet customer expectations depends on its alignment with technical documentation, product drawings, specifications, standards, regulations, and other specific requirements of the customers. To this end, we have developed a rigorous set of "Product Review Management Standards" in close collaboration with departments such as sales and operations, accurately identifying products requiring review and formulating an "Annual Product Review Plan" based on this. Our review scope is extensive, covering at least all automotive products, ensuring that every detail undergoes rigorous inspection.

In terms of review principles, we adhere to conducting a comprehensive review of each product category at least once a year. If customers have special requirements, we flexibly adjust our strategies to consider additional product reviews to ensure nothing is overlooked. This flexible yet rigorous approach is crucial in mitigating product quality risks.

In addition to product reviews, we also implement strict monitoring and measurement of products based on the "Inspection Control Procedures". We conduct comprehensive monitoring and measurement of process and final products according to pre-determined quality inspection assessment criteria and relevant production operating procedures, ensuring that product quality, HSF requirements, and other aspects comply with customer and regulatory requirements.

Facing non-conforming products, we adopt a strict zero-tolerance attitude, following the "Non-Conforming Product Control Procedures" for determination, labeling, isolation, review, handling, and recording. The quality department takes on the core responsibility for identifying and tracking the progress of non-conforming product handling. Our review team, relying on professional experience, ensures the fairness and accuracy of the review process. The engineering and technical departments respond promptly, formulating improvement measures to address issues fundamentally and ensure continuous optimization of product quality.

We recognize that product quality control is not the responsibility of a single department or a few individuals but requires the collective efforts of all company personnel. Therefore, we emphasize that every employee must have a sense of responsibility. Upon discovering suspicious or known non-conforming products, they must promptly report and address them according to the respective procedures. At the same time, relevant departments must properly store and handle non-conforming products to prevent their unintended use and delivery.

In conclusion, we always adhere to the principles of quality first and customer supremacy. Through rigorous product reviews, monitoring and measurement, and non-conforming product control measures, we ensure that each product meets customer requirements and market standards.

4. Continuous Improvement

The company has established a "Continuous Improvement Procedure" to accurately identify the improvement needs and opportunities of the quality management system through internal and external audits, data analysis, corrective and preventive actions, and management reviews, ensuring the system's continued suitability, adequacy, and effectiveness. Additionally, the company actively organizes quality training, conducts in-depth quality improvement activities, involves all employees, strives for excellence, continuously improves management levels, and achieves sustained and robust development.

Our performance in 2023

a total of **38**

The company has published a total of 38 issues of quality knowledge promotion, covering topics such as Lean Six Sigma, ORT product reliability testing, QFD quality house application, DOE methods, and MSA measurement system analysis.

1,135 hours **38,153** participants

PDT training totaled 1135 hours, covering 38153 participants. To enhance the development capability and professional skills of the Product Development Team (PDT) and achieve the goals of smooth development process, fast learning curve, and customer satisfaction, the R&D institute, together with the HR and IT teams, established the Leadership PDT Academy and conducted PDT training.

134 hours **1,737** participants

Quality tool application training totaled 134 hours, covering 1737 participants.

768 hours **640** participants

Six Sigma training conducted by various Business Groups (BGs) totaled 768 hours, covering 640 participants.

1,461 hours **40,050** participants

Quality-related training conducted by BGs totaled 1461 hours, covering 40050 participants.

Double Crown Glory

Leading Innovation Achieves Outstanding Results in Guangdong Quality Innovation Competition



Leading Innovation performed outstandingly in the third Guangdong Quality Innovation Achievement Exhibition and won first prizes for the projects "Reducing DJJ649A Grade Surface Blade Marks" and "Reducing ADU822 Shield Cover Defects." These achievements not only demonstrate the technical capabilities of the Leading Innovation team but also highlight the company's strategic leadership position in lean production and quality innovation. Leading Innovation will continue to adhere to the concept of continuous improvement, actively respond to future challenges, promote the company towards higher quality goals, and showcase its leadership in the industry.

(II) Innovative R&D

1. R&D

In 2023, LINGYI ITECH invested RMB 1,813,002,742.97 as special R&D funds, to develop special processes for carbon fiber materials, light alloy materials, keyboard modules, thermal modules, high-power chargers and powder metallurgy and other topics. Currently, we have had mass production capacity in those areas.

Pursuing independent R&D and innovation, the Company focuses on product development, mold & techniques, and production automation. LINGYI ITECH attaches priority to the R&D and innovation of new technologies. Boasting a strong technological R&D team and remarkable R&D caliber, we keep upgrading ourselves and process technology to fulfill market demands.

The Company has established a global R&D system that turns world-leading technologies into the driving force of China's intelligent manufacturing. We employ the R&D applications of AI and robots in the overall solutions of automatic production and combine them with numerical control and automation equipment with varied categories and functions to build up intelligent production facilities with edgy technical equipment competitive at home and abroad, thus creating effective, updated, and smart plants. The Company, by inputs in self-developed automation equipment, has enhanced the automation of a host of links ranging from manufacturing, handling, detection, and packaging, slashed production costs, and made its business more flexible, accurate, and expandable.

By the end of the reporting period, the members of our R&D team reached 5,902 including 9 doctors, 121 masters and 1,514 bachelors. We drive growth with innovation, keep ramping up the applications of innovative R&D and new technologies to upgrade our business development. Meanwhile, the Company beefed up university-industry cooperation by collaborating with higher-education establishments and research institutions such as Shanghai Jiaotong University, Fuzhou University, Singapore National Academy of Science, and University of Science and Technology of China. Thanks to such partnerships, we launched a raft of R&D and design programs and realized technological breakthroughs and product development to enhance the power and benefits of technological innovation.

The upcoming new era of digitalization imposes new demands on enterprises. Based on the existing IT foundation, the Company embarked on an uphill journey to build digital green low-carbon plans in 2022. Centering production orders, based on big data integration and connectivity, we brought together order demands, material supplies, production, warehouse logistics, and market distribution to accomplish an ecosystem of supply chain management data. In our plants, informatization, and digital management are realized from the source of goods and the integrated applications of SAP, MES, WMS, QMS, and OA, thus monitoring the data and providing warnings & alerts.

We resorted to such advanced technologies as IoT and big data and MES systems to realize state detection, accurate execution, and real-time analysis of production, making our production more efficient, safer in quality, more reliable in process, and more convenient in management. Through such efforts, we could create green low-carbon digitalized plants featuring transparent production, data-based

management, and quick tracking just a few clicks away. The fully automatic anode hanging line of the CNC business group utilizes a loop chain with variable speed and multi-station intelligent robotic arms for collaborative operations, achieving precise positioning of the hanger bars and products, as well as efficient hanging and unhanging. Synchronized SLAM navigation AGV is employed for anode hanging frame transportation, utilizing a centralized transfer clamping line to separate the hanger bars from the hanging frames, thereby achieving full automation of post-anode processes. The integration of OEE system/Intelligent dashboard system enables digital manufacturing and data analysis. The overall line capacity can reach 0.3s/pcs, reducing manpower by approximately 50 people per shift.

The appearance full inspection machine is based on CCD cameras and photometric stereoscopic imaging technology, employing deep learning AI algorithms for quantitative detection of appearance defects. This enables comprehensive, all-round, and efficient inspection of products, with data analysis of appearance defects, the establishment of appearance models to guide process improvement. The system can detect over 20 defects, covering DDS, color deviation, tool marks, process defects, contamination, structural defects, etc., reducing manpower by 300 people in the post-supporting processes. By integrating processes such as punching, laser engraving, sandblasting, and flat grinding process integration, the efficiency and turnover speed of product processing are improved. Modular design and the concept of robotics and data interconnection are utilized to create a flexible streamline production line, allowing for flexible combinations based on product/capacity requirements, greatly enhancing product efficiency and TDM (Time Division Multiplexing).

We will keep ramping up R&D input, strengthen the talent pool, and act on our strategic global layout to fulfill varied customer demands with edgy technologies, quality products and professional services.

2. Protection of Intellectual Property Rights

In order to strengthen the declaration, management, implementation and protection of the Company’s intellectual property rights, regulate intellectual property rights work, encourage the enthusiasm of employees to invent and create, support the promotion and application of scientific and technological achievements and adopt a “two-pronged approach” of intellectual property R&D and protection, according to the Patent Law of the People’s Republic of China, Trademark Law of the People’s Republic of China, Technology Contract Law of the People’s Republic of China, Copyright Law of the People’s Republic of China and Anti-Unfair Competition Law of the People’s Republic of China, and other relevant national laws and regulations, combined with the Company’s actual situation, we have revised the Management Regulations of Intellectual Property which stipulates in detail the new patent application, maintenance, transfer, technology patent searching, infringement litigation, invalidation and other workflows.

LINGYI iTECH plays an active role in applying for and maintaining patents. By the end of 2023, the Company obtained 202 invention patents, 1511 utility model patent, 48 appearance patents, 1761 patents in total, as well as 224 trademarks.

(III) Responsible Operation

1. Information Security Protection

(1) Management Policy and System

Information Security Management Policy	Zero loss, zero leakage
Notes	<ol style="list-style-type: none"> 1. Identify the security risks of various information assets and work out measures to control them, prevent the occurrence of major information leakage and information security incidents which may cause losses, and protect the security of the Company and customers’ information assets in strict accordance with relevant information security laws and regulations and the information security system requirements. 2. Adopt the Plan-Do-Check-Act (P-D-C-A) management model in information security management, with emphasis on prevention and continuous improvement.

Based on the business needs of the Company, we have received or possessed a large amount of customer information and data. We regard the protection of customer information, data and privacy as an important part of operation management, which is also a commitment to every business partner. The Company strictly abides by the Cybersecurity Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Data Security Law of the People's Republic of China and other relevant laws and regulations, as well as the international information security standard ISO/IEC 27001:2013 and other standards and regulations. Keeping a close eye on the information security and data protection work and trends, the Company, based on compliance and customer privacy policy requirements, gradually improves the information security structure to respond to changeable cyber-attack, identifies, gives an early warning of, intercepts and responds to various high-risk information security incidents in a timely manner, and collects and uses the personal information of employees in line with the principles of legality, legitimacy and necessity. The privacy protection system established based on customer requirements will be made known to customers simultaneously, such as the characteristics of the information obtained by the Company, the customer's participation in deciding how to collect, use, retain and process personal data, how to protect such information, and the information, and how long such information needs to be retained in the Company's archives.

To ensure the effective implementation of information security and data protection, the Company has formulated the Information Security Management Manual, the Management Procedure for Information Security Incidents, the Information Security Specification and Regulations on Punishment against Violations, the Corrective and Preventive Action Control Procedure and the Information Security Documents and Data Control Procedure, and other internal systems, as an important basis for the operation of the Company's information security management system, and has established a reporting, emergency response and handling mechanism for information security accidents, incidents, weak points and failure risk disposal to reduce information security accidents and failures. The Company takes effective corrective and preventive actions, and properly deals with the risks that have been identified through evaluation. Meanwhile, we advance the information security system certification. By the end of the reporting period, relevant subsidiaries obtained the ISO 27001 information security management system certification.

The Company has established an information security management structure, and set up an information security committee, responsible for the supervision of information security management and related issues, to ensure the effective operation of the information security management system. The Board of Directors of the Company is the highest responsible body for information security. Besides, an information security team has been set up as the highest organization of information security management of the Company, responsible for the decision-making and coordination of major issues of the Company's network and information security, and fully responsible for the information security management of the entire Company. The IT Department, as the centralized management department of information security incidents, is mainly responsible for implementing the laws, regulations, standards, rules, systems, and security protection technical measures of the state and higher-level units related to network and information security. The System Department, as the overall management department of information security incidents, is mainly responsible for participating in the investigation of information security incidents together with the IT Department, reporting to customers in a timely manner, and the regular collection, statistical analysis and reporting of information security work, and organizing education and training on information security. Furthermore, management reviews are performed on the effectiveness of the information security management system at least once a year under the direction of the chairman, including the review of the scope, policies and objectives of the information security management system and the effectiveness of control measures, taking into account the results of information security audits, events and effectiveness measurement, the suggestions and feedbacks of all relevant parties and improvements, to ensure the effectiveness of the Company's information security management system. The Internal Audit Control Procedure for information security has been formulated, and internal audits of information security are carried out once a year. The internal audit team is responsible for the follow-up and closure of the non-conformities found during the internal audits. The internal audit results will be used as the inputs for management review to promote the continuous improvement of the Company's information security.

(2) Information Security Objective Management

The Company has set quantitative targets that are adapted to the characteristics and needs of business operations for information security accidents, the rate of timely backup of important information, the completion rate of information security training plan, the completion rate of business continuity drills and the rate of rectified non-conformities of information security accidents, assigned the information security targets to the departments directly responsible for the relevant processes, and developed the target management plan to track the fulfillment of targets regularly. Besides, the Company has set up the Information Security Committee. The head of each department acts as the information security executor, organizes regular information security training for the staff of such department, conveys the information security requirements and customer confidentiality requirements, and supervises the daily work of such department. The HR and Administration Department is responsible for the daily monitoring of physical environment, and the IT Department is

responsible for the control and daily monitoring of the permissions for IT equipment to achieve the information security management objective of “zero major information security (incident) accident”. During the reporting period, the Company did not have any information security accidents, and the objective was accomplished successfully.

Our performance in 2023

0_{case}

Customer complaints about privacy and data disclosure received

0_{case}

Number of information security accidents

0_{case}

Data leakage instances

(3) Information Security Risk Management

The Company has formulated the Management Procedure for Information Security Risk Assessment to effectively identify and control information security risks, identifies the acceptable level of risks through information security risk assessment, and takes effective measures to reduce the possibility or impact of threats, thereby lowering information security risks to an acceptable level.

The information security team conducts an information security risk assessment every 12 months or in case of major changes or any updates to the ISO/IEC 27001 information security management system standards, and performs risk analysis after risk assessment. To control and manage risks, risks can be handled by their level rated based on the risk assessment results. Risks can be divided into three levels: High, Medium and Low.

A high risk is an unacceptable risk, for which the Information Security Committee has formulated the Information Security Risk Assessment and Handling Plan, which specifies the responsible department, responsible person, purpose, scope and strategy for risk handling, and is implemented by each responsible department. Meanwhile, there are suitable handling options and control measures in place for other risk levels.

Risk Reduction

Reduce the possibility of risk through appropriate control measures. For example, the risk of the system log being altered, making it impossible to trace, can be reduced by regularly reviewing the daily log check record.

Risk Acceptance

If the risk value is not high or the handling cost is higher than the loss caused by the risk, the Company will decide to accept the risk.

Risk Avoidance

Decide not to carry out activities that may cause risks, to avoid risks. For example, the risk of a customer’s drawing information being leaked due to unauthorized access to the list of composition requirements can be avoided by sharing data, setting access permissions, adopting access control management and other means.

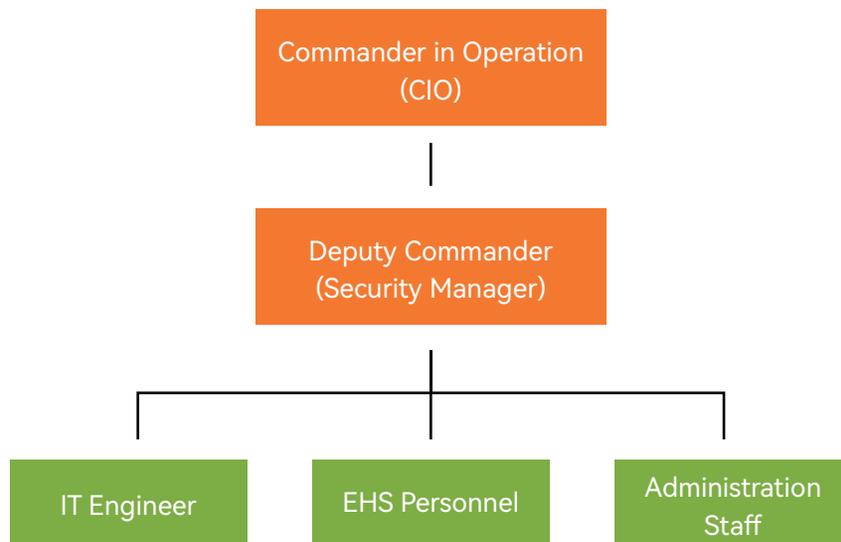
Risk Transfer

Transfer the risk to external organizations by purchasing insurance, outsourcing and other methods. For example, in case of intentional theft of the offers and contracts by others, the risk can be transferred by appointing a specially-assigned person to keep them, or confirming the person responsible for handover of them.

The Information Security Committee performs information security checks and technical supervision of information security from time to time to ensure that the security measures comply with relevant requirements through the implementation checks of security measures and technical supervision of information security. To provide a more comprehensive analysis of potential defects in information security management, and take suitable preventive actions depending on the severity of potential problems, the Company has developed the Corrective and Preventive Action Control Procedure to mitigate the negative impact of information security risks, and the person in charge of information security management tracks and verifies the reporting of corrective and preventive actions for information security nonconformities of each department to prevent the recurrence of similar events and information security risks.

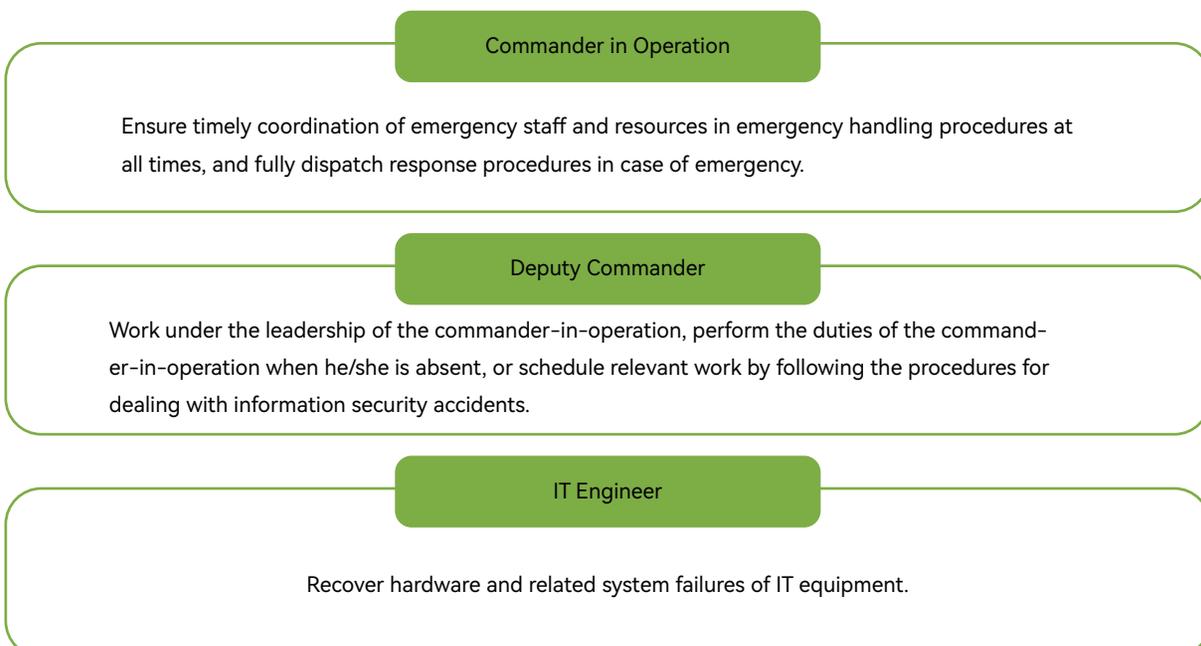
(4) Contingency Plan for Information Security Accidents

We standardize the handling of information security incidents according to the established Emergency Response Procedure for Information Security Accidents, the Management Procedure for Information Security Incidents and the emergency mechanism. When a security incident occurs, we can handle it by following the procedures as soon as possible, to ensure the normal operation of the Company’s business, minimize the impact of the incident, and minimize the resulting damage and loss. Furthermore, during the reporting period, the IT Department organized emergency drills for power outages, data backup and recovery, business continuity, network failure, vulnerability scanning and other information security incidents, which tested the capability of emergency response to information security accidents. During the reporting period, the Company did not have any data leakage incident, or get involved in any legal proceedings against the Company or its employees for information and data security.



Emergency Staffing Structure for Information Security Accidents

Responsibilities of Emergency Staff for Information Security Accidents



EHS Personnel

Guide the handling of information security accidents according to procedures, and identify the responsibility for such information security accidents.

Administration Staff

Impose punishments on the relevant persons responsible for the information security accidents that have occurred, in accordance with the Company's regulations.

Case

Drill for Network Information Security

In July 2023, Dongguan Lingyi Precision Manufacturing Technology Co., Ltd. organized an information security attack and defense drill jointly with the Office of the Cyberspace Affairs Commission of the CPC Dongguan Municipal Committee, the Administration for Confidential Affairs and the Protection of State Secrets of the CPC Dongguan Municipal Committee and other government departments. Dongguan Lingyi, as a target, accepted 24-hour uninterrupted attack from 32 attackers from domestic, provincial and municipal universities, professional cybersecurity companies, etc. and initiated a series of emergency measures to respond to the attack. This security emergency drill is an important practical activity for the team. It aims to discover potential risks, verify possible hazards, demonstrate emergency measures through exercises, and test the effectiveness of the company's network security system and emergency response mechanism.

(5) Rewards and Punishments for Information Security

To motivate the employees to enhance their awareness of information security, the Company has formulated the Information Security Specification and Regulations on Punishment against Violations applicable to all employees, setting out the information security specifications, principles of reward and punishment for violations and the information security responsibilities of each department, to strengthen information security management, and effectively guarantee the implementation of the Company's information security system.

Reward and Punishment Principles for Information Security

Timely Incentive

Individuals or groups who properly protect the Company's information assets for a long time, effectively avoid the loss, abuse and misappropriation of information assets, or have outstanding performance in promoting the reasonable sharing of information security will be rewarded instantly

Reporting Confidentiality

Individuals who report information security violations will be rewarded and their personal data will be properly protected from disclosure

Accountability

All confidential information of the Company belongs to legal assets of the Company, and is protected by national laws and regulations. The Company has the right to hold the actor legally accountable for any act that damages the Company's confidential information

Classification of Violations

Violations are classified by nature, resulting losses, severity of impact and intention of the violator. If any violation relates to key information assets, the level of violation will be raised. Individuals who violate multiple information security regulations at one time will be given a heavier punishment by the highest level of violation, and individuals who violate the information security regulations many times will be given a heavier punishment if they violate the regulations again

Lenient Punishment for Voluntary Reporting

Individuals who voluntarily report and actively take remedial measures to reduce the impact and loss after the occurrence of violations will be given a mitigated punishment, and individuals who conceal or fail to timely report any problems, resulting in the expansion of the impact of a violation, will be given an aggravated punishment

Punishment Against Excessive Defense

Individuals who hinder the reasonable flow and sharing of information will be punished

Timely Handling

Major information security violations shall be handled as soon as possible. Any responsible person who delays or passes the buck in handling such violations will be held accountable

(6) Information Security Training

Information security training is offered in three ways. Online push notification is used to cover all employees of the Company, promotional videos for information security are played at the front desk of each subsidiary, and on-site information security training is held from time to time, to improve the information security awareness and capability of all employees.

Our performance in 2023

201 hours

information security training

34,406 person-times

Offline and online information security training covers

179 case

information security training sessions

Whole Staff

Offer training to the whole staff on anti-phishing mail and information security awareness through DingTalk online push notification and email publishing etc

Case

Some subsidiaries organized information security training



The content covers the definition, goals and importance of information security, information security management measures, information confidentiality requirements and management requirements, information security management standards and personal obligations, etc., to effectively ensure the information security and stability of subsidiaries.

2. Privacy Protection

LINGYI ITECH attaches great importance to protecting the personal information and privacy of employees, customers, suppliers and related personnel. LINGYI ITECH has formulated the Personal Information Management Regulations in accordance with the Personal Information Protection Law of the People's Republic of China and other applicable privacy laws and regulations, to respect and protect the privacy of employees, and ensure that the purpose of processing, using and utilizing personal information is consistent with the intention of personal information subjects, and the personal and private information of various stakeholders will not be processed and used beyond the intended purpose and scope. The Company does everything to protect privacy and personal information to safeguard the rights and interests of personal information owners. Meanwhile, it is emphasized in the Employee Handbook that employees shall not disclose the corporate secrets or customer information exposed to them at work to third-party companies or individuals, and shall not divulge the privacy and information of customers, suppliers and other partners at will. The Company is committed to protecting the privacy of each business partner.

For the personal information collected, processed and used by the Company, the personal information owner has the power to query or read, copy, supplement or correct the incomplete or incorrect personal information, request the Company to stop collecting, processing and using the personal information of employees, delete or destroy personal information, or reject the Company's use of personal information for marketing and other purposes. The Company adopts a "zero tolerance policy" towards violations of privacy and personal information protection. If an investigation reveals any violation of the policy or applicable laws and regulations concerning privacy and personal information protection, the Company will immediately review and improve management measures, and punish the violators in accordance with the relevant rules in the Employee Handbook.

3. Customer Service

(1) Customer Satisfaction Feedback

We deeply understand that customer satisfaction is key to business success. Therefore, in addition to regular communication, we accurately measure and evaluate customer satisfaction based on the "Customer Satisfaction Monitoring Procedure." This allows us to grasp the current status and trends of customer satisfaction in real-time, providing a basis for the continuous optimization of Leading Innovation's business plans and management systems. The Customer Service Management (CSM) department conducts comprehensive customer satisfaction surveys every six months, meticulously collecting, summarizing, and deeply analyzing the "Customer Satisfaction Survey Analysis Report." If the survey results fail to meet the expected targets, we immediately initiate the "Corrective and Preventive Measures Control Procedure" for rectification and promptly provide feedback on improvement measures to the customers. Additionally, we actively integrate valuable suggestions from customers and internal feedback as crucial references for continuous improvement, constantly striving for excellence and enhancing customer satisfaction.

Customer Satisfaction Survey Procedures

Customer Satisfaction Survey Planning and Confirmation of Plan

Sales department must conduct a customer satisfaction survey every six months, including all customers who have received formal deliveries of company projects.

The "Customer Satisfaction Survey List" must be approved by the sales department manager or higher-ranking personnel.

The content of the customer satisfaction survey includes: technical capabilities; product quality (appearance, functionality, performance, packaging methods, HSF control capabilities and performance); timely delivery; satisfaction with quality complaints handling; transportation methods; sales service; customer service.

Survey Questionnaire Distribution

The sales department distributes the "Customer Satisfaction Survey Form" to each customer according to the "Customer Satisfaction Survey List" and explains the purpose of the survey, requirements for completion, and response time

Collection of Questionnaires

The sales department is responsible for collecting the "Customer Satisfaction Survey Form," and follows up with communication for customers who have not responded to ensure timely collection of survey questionnaires.

For automotive customers, a statistical "Customer Satisfaction Internal Performance Statistics Form" for customer scoring is added to demonstrate the extent to which products meet customer requirements for quality and process efficiency.

Ensuring the validity of customer satisfaction survey data: Unreturned survey forms are not included in the statistics. The required response rate for all distributed customer survey forms: non-automotive ≥80%, automotive customers 100%.

Statistical Analysis of Survey Results

Customer satisfaction is divided into five levels: very satisfied, 90-100 points; satisfied, 80-89 points; neutral, 60-79 points; dissatisfied, 40-59 points; very dissatisfied, below 40 points.

The sales department logs customer evaluation results on the online portal according to the specified frequency (monthly/quarterly/half-yearly/yearly) in the "Customer Portal Website Statistics Form" and informs the respective project team members. The final survey rating results are analyzed by the sales department to generate the "Customer Satisfaction Survey Analysis Report."

Improvement Tracking

The sales department is responsible for tracking the effectiveness of improvements. If they do not meet the requirements, a "Corrective and Preventive Measures Report" should be reissued, requiring the responsible department to re-improve until it meets the requirements.

(2) Customer Complaint Handling

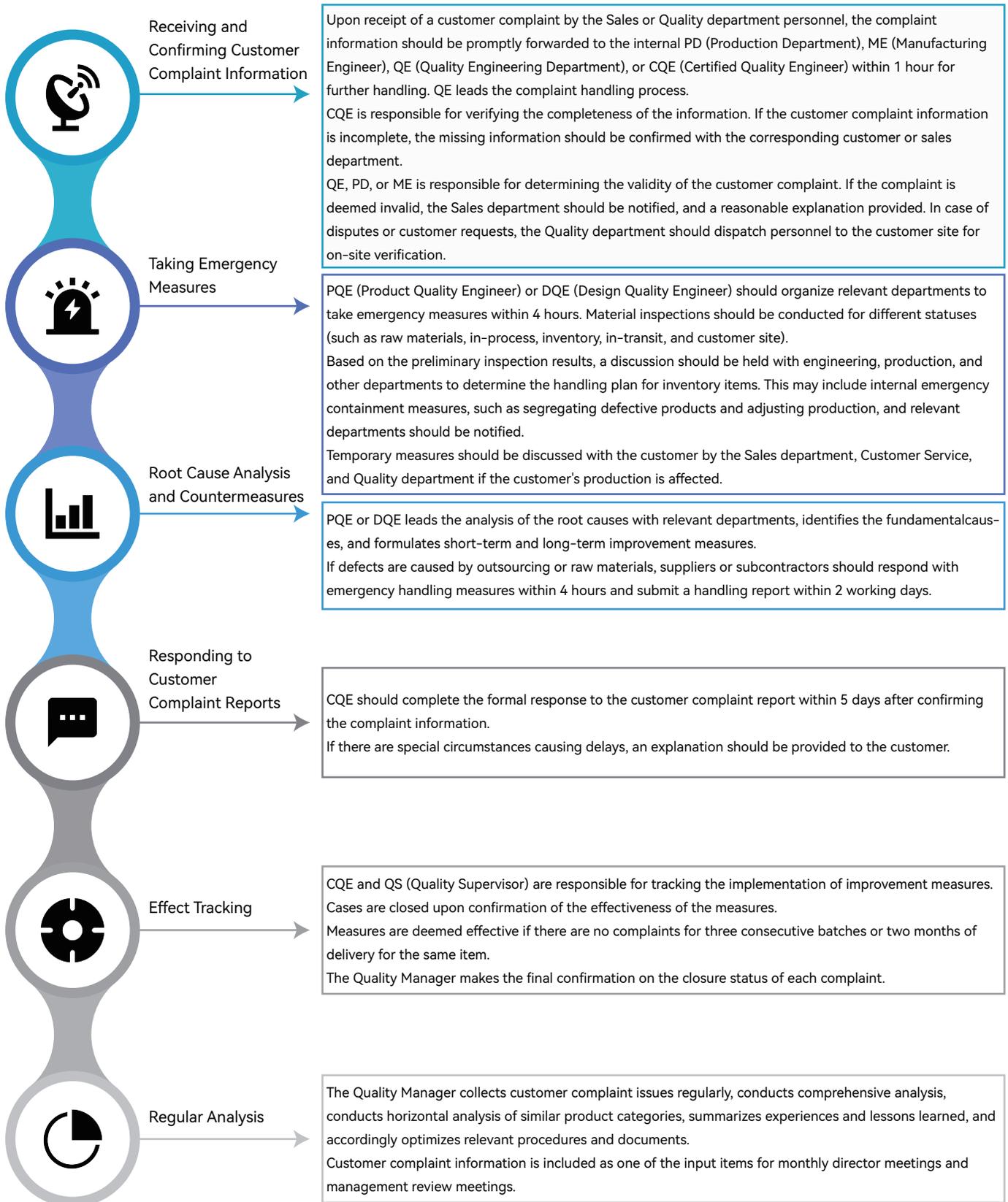
We place great importance on communication with our customers and actively address any complaints. To ensure that customer suggestions and complaints are promptly and effectively conveyed to the relevant business departments and adequately addressed, we have established multiple feedback channels such as telephone, email, fax, DingTalk, WeChat, etc. Additionally, we have formulated the "Customer Complaint Handling Procedure" to promptly address customer complaints, take corrective and preventive measures, eliminate factors causing product or service non-conformance, and prevent recurrence of issues. Furthermore, we utilize the QMS (Quality Management System) to efficiently manage customer complaints, ensuring rapid feedback, timely resolution, and effective improvement.

Our performance in 2023

100%

the customer complaints were handled
in accordance with the procedures

Customer Complaint Handling Procedures





Respect and Talents Cultivation

Equal Employment

Staff Development

Staff Recruitment

Employee Compensation
and Benefits

Talent Retention

Employee Communication

Occupational Health



III. Respect and Talents Cultivation

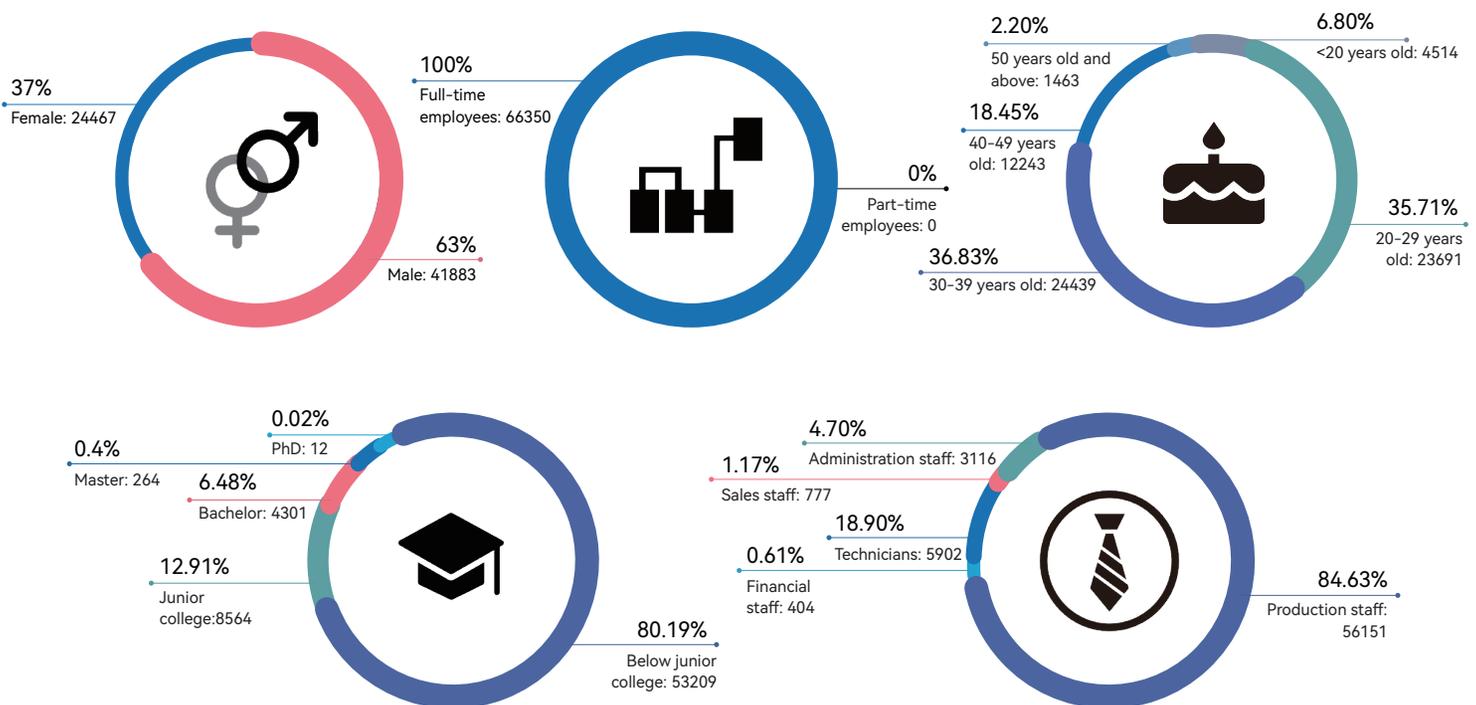
(I) Equal Employment

1. Diversified Employment

We have always insisted on creating a diverse and inclusive working environment, and continue to build a diverse and diversified workforce. By the end of 2023, we had 66,350 employees. The number of employees was counted by gender, function, education, age, etc. to achieve fine management. During the reporting period, we had not experienced any strikes.

We actively provide vocational skills training for serving disabled and veteran employees to help them adapt to and cope with work as soon as possible.

During the reporting period, we offered 14,969 hours of skills training for disabled and veteran employees, covering 14,580 person-times.



2. Protection of Human Rights

We strictly implement national labor laws and regulations, and establish legal, compliant and harmonious labor relations with our employees. We recognize, respect and abide by the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization Convention, the Universal Declaration of Human Rights, Social Accountability 8000 (SA8000), the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Employment Services and Employment Management Regulations, and other applicable laws and regulations of the places of business at home and abroad. We review labor rights based on the requirements of the Code of Conduct of the Responsible Business Association (RBA), and monitor the effective implementation of human rights policy, including the rights and interests of laborers, occupational health and safety and other social responsibility risks, so that we can implement the corrective action plan in a timely and effective manner. All subsidiaries of LINGYI iTECH conducted internal and external audits of social responsibility at least once, and conducted 100% correction and improvement on all discovered problems.

In 2023, we updated the human rights policy applicable to LINGYI iTECH and its subsidiaries, and the implementation of the human rights policy is supervised by the Board of Directors. The Company attaches importance to and respects the fundamental human rights of all employees, and undertakes not to infringe upon human rights. The Company has formulated a series of labor and human rights protection systems, including the Employee Handbook, the Management Regulations for the Protection of Underage Workers and the Prohibition of Child Labor, the Management Regulations for the Prohibition of Forced Labor, the Management Measures for Collective Negotia-

Negotiation and Freedom of Association, the Management Measures for the Prohibition of Discrimination, the Management Regulations for the Labor Protection of Women Workers, the Management Regulations for the Employment of the Disabled, and the Salary and Benefits Management Procedure. By adopting a series of management systems and measures, the Company strictly prohibits the use of child labor and forced labor, guarantees the rights of freedom of job choice, freedom of association and collective negotiation of employees, and resolutely opposes any form of discrimination and harassment, to protect the legitimate rights and interests of employees.

Furthermore, to cultivate and heighten the awareness of all employees to actively protect their rights, the Company provides a series of human rights training, led by the CSR (corporate social responsibility) department. In addition, each subsidiary will organize personnel to deliver social responsibility training according to their needs. During the reporting period, the CSR Department offered 11 training programs composed of 137 sessions relating to standards for human rights, awareness of social responsibility management, and enhancement of social responsibility skills, benefiting 7,820 person-times. Besides, 27 training sessions were held for members of the CSR Department on 24 topics, including professional skills and comprehensive ability enhancement, contributing to the improved overall strength of the CSR team, and the effective implementation of human rights policy.

Case

2023 Basic SR Knowledge Training Program

To raise the compliance awareness of all employees, the SR Department will organize the Basic SR Knowledge Training Program across the Company at the beginning of each year, covering all employees, to train employees at different levels on applicable basic SR knowledge and management awareness, including first-line operators, new managers, low-level managers (at the supervisor level), managerial personnel and executives, through offline + DingTalk - cloud classroom online push + video playing in a continuous loop on the digital screen of the front desk in subsidiaries. Employees of the Company actively participated in the training and finished the test on schedule, and the overall awareness of social responsibility of the employees was enhanced.



Human Rights Protection Management Practices

Dimension

Internal Systems and Measures

Advocate Freedom of Association

- ▶ We respect the freedom of association, and protect the rights and interests of laborers. Based on compliance with the laws and regulations of each place of business, we have formulated the Management Measures for Collective Negotiation and Freedom of Association to better safeguard the legitimate rights and interests of employees, build a bridge and establish a link for effective communication between employees and the Company, and cultivate harmonious employer-employee relations. Employees have the right to organize groups in accordance with the law and have the freedom to participate in groups and become members of groups. Employees can express their concerns about the factory's actions to managers, select employee representatives within the organization, check working conditions, talk with managers, and carry out other activities that do not interfere with the Company's production. All subsidiaries actively organized trade unions, with a total number of 7,230 participants, representing coverage of 23.2%
- ▶ The Company respects the right of employees to establish and join organizations of their own will, and cannot interfere with the right of employees to establish, organize and join associations of their own choice, and the Company warrants that employees can exercise their right to associate without violence, pressure, intimidation and threat

Respect and Support Collective Bargaining

- ▶ By formulating the Management Measures for Collective Negotiation and Freedom of Association, the Company recognizes and respects the right of employees to form an association for consultations and negotiations, and it is agreed that both parties shall hold consultations on an equal footing with regard to labor contract, wage adjustment, insurance benefits, labor safety and health, special protection of women workers and other matters related to the vital interests of employees according to the actual situation of the Company on the basis of mutual respect and friendly cooperation. In 2023, the coverage of our employees under collective bargaining agreements was 1.5%

Dimension

Internal Systems and Measures

Prohibition of Forced Labor

- ▶ We have formulated the Management Measures for the Prohibition of Forced Labor to protect the personal freedom of employees and ensure that employees are employed and work voluntarily
- ▶ All forms of forced labor are prohibited, including indentured labor, bonded labor, labor under threat of punishment, compulsory labor, or involuntary labor
- ▶ It is strictly forbidden for any department or person to force employees to work by means of violence, threat or illegal restriction of personal freedom
- ▶ If an employee is subjected to compulsory or involuntary labor, it can be reported to the Human Resources Department in real time or sent to the "Complaint Box" by a letter, which will be investigated and handled by the Human Resources Department

Prohibition of Child Labor

- ▶ The Company undertakes to strictly implement the laws and regulations of the place where it operates, and has formulated the Management Regulations for the Prohibition of the Use of Child Labor, the Management Regulations for Student Workers, Interns and Apprentices, the Employee Handbook, and other applicable policies and procedures, which are implemented in various ways in the employee recruitment, entry approval, entry registration and other aspects.
- ▶ For an interview, the Company's personnel must strictly check and verify the ID card and other documents of applicants, and allow applicants to enter the Company only after confirming the authenticity of the photos, age and other information. An internal identity check and inspection of the factory is carried out at least once a year to eliminate the potential use of child labor
- ▶ Once the wrongful recruitment of child labor is found, a child labor rescue plan shall be launched in accordance with local laws and regulations and corresponding remedial measures shall be taken:
 - Immediately stop their work and inform relevant parties (including schools, governments, customers, suppliers, etc)
 - Provide health checks, treat those who are sick, and ensure that their health is not affected by work
 - The Company dispatches a car to bring them back to school or home safely, or has their guardians bring them back, and the guardians need to sign the letter of acceptance
 - The Company offers necessary tuition and other miscellaneous fees (such as fees for books and school supplies, basic living expenses) to such employees
 - When such employees reach working age, the Company will provide them with a job paid not less than the original wage if they are willing to accept it

Anti-discrimination

- ▶ The Company resolutely opposes employment discrimination. Having formulated the Management Regulations for the Prohibition of Discrimination, the Company treats every employee equally, and does not discriminate against employees in their employment, salary or promotion due to their social identity such as ethnic group, race, nationality, gender, religion, age, sexual orientation, political affiliation or marital status

Protection of Underage Workers

- ▶ When using underage workers, the Company undertakes to strictly abide by the Regulations for Special Protection of Underage Workers, and the laws and regulations of the place where it operates, and has formulated the Management Regulations for Student Workers, Interns and Apprentices, setting stricter rules on the working hours of underage workers, subject to which it is not allowed to arrange underage workers to work overtime or work at night; it is not allowed to arrange underage workers to work in toxic and harmful positions; and underage workers who have been working in the Company for one year shall be arranged to have a health check. A sound archive management system for underage workers has been established to specifically keep the post assignment, health check records and training records of underage workers for future reference

Anti-harassment and Abuse

- ▶ The Company is committed to maintaining a working environment free of harassment and abuse, and shall not threaten employees or subject them to harsh and inhumane treatment, including but not limited to verbal abuse and harassment, psychological harassment, mental and physical coercion, and sexual harassment. The Company has formulated the Anti-harassment and Abuse Management Regulations, providing for the process and procedures of complaints against harassment and abuse. For any acts of harassment and abuse detected, the persons involved and the corresponding managers will be punished and correction made in accordance with the management system, and the information of whistle-blowers shall be protected to prevent retaliation against them, to ensure that all employees are respected and enjoy the respect

Equal Pay for Equal Work

- ▶ The Company has formulated the Salary and Benefits Management Procedure to attract, incentivize and retain talents with fair and competitive salary and benefits. Salary is determined mainly based on job responsibilities and value creation, taking into account the experience, competence, potential and performance of employees, with due consideration given to internal and external fairness

Working Hour Policy

- ▶ The Company has formulated the Employee Handbook, the Attendance Management Regulations and the Management Measures for the Prohibition of Forced Labor, strictly controls the working hours of employees, prohibits forced overtime, and eliminates excessive overtime

Dimension

Internal Systems and Measures

Working Hour Policy

- ▶ To standardize the management and avoid overtime in case of urgent order requests, the factory supervisor shall check and adjust the production plan in advance, and make an advance application in strict accordance with the Company's overtime application regulations
- ▶ If any non-conformity with the working hour management regulations is detected, a report must be submitted to the relevant personnel and units, approved by the top-level executive of the business division, and submitted to the customer and the SR committee for monitoring, and regularly reporting to the management is required for timely correction and improvement

Compensation and Welfare

- ▶ The Company has formulated the Salary Calculation Management Regulations, specifying that the standard wage of employees consists of basic wage, job allowance, performance-based pay, skills allowance and others, among which basic wage is the local standard starting salary, thus protecting the right of employees to the minimum living wage, and providing employees with competitive salary and benefits
- ▶ Furthermore, to encourage the employment of the disabled and protect the legitimate rights and interests of the disabled employees, the Company has formulated the Disabled Workers Management Regulations, which emphasizes that the disabled and non-disabled employees are treated equally in terms of recruitment, employment, becoming a full member, promotion, labor compensation, living benefits, etc. Disabled employees who come up against problems that are difficult to solve by themselves can request help from their superiors or the Administration Department, and the department receiving the request will actively respond and give a reply

Overtime Compensation

- ▶ The Company complies with the requirements and provisions on overtime pay in the Attendance Management Regulations. The amount of extended working hours of employees beyond normal working hours is overtime. The rules for the payment of overtime pay are as follows:
Overtime on working days: Hourly overtime pay = not less than hourly wage during normal working hours × 150%
Overtime on rest days: Hourly overtime pay = not less than hourly wage during normal working hours × 200%
Overtime on statutory holidays: Hourly overtime pay = not less than hourly wage during normal working hours × 300%

Maternity Protection and Health of Women Workers

- ▶ The Company strictly abides by the Special Provisions for the Labor Protection of Women Workers and the local laws and regulations of the place where it operates. Having formulated the Management Regulations for the Labor Protection of Women Workers, the Company safeguards the legitimate rights and interests of women workers, reduces and solves the difficulties caused by the physiological characteristics of women workers in labor and work, and safeguards their health. Besides, the Company protects pregnant, childbearing and nursing women workers, and the equal rights of women workers:
Pregnant women workers: Prenatal check-up leave shall be paid; working in toxic and harmful positions is not allowed; overtime or night shift after seven months of pregnancy is not allowed
Childbirth women workers: The length of maternity leave is 98 days (paid leave), and incentive maternity leave (subject to local policies)
Nursing women workers: Before the child reaches the age of one, women workers shall have one hour of breastfeeding leave every day (for each additional baby, the time shall be increased by one hour every day), and shall not be arranged to work overtime, at night, or in toxic and harmful positions during the breastfeeding period
- ▶ The persons in charge and persons directly responsible for violating the labor protection rights of women workers shall be given an administrative punishment by the competent department of the Company depending on the seriousness of the case, and the Company shall provide reasonable financial compensation. If it constitutes a crime, such persons will be investigated by the judicial organ for criminal responsibility according to the law

Protection of Foreign Workers

- ▶ The Company undertakes not to discriminate against any worker in the recruitment and other employment activities due to age, disability, ethnic group, gender, marital status, nationality, political affiliation, race, religion, sexual orientation, gender identity, membership of a trade union or any other status protected by applicable national or local laws, to guarantee the access of each employee and job seeker to equal employment opportunities and treatment

Our performance in 2023

0_{case}

discrimination event reported and confirmed during the reporting period

0_{case}

human rights violation reported and confirmed during the reporting period

100%

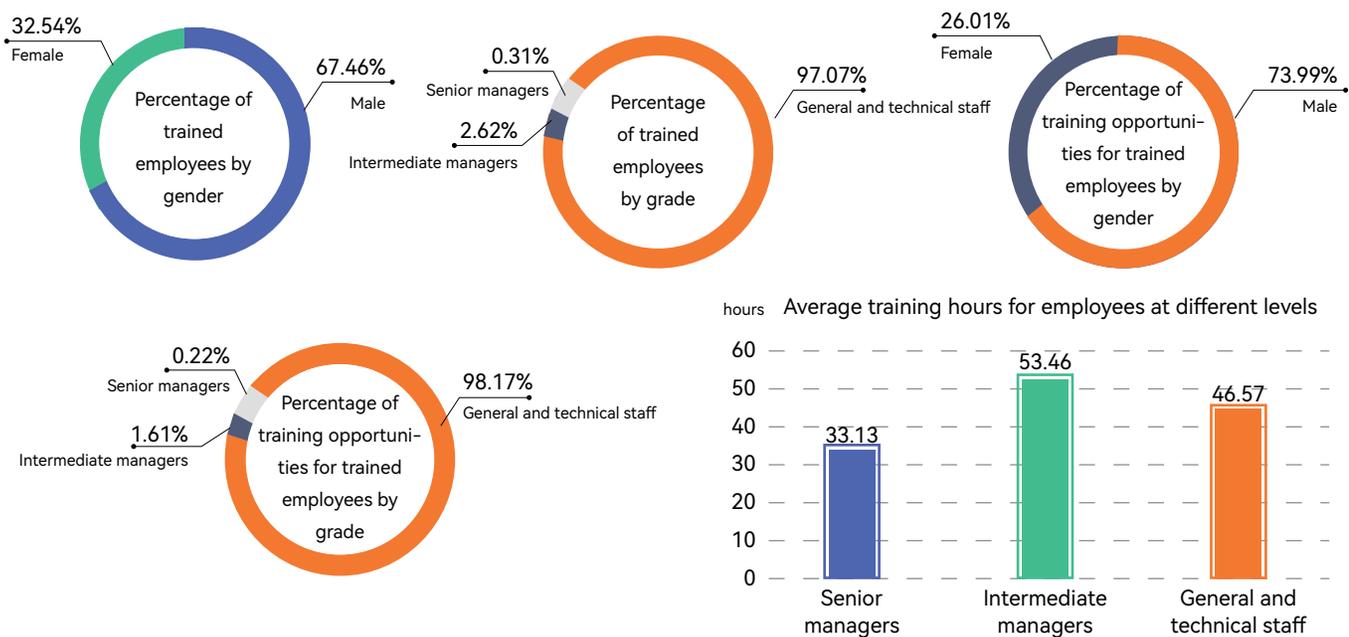
security officers were trained in human rights policy

(II) Staff Development

1. Staff Training System

The Company attaches great importance to talent development and reserve, continues to improve the training management system and organizational structure, and establishes a training system covering entry of new employees, onboarding, in-service and job transfer of employees, and external training. The Company has formulated a series of training-related management systems such as the Work Instructions for Training Management System, Work Instructions for Orientation Training, Work Instructions for Induction Training, Work Instructions for On-the-job Training and Work Instructions for External Training, to enable precise empowerment, and has developed multi-level, comprehensive training and development plans covering all employees, contractors or outsourcing laborers. Besides, the Company offers a wide range of abundant training resources to employees, and provides professional talents for its stable, long-term and sustainable development and intellectual support and talent guarantee for its strategic development.

The company vigorously invests in integrating talent with production, and integrates and develops training resources. In 2023, the total training investment was approximately 79.362 million yuan, with 84,479 participants in online and offline training, covering 826,882 person-times. The training coverage rate reached 97.4%, and the total training hours reached 4,027,870 hours.



Case

"Future Stars" Management Trainee Program



"Future Stars" is an important talent development program at Linyi Smart Manufacturing, targeting campus recruits with a comprehensive development and training plan. Through systematic and professional cultivation, the program assists trainees in transforming from students to professionals. It is dedicated to nurturing high-potential talents who identify with the company's culture and possess professional capabilities, enabling them to quickly become the backbone supporting the company's development and aiding the group's

"second entrepreneurial" and high-quality development. In 2023, the company recruited over 300 recent graduates, establishing six training bases in four cities including Dongguan, Shenzhen, Dongtai, and Guilin, and conducting two-week concentrated training sessions. Following the training, a 30-month on-the-job training and tracking program was initiated. The program tailored 22 courses for trainees to integrate into the company, undergo role transitions, and adapt to positions rapidly. Additionally, an independent promotion mechanism was established for trainees, providing a fast-track development channel for outstanding individuals.

1. Total training investment = direct training investment + indirect training investment

2. Direct training investment: cost of training materials, tuition fees paid for staff external training, cost of purchasing training courses, etc.

3. Indirect training investment: travel expenses for staff external training; wages, bonuses and allowances during training; depreciation and allocation for fixed assets such as training sites and equipment; development, maintenance and operation expenses for internal and external online training systems

4. The training data covers LINGYI ITECH (GUANGDONG) COMPANY and its subsidiaries at home and abroad

Case

"Learning Map" Development Project



In terms of technical talent development, the company launched a specialized project to develop "Learning Maps" for key technical positions, outlining career development paths. By establishing talent development standards and integrating job capabilities, career paths, and learning activities, the project provides clear guidance for employee growth.

Case

Business English Training Project

To strengthen international talent development and enhance English communication abilities, the group sought third-party institutions to provide business English training for business professionals and key personnel, with a total of 143 participants. To boost participant engagement, the company pledged an incentive policy of tuition subsidies for learners who successfully completed learning goals on time. The curriculum primarily includes general English, business English, industry-specific English, group exercises, and one-on-one speaking training. Participants progress through levels based on their initial proficiency, aiming to improve by two levels within six months. The Business English Training Project effectively enhances cross-lingual communication capabilities and plays a crucial role in improving international talent capabilities and reserves.

Case

2023 Specialized Business Talent Development

In the realm of business talent cultivation, the group launched the "Specialized Business Talent Development" initiative, covering over 800 learners. Through talent inventorying to identify outstanding benchmarks, creating profiles for exceptional talents, and collaborating with position experts and outstanding employees to address key challenges, the initiative customizes and develops 52 courses based on learning maps. Nearly 20 training sessions were conducted in 2023, with over 2,000 participants, effectively enhancing the professional capabilities of business talents and boosting customer satisfaction.



Case

2023 Customs Knowledge Series Training Program



In the realm of customs talent cultivation, the company conducted a customs knowledge popularization training project mainly targeting personnel from import and export-related departments. Organizing 18 training sessions around eight major topics, over 3,000 individuals participated. The project comprehensively analyzed import and export processes, providing practical and effective customs risk strategies, strengthening compliance awareness among import and export personnel, effectively mitigating business risks, and laying a solid foundation for the company's quality improvement and efficiency enhancement.

2. Online Training Platform

In terms of online learning platform construction, the company provides "Lingyi School" and "Cloud classroom" online learning platforms to realize offline training, online training, mixed learning, teacher and apprentice, live broadcast and game through a variety of scenarios of learning, with lecturer style column and personal learning points column, improve the enthusiasm of lecturers and students, and help build a learning organization. By 2023, the company will continue to develop high-quality courses and accumulate more than 3,500 courses and 140,000+ hours of online learning. The construction of online learning platform plays a crucial role in helping employees' professional quality, professional and technical ability and personal growth.



3. Internal Trainer Team Building

The Company attaches great importance to the training of internal instructors. In 2023, we revised the "Lingyi Internal Trainer Management Specification", and we selected, retained and incentivized instructors according to the guidelines of the system, creating a group of high-quality and excellent faculty to ensure the overall quality and level of instructors' lectures, to help improve employees' work performance, and to promote the construction of a learning organization.

Meanwhile, in order to create an atmosphere of "everyone is a teacher" and to output more excellent tutors and high-quality courses, the Company revised its system during the reporting period with the following three major improvements:

1. Optimize the qualification standards for lecturers, so that more employees can participate in the work of lecturers and expand the internal lecturer team.
2. Improve the incentive standard for course resource development, establish a positive incentive mechanism, encourage lecturers and teams to develop internal course resources, and improve the overall quality of the courses.
3. Standardize the operation standards of the lecturer team, and select outstanding lecturers by three indicators: the number of lectures, the number of hours of lectures, and the degree of satisfaction; open a lecturer's column in the LY ITECH UNIVERSITY to strengthen the honor of lecturers.

In addition, the company organizes TTT (Training the Trainer to Train) empowerment training from time to time, focusing on the one-two-three-four teaching method, the trainer's four major styles, questions and feedback, as well as the control of the four parts of the content of the lecture, and on-site exercises, so as to achieve the side of the learning and practicing the use of, and to enhance the overall effectiveness of the training. The purpose of TTT training is to continuously cultivate and reserve a reserve team of internal trainers, and to improve the quality and quantity of the internal trainer team.

A total of 143 instructors were certified in 2023, with a cumulative total of 324 certified and a total of 312 participating in TTT training.

Annual Gold Medal Lecturer Competition at Linyi Smart Manufacturing



In order to foster a sense of honor among internal trainers and inspire their vitality, the company launched the "Gold Medal Lecturer Competition" for all employees of Linyi Smart Manufacturing on August 15, 2023. After the official launch of the competition, a total of 41 participants from various business units competed. On September 8, 2023, the group organized a selection event for popular lecturers, with approximately 27,000 people participating in the voting process. The final round of the "Gold Medal Lecturer Competition" featured 17 lecturers. After fierce competition, four gold medal lecturers, three popular lecturers, and ten outstanding lecturers were ultimately selected. Certificates, cash prizes, and gift packages were presented to the winners by senior management representatives on-site.

Furthermore, the company also individually recognized internal trainers who conducted the most teaching sessions, developed the highest number of courses, and received the highest satisfaction ratings in 2023. Their work over the past year was positively acknowledged, and it is hoped that more colleagues will follow their example and join the team dedicated to talent development and fostering a learning-oriented organizational culture, thus stimulating organizational vitality.

The "Gold Medal Lecturer Competition" aims to select a group of exemplary lecturers through competition, thereby encouraging more employees to join the ranks of internal trainers. This competition not only promotes the improvement of the teaching level of internal trainers but also fosters a positive atmosphere of "everyone is a teacher." Lecturers who stand out in the competition will continue to delve into the path of talent development and disseminate more high-quality courses, further assisting the company in building a comprehensive "talent development" system.

4. Leadership Leaps

In terms of leadership development, the company has constructed leadership competency models for manager-level and director-level positions. It conducts leadership assessments and talent inventories for current management personnel, and continuously launches a series of leadership courses to provide theoretical knowledge combined with practical application opportunities for managers at all levels, enriching management knowledge, and continuously enhancing leadership abilities.

1. For the development of newly appointed directors, in June 2023, the company initiated the "New Director Training Camp" program. Through leadership assessments to accurately identify the management gaps of newly appointed directors, actual management challenges are extracted using Behavioral Event Interview (BEI) techniques to tailor a series of courses. These courses are delivered in an action-learning format, focusing on five major themes: role transition, team coaching, motivation and conflict management, strategic decoding, and delegation and cross-departmental influence enhancement. Through case studies and discussions, participants are inspired to think deeply, internalize learning through on-the-job practice, and accelerate the improvement of new director capabilities.

2. For the development of newly appointed managers, the company launched the "New Manager" development program. By conducting business needs assessments and personality tests, the company customizes 10 courses to help newly appointed managers gain a deep understanding of operational management and business processes. Through mentorship and on-the-job training, participants apply the knowledge and tools learned. This program enhances the management capabilities of the managerial level, supports the construction of middle-level talent pools, and improves the company's cadre management talent pool.

3. For the development of grassroots management personnel, the company initiated the "Eight Departments of the Dragon" training program for team leaders. The company collaborated with professional lecturers, production managers, supervisors, and team leaders to develop the "Eight Departments of the Dragon" series of courses. These courses provide team leaders and production supervisors with scientific tools and systematic methods for personnel management, comprehensively enhancing the management capabilities of grassroots management personnel and improving employee satisfaction.

4. For the development of reserve management talents, the company launched the "Green Orange Plan." In the first stage, nearly a hundred high-potential young talents were selected for special training. Tailored courses were designed for them, and experts and senior executives were invited to discuss topics such as management, communication, and self-growth. Outstanding students were arranged for one-on-one meetings with the chairman. Qualified participants in the first stage entered the second stage of the program, undergoing a one-year on-the-job practice training, and those who passed entered the company's talent pool. The Green Orange Project provides outstanding young talents with rapid growth opportunities, laying a strong foundation for the construction of the company's talent pool.

5. On-the-job Academic Qualifications Improvement

We have updated and integrated the "On-the-Job Education Assistance Management Regulations" and the "Key Talent Management Measures," and released the new "Linyi Group Key Talent and Education Assistance Fund Management Regulations." This system streamlines the process of disbursing education assistance funds and is applicable to Linyi Smart Manufacturing and its subsidiaries. It provides on-the-job education support to all types of employees within the organization. Based on specific circumstances, we collaborate with external colleges or institutions to establish classes for employees to pursue further education and career skill enhancement while employed. Additionally, we provide financial aid to employees to support them in completing their studies.

The company supports employees in pursuing further education and obtaining certifications. In the form of reimbursing training fees, support is provided to all recognized employees. We continuously increase our support for employees' educational and skill advancement, encouraging them to enhance their personal capabilities and achieve better professional performance. The company encourages all employees to apply for education advancement programs based on their educational backgrounds, enabling them to pursue on-the-job educational opportunities. During the reporting period, the company sponsored a total of 81 employees for on-the-job education.

6. External Training

We have formulated the Work Instructions for External Training to support employees' participation in external training courses. Based on the principle of impartiality, fairness and openness, all employees can make an application, competing by giving explanations and describing personal advantages. Furthermore, the Company will invite experts or trainers appointed by external specialist agencies to deliver lectures in the Company from time to time according to actual needs.

7. Clear and Diversified Promotion Channels

We have iterated on the "Position Management Regulations" and the "Professional Qualification Certification Management Regulations," clarifying the development space and qualifications for each position. The Group's Human Resources Department, based on management regulations, standardized the management and control of positions, job grades, job titles, and promotion criteria, specifying the promotion processes for each pathway. This further provides institutional guidance and basis for promotion management in subsidiaries and departments, standardizing the promotion management process and improving management efficiency. Each subsidiary's Human Resources Department submits promotion proposals, conducts qualification and process audits, and the Professional Qualification Promotion Review Committee in each field evaluates the promotion qualifications. After promotion, employees will receive new responsibilities and expectations. Supervisors will communicate with employees to develop new Individual Development Plans (IDPs) to better promote employee capability growth and value realization.

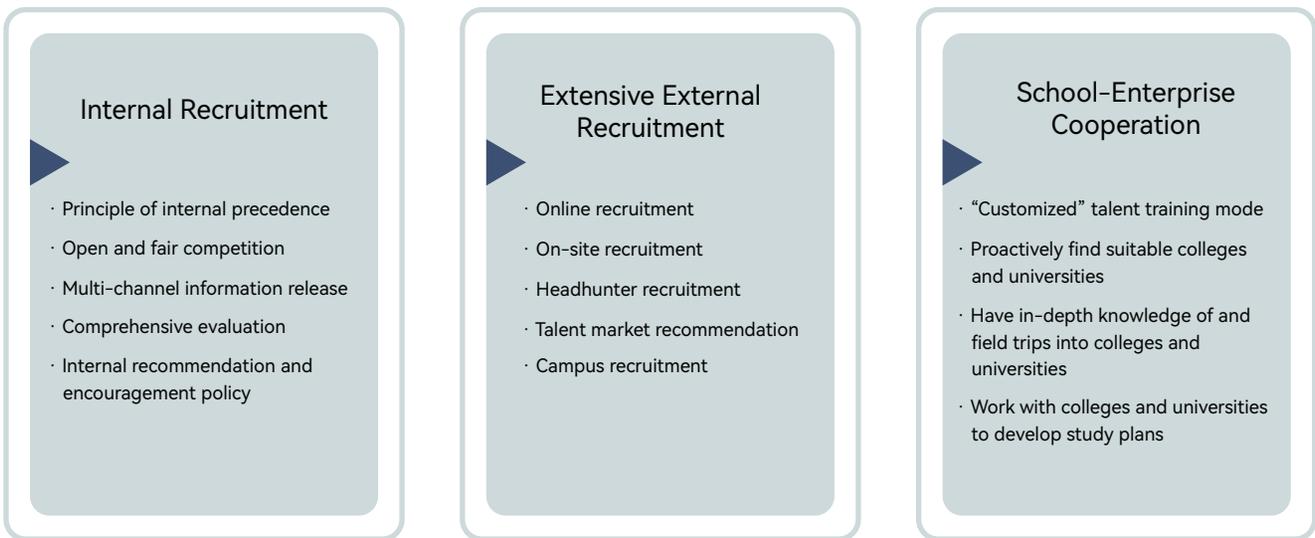
Our company advocates for fair and equal individual development plans, making recruitment, promotion, salary adjustment, and other decisions affecting employment terms and conditions based on individual performance, regardless of race, color, gender, age, religion, nationality, disability status, sexual orientation, gender identity, marital status, veteran status, or other legally protected statuses. At the end of the reporting period, the company had 388 female managers (managerial level and above). In addition, to encourage the development of young talents, in 2023, the company specially opened a special promotion channel for reserve cadres, increased promotion opportunities, and adjusted the eligibility criteria, allowing outstanding reserve cadres to accelerate their promotion. The company highly values talent reserves and incentives, establishing a key talent pool, promoting the AB roles and successors plan for key management positions. In terms of equity incentives, performance bonuses, employee benefits, and development opportunities, relevant resources are strongly inclined towards key talents, allowing the best talents to be utilized effectively and ensuring that key talents feel valued and willing to stay with the company for long-term development.

(III) Staff Recruitment

To meet the rapid talent demands for our company's development and to standardize the recruitment process while establishing a sound talent selection mechanism, the company strictly adheres to the requirements of labor laws and regulations such as the "Labor Law" and the "Labor Contract Law." Based on the "Recruitment Management Regulations," we continuously supplement excellent talents through various channels such as internal recruitment, internal referrals, online recruitment, headhunting, campus recruitment, school-enterprise cooperation, third-party recruitment, and on-site recruitment in a fair and transparent manner, striving to maintain equal and diversified employment opportunities. We provide highly competitive compensation and benefits as well as a fair and just competitive environment to attract talents and grow together.

Adhering to the principles of "openness, fairness, and impartiality," our company insists on open recruitment, equal competition, and merit-based selection while ensuring the implementation of the principle of "voluntary employment." We establish a diversified recruitment and selection mechanism, treating people of different ages, genders, races, ethnicities, disabilities, or religious beliefs equally when conducting employee recruitment and promotion. We widely attract talents through diverse recruitment channels and strictly prohibit practices such as forced labor or recruiting workers to repay debts to ensure the orderly operation of the recruitment process.

Each department, based on the company's development strategy and annual work development goals, formulates the recruitment needs for the next fiscal year, improves the department's organizational structure, and develops manpower demand plans. After approval by department heads, they submit "Personnel Supplementary Forms" to the Human Resources Department for approval. If there are changes in manpower demand due to business adjustments, the organizational structure formulation needs to be adjusted accordingly, re-approved, and submitted to the Human Resources Department. The Human Resources Department comprehensively considers various factors, balances its own needs based on business needs, and formulates an annual recruitment plan after reviewing the forms, providing effective guidance for recruitment work. The progress of employee recruitment is supervised and managed by senior-level directors. In 2023, the company achieved a 100% labor contract signing rate and a 100% social insurance contribution rate.



The Company follows a strict recruitment process, interviews managers or personnel at higher levels using the Personnel Decision Matrix, updates the data and information of the talent pool in real time, and regularly or irregularly contacts the reserve personnel in the talent pool to maintain good communication with them, for the purpose of promoting the sound development of the Company's talent management.

(IV) Employee Compensation and Benefits

1. Employee Compensation

We provide all employees with compensation and benefits including wage, bonus, social insurance and humanized paid vacation. The Company observes the principle of “equal pay for equal work”, and the salary proportion of male and female employees is close to 1:1. The Compensation and Benefits Management Procedure covering all employees has been formulated, forming a complete compensation and benefits management system. To improve the Company’s compensation and benefits management, we adhere to the principle of equality and non-discrimination, implement the established rules only based on different job functions and ranks, and ensure that the rights and benefits of all employees are equally respected and protected, regardless of their gender, physical fitness/intelligence, race, age, nationality, belief, family situation, and other factors. Our philosophy of compensation payment is result oriented on basis of performance, and behavior oriented on basis of culture. We adopt a variable pay mechanism based on performance.

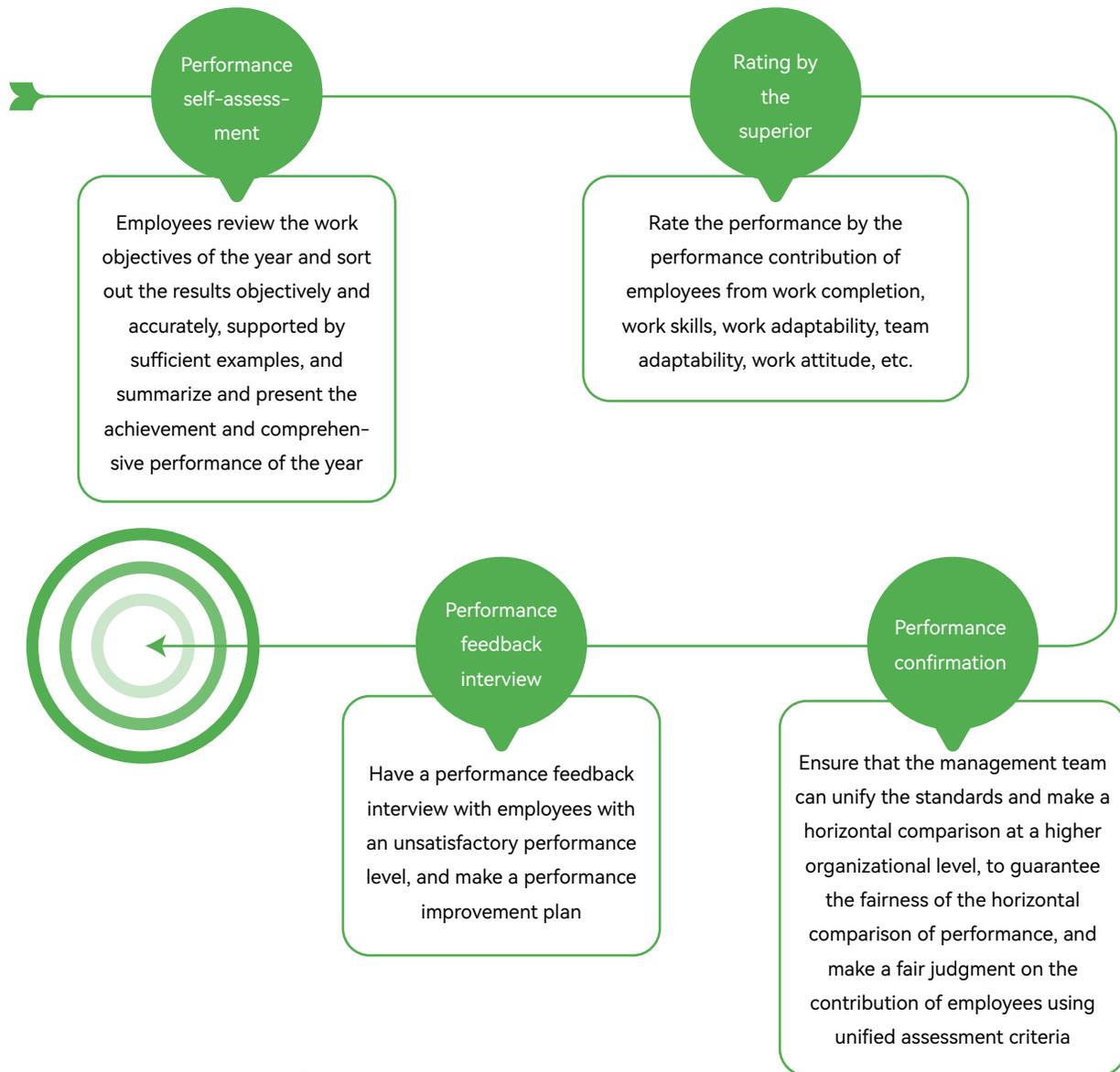
	Employment Category	Male	Female
Average Annual Salary of Employees	Management (manager level and above)	1	0.82
	Staff	1	0.82
	Ordinary Employee	1	0.93
Median Annual Salary of Employees	Management (manager level and above)	1	0.86
	Staff	1	0.81
	Ordinary Employee	1	0.97

2. Performance Appraisal

The Company adheres to the core value of “Value Symbiosis” and continues to promote the employer–employee relations featuring the combination of employees and corporate development and compatible interests. The Company puts in place a powerful performance incentive salary system covering all employees where the performance management serves the Company’s overall development strategy and planning, and follows the core philosophy for performance assessment and year-end bonus distribution “generous reward for excellent work, generous compensation for excellent performance; continuous feedback, and common growth”. The company’s operating performance and the completion of various target indicators are directly linked to the performance, rewards and punishments of the company’s senior executives to establish an effective incentive and restraint mechanism and improve a scientific, reasonable and traceable operating responsibility system. Through performance assessment, the efforts of each employee can be objectively and fairly evaluated, and managers can look more closely at the growth and development of each employee, provide objective and sufficient feedback, help employees better understand their strengths and weaknesses, gain a clear insight into the improvement direction of future work, thus providing a basis for promotion and year-end bonus distribution.

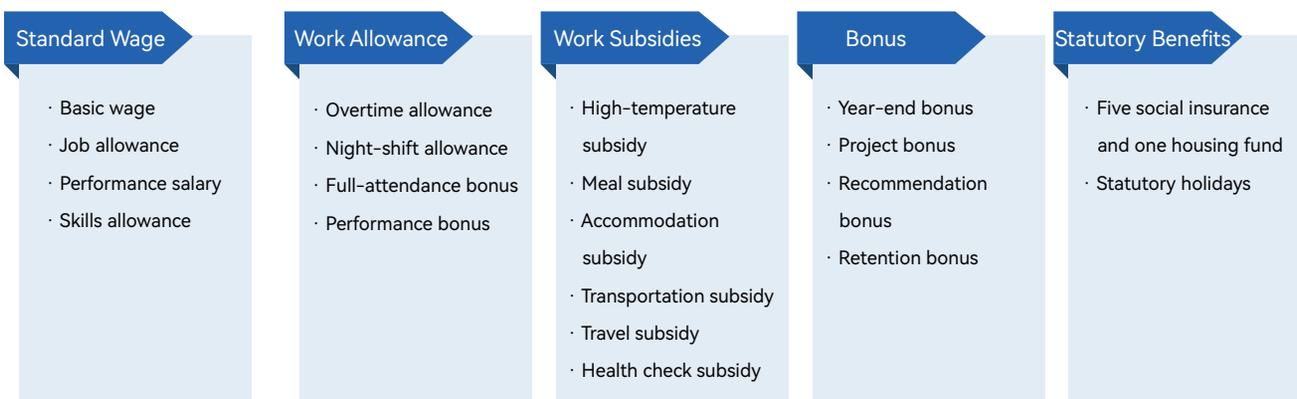
Diversified performance appraisal methods are adopted based on the characteristics of each position, such as annual work report and evaluation, results appraisal, target management appraisal, personnel appraisal, and appropriate compensation and incentive policies are introduced based on the appraisal results. We have formulated systems such as stock options and restricted stock incentive plans and key talent selection and incentive methods to enrich our approaches to attract, motivate and retain talents, and promote a more stable, healthy and sustainable development of the talent team.

Performance Appraisal Procedure



3. Employee Benefits

With a firm belief that building a diverse team can help us hire outstanding talents to better address the needs of our global customer base, the Company abides by the principle of equal pay for equal work and provides relevant benefits covering all employees to support a diversified working environment, including housing, communication, meal, working environment, professional title and other welfare subsidies, flexible working hours, full-paid sick leave above the statutory standard. We also offer additional commercial insurance for some special staff. For livelihood welfare, the Company creates convenience for employees in housing, household registration, nursing and other aspects.



In order to further motivate our employees to take corporate ownership and responsibility and excel in their performance, and to share the rewards of business growth, we have formulated a long-term equity incentive program and an employee stock ownership plan. Since 2018 to date, Lingyi iTECH has implemented several employee incentive plans, which have fully mobilized the enthusiasm of talents and prompted the company and employees to achieve common development and benefit sharing. The Company's 2022 Employee Stock Ownership Plan is currently under implementation. On September 15, 2022, the Company held the Fifth Extraordinary Shareholders' General Meeting of 2022, and considered and passed the "Motion on the Lingyi iTECH (Guangdong) Company 2022 Employee Stock Ownership Plan (Draft) and its Summary", the "Motion on the Lingyi iTECH (Guangdong) Company 2022 Employee Stock Ownership Plan Management Measures" and other motions. The total number of employees participating in the Employee Stock Ownership Plan is capped at 530, the maximum number of shares under the Employee Stock Ownership Plan is capped at 108,560,000, and the price at which the Company repurchases the shares is RMB2.36 per share. The Company held the Thirty-third Meeting of the Fifth Session of the Board of Directors on December 7, 2023 and considered and passed the "Proposal on the Expiration of the First Lock-up Period and the Achievement of Unlocking Conditions of the 2022 Employee Stock Ownership Plan". The first lock-up period of the Company's 2022 Employee Stock Ownership Plan expired on December 8, 2023 .

The Company has clearly formulated a Shareholder Return Plan for the next three years (2023-2025). In 2023, the Company implemented a number of dividends in one year, with a cumulative cash dividend of RMB1,017 million (including tax). So far in 2022, the Company has repurchased a total of 63,619,072 shares, with a cumulative repurchase amount of RMB 300 million, in order to take practical actions to safeguard the interests of the majority of investors.

Our performance in 2023

1,132,984.26^{hours}

Annual leave provided to our employees beyond that in accordance with laws

958,168^{hours}

Full-paid sick leave provided to our employees beyond that in accordance with laws

83,735.5^{hours}

Actual parental leave provided by the Company that has been taken

Maternity Leave (Paternity Leave) Provided by the Company	Female	Male	Total
Number of employees having taken maternity/paternity leave in 2023	418	702	1120
Number of employees who should return to work after taking maternity/paternity leave	254	686	940
Actual number of employees returning to work during the reporting period after taking maternity/paternity leave	254	684	938
Return rate	100%	99.71%	99.79%

Case

In 2023, the Company held a total of 460 employee care activities, with more than 20,000 participants, and an average satisfaction rate of 88%. The activities included:

1. Special holiday activities, such as Women's Day and May Day Front-line Model Worker Commendation;
2. Recreational activities, including New Year's Day gala party, Dragon Boat Festival gala party and Mid-Autumn Festival gala party;
3. Sports competitions, including basketball, badminton, and tug-of-war;
4. E-sports games, including Honor of Kings and Player Unknown's Battlegrounds (PUBG);
5. Special care activities, including Open Family Day, Singles' Meetup, condolences for hospitalized employees, etc.;
6. Commendation for excellent employees, including commendation for excellent employees and commendation for mass production pioneers;
7. Employee forums, birthday parties, HR Service Day, caring interviews, etc.



Open Family Day



A Birthday Party for Employees



Fun Sports Meeting at Dongtai factory



"Xiaoyi Selection - Funny Kids Grocery Store"



Special Event for 2023 Spring Festival



Special Event for Mid-Autumn Festival



Outdoor Team Building Activity



Basketball Game

Case



Deliver Coolness



Special Event for Women's Day

Case

Colorful Association Activities

The subsidiaries of the Company actively form associations. At present, more than 20 associations have been formed, attracting 1,635 participants. The establishment of associations adds to the variety of cultural activities and creates a communication platform for employees.



Badminton Association



Music Association



Jogging Association

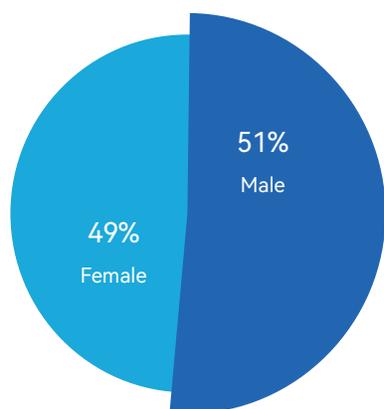


Yoga Association

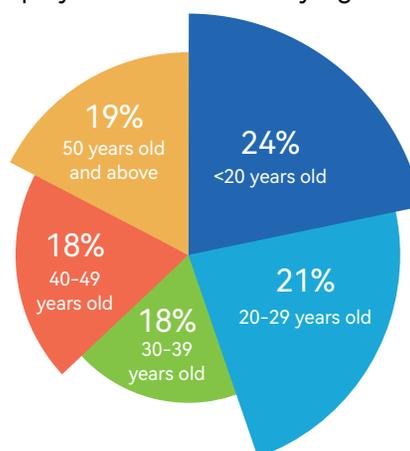
(V) Talent Retention

We attach importance to the retention of talents and are committed to maintaining a healthy talent flow to meet the Company's long-term development needs. To reduce staff turnover, we continue to carry out the talent retention plan, provide competitive compensation and benefits, set incentive bonuses based on job characteristics, identify high-potential and key talents, and give them appropriate support in promotion and other aspects. Moreover, we hold employee exchange meetings and forums from time to time, actively organize exit interviews with outgoing employees, and optimize and improve the management of employee retention in a targeted manner by listening to the suggestions of current employees, analyzing and summarizing the reasons for employee resignation. We dig deeper into, analyze and summarize the reasons for employees' departure, regularly feed back the employee turnover rate, and provide suggestions for subsequent employee development and retention. During the reporting period, the turnover rate was 71.4% for male employees and 67.3% for female employees. The average length of employment of the Company's employees was 2.5 years. In the past three years, the Company has not had any major mergers or acquisitions affecting most employees.

Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



To improve the stability of the Company's employees, the Company regularly organizes employee forums or other employee care activities, actively communicates with employees, mobilizes employees to participate in project decision-making, keeps employees fully informed of the objectives and current status of the corporate development, encourages employees to widely voice their opinions and suggestions, and actively adopts the suggestions of employees, to enhance employee satisfaction, and build a good communication bridge. The Company improves employee retention rate, stabilizes the staff team, and reduces employee turnover to a certain extent. During the reporting period, all subsidiaries of the Company organized more than 150 employee forum sessions, covering 8,000 people, including new employees, existing employees, front-line employees, front-line managers and other groups, and collected and solved more than 500 problems.

Case



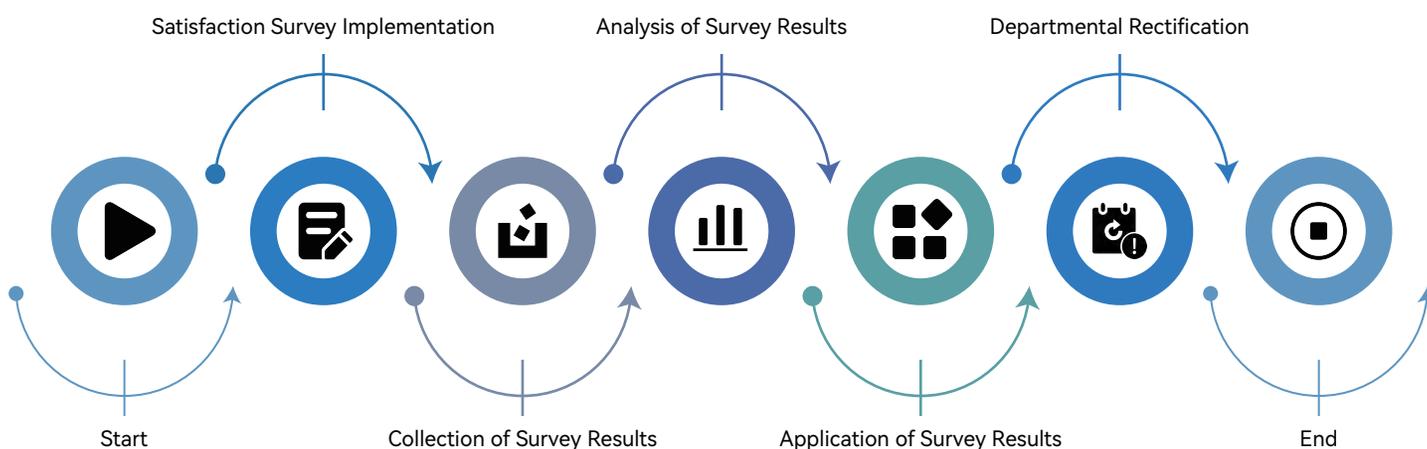
Each subsidiary of the Company holds employee forums from time to time, actively communicates with employees, listens to their opinions, makes improvements, and builds a good communication bridge to identify their needs in time, thus improving their stability.

(VI) Employee Communication

LINGYI ITECH adheres to the core value of “putting people first” and attaches importance to communication with employees, paying particular attention to the opinions and feedback from employees. We provide a variety of communication channels for employees, and hold forums and related cultural and sports activities from time to time every year.

Based on the established Employee Satisfaction Management Procedure, we conduct annual employee satisfaction surveys, analysis and management, including the effectiveness of complaint channels, fairness and appropriateness of wages and benefits, the Company’s emphasis on health and safety, and convenience of living facilities and employee stability to improve our enthusiasm for various management tasks, employee satisfaction with our work and the loyalty, work enthusiasm and work efficiency of employees, thus promoting sustainable development. Employee satisfaction surveys are conducted through questionnaire surveys, telephone interviews, information collection from the Complaint Box. The Human Resources Department organizes and conducts the employee satisfaction surveys, and traces the survey results, and other relevant departments cooperate with the Human Resources Department to complete the employee satisfaction surveys, and propose corresponding measures for improvement where the survey results need to be rectified, in a joint effort to facilitate the improvement of employee satisfaction. We identify the reasons and responsible departments for the survey items with negative results, urge relevant responsible departments to give improvement measures, and supervise them to complete the rectification within the specified time.

Flow Chart of Employee Satisfaction Survey



Case

Six subsidiaries including Shenzhen Salcomp and Dongguan Lingbo participated in the employee satisfaction survey

We carry out an annual or quarterly employee satisfaction survey on each subsidiary according to the actual situation, and evaluate employee satisfaction from five aspects – reasonableness of complaint reporting mechanism, fairness and equity of compensation and benefits, emphasis on health and safety management, convenience of living facilities and employee stability. We propose improvement measures based on the survey results, understand the needs of our employees, identify and improve management problems. From January 11, 2023 to January 25, 2023, Dongguan Lingbo Industrial Co., Ltd. carried out an employee satisfaction survey, scoring 8.2 points for the reasonableness of complaint reporting mechanism, 7.2 points for compensation and benefits, 8.6 points for health and safety management, 6.2 points for convenience facilities, and 7.5 points for employee stability. We will take suitable measures to continuously improve employee satisfaction, reduce employee turnover rate and improve corporate economic performance.

During the reporting period, the Company conducted two employee satisfaction surveys from multiple dimensions such as work content and environment, interpersonal relationships, learning and development, compensation and benefits, employee care and love, cultural value, management practices and system, logistical support and life service, and recognition of the Company, with more than 30,000 participants in a single survey, and took appropriate improvement measures based on the survey results: For salary compliance issues, review the fairness of bonuses and do a good job in publicity in this respect; for complaints, regularly announce the resolution of complaints, and reward and praise constructive opinions; for facilities, improve the hygienic conditions of factory canteens, dormitories and bathrooms; for safety, organize various knowledge competitions and examinations based on safety training scenarios; and improve team leaders’ ability to solve routine problems, identify employees’ mental health problems and feedback from employee performance.

Employees want to give feedback and express their feelings through various channels, while the management wants to fully understand employees' demands and efficiently solve management problems. The Group Complaint and Whistleblowing Management Regulations establish and improve the complaint and whistleblowing mechanism and channels, standardize the process of reporting acceptance, investigation, implementation and feedback, specify the powers of relevant departments, guide and protect the whistle-blowers. We effectively investigate and punish illegal and disciplinary acts, and prevent operational risks, to safeguard the interests of the Company and employees. Employees can complain about or report any misconduct in the Company through telephone, interview, written documents, email, trade union and satisfaction questionnaire. The Human Resources Department is responsible for collecting and investigating the complaint and reporting information of employees and interested parties, or feeding it back to the Audit Department and the review team to follow up on the reported case. The complaint acceptor shall feed back the handling progress or results to the complainant within one week after receiving the report.

At the beginning of 2022, the Company opened the "Complaint Express" to listen to front-line employees, enhance employee satisfaction and fuel management improvement. In 2023, the Company received 6,520 employee complaints, of which 6,520 were resolved through coordination, representing a closing rate of 100%. The average number of complaints handled per day was 17.86. The Company spares no effort to protect the legitimate rights and interests of every employee from basic necessities of life to the safety of life and property. When receiving feedback from employees on the "Complaint Express", the Human Resources Department will organize the investigation and verification, and actively coordinate the required resources as soon as possible, in a bid to solve the problems efficiently and completely.

(VII) Occupational Health

1. Management Procedures and Systems

LINGYI ITECH strictly adheres to the Work Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China, the Labor Law of the People's Republic of China, and other relevant laws and regulations of the country and region where it operates about Environment, Occupational Health and Work Safety, and establishes a EHS management and supervision system at the company level that is applicable to all employees to ensure the work safety and occupational health of employees as required by such laws and regulations. We continue to include environment, work safety, occupational health, fire safety and other aspects into the scope of the Company's EHS supervision. We exercise strict control of the work safety and occupational health of the Company and its subsidiaries, and provide a healthy and safe working environment for employees to protect them from occupational injuries.

The Company pursues the goal of 0 penalty for environmental pollution, 0 fire, 0 serious injury, 0 death, and 0 occupational disease. Through EHS management innovation and continuous improvement, the production, operation and services are conducted in accordance with systems, procedures and standards, to continuously improve the Company's EHS management performance and build a harmonious and compliant business environment.

We give top priority to the occupational health of employees and the safety management of the workplace, and improve the work safety risk management and responsibility system through continuous optimization of management practices. We have formulated the Health and Safety Management Procedure, the Equipment Preventive and Predictive Maintenance Procedure, the Incident Reporting, Investigation and Handling Management Procedure, the Personal Protective Equipment Management Procedure, the Work-related Injury Management Procedure, the Fire Safety Management Procedure, and other work safety rules and regulations, incorporating safety management structure and rules of procedure, contingency plans, assessment methods, accountability methods and other things. Each subsidiary of Lingyi Intelligent Manufacturing further strengthens safety management objectives at all levels and implements safety production management requirements. By the end of the reporting period, we invested an amount of RMB 25,372,400 in work safety, and distributed 5,341.800 pieces of personal protective equipment.

We are keen to learn and absorb advanced, scientific and practical management experience, and encourage all bases and subsidiaries to push ahead with the system certification related to occupational health and safety. By the end of the reporting period, relevant subsidiaries obtained the ISO 45001 occupational health and safety management system certification.

Note: ISO45001, the occupational health and safety management systems, evolved from the OHSAS18001 Occupational Health and Safety Management System. This new standard is used to help organizations around the world ensure the health and safety of their workers.

2. Health and Safety Risk Assessment

The Company carries out various inspections and audits, monitors occupational health and safety performance indicators, prevents and controls the incidence of occupational health and safety accidents, and introduces a series of measures such as safety culture education to put work safety risks under control, build a safe working environment, and guarantee the occupational safety and health of employees.

The Company puts in place a comprehensive hazard and risk identification plan to evaluate the activities and items in the whole operation process. To ensure effective identification and evaluation of the occupational health and safety hazards in the Company's production and operation activities, and full implementation of the occupational health and safety risk control, the Company has formulated the Hazard Identification, Evaluation and Control Procedure to identify the health and safety risks and their related impact, and identify six types of health and safety factors, including physical hazards, chemical hazards, biological hazards, psychological and physiological hazards, behavioral hazards, and other hazards. Corrective actions are taken, and necessary solutions are tracked.

Moreover, in case of any new businesses, or changes in projects, products and services, or investment into new materials, new processes and new equipment, relevant departments of Company shall identify and evaluate the important occupational health and safety factors, major risks and opportunities again as required. In addition, the Company reviews the internal and external occupational health and safety factors at least once a year, and updates the review results as soon as possible, with emphasis put on the control of identified risks. Meanwhile, the Company has formulated the EHS Inspection Management Procedure. Regular inspections, random inspections and special inspections are conducted, including but not limited to special inspection on environmental protection discharge, special inspection on chemicals, special inspection on electrical safety, canteen safety inspection, fire safety inspection, chemical safety inspection, personal protective equipment inspection, electrical equipment safety inspection and other environmental and occupational health and safety inspections. Based on the inspection results, the responsible departments are required to improve within the specified time, which will be tracked, and whoever delays in improving or refuses to improve the problems raised will be given minor demerits according to the employee rewards and punishment management measures, to reduce and avoid work safety accidents.

3. Health and Safety Risk Mitigation

To ensure the work safety and physical and mental health of employees, improve the effect and efficiency of employee activities and work, and mitigate the safety risks in the operation sites, we have developed the Ergonomic Risk Identification and Management Procedure to actively control the ergonomic hazards and biomechanical injuries in the Company's production activities. When purchasing mechanical equipment, the Procurement Department looks for qualified enterprises to purchase qualified products. All equipment, tools and workbenches will be subject to man-machine evaluation before being put into service. Generally, the EHS Department and the Equipment Department will generally identify and evaluate each subsidiary every quarter by different positions, types of work, working frequency and number of employees, evaluate the workstations from six aspects such as manual labor tools, working posture and working hours, and divide the occupational disease hazards into three levels, take different mitigation measures for different levels, and fill in the Human Factors Engineering Investigation and Evaluation Form. On-site inspections will be conducted every quarter to review and evaluate the improvement effects.

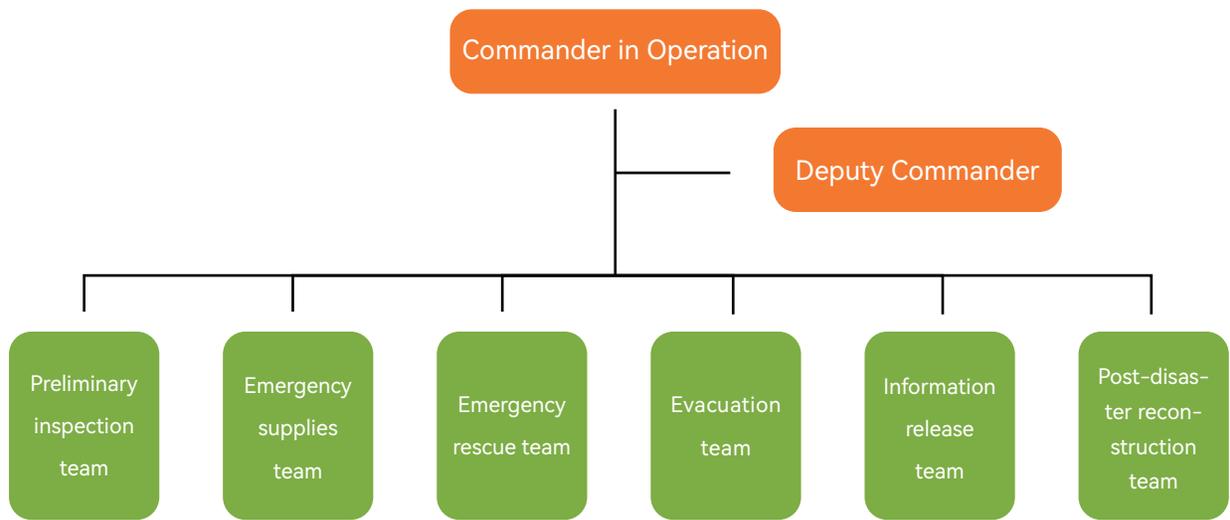
Case



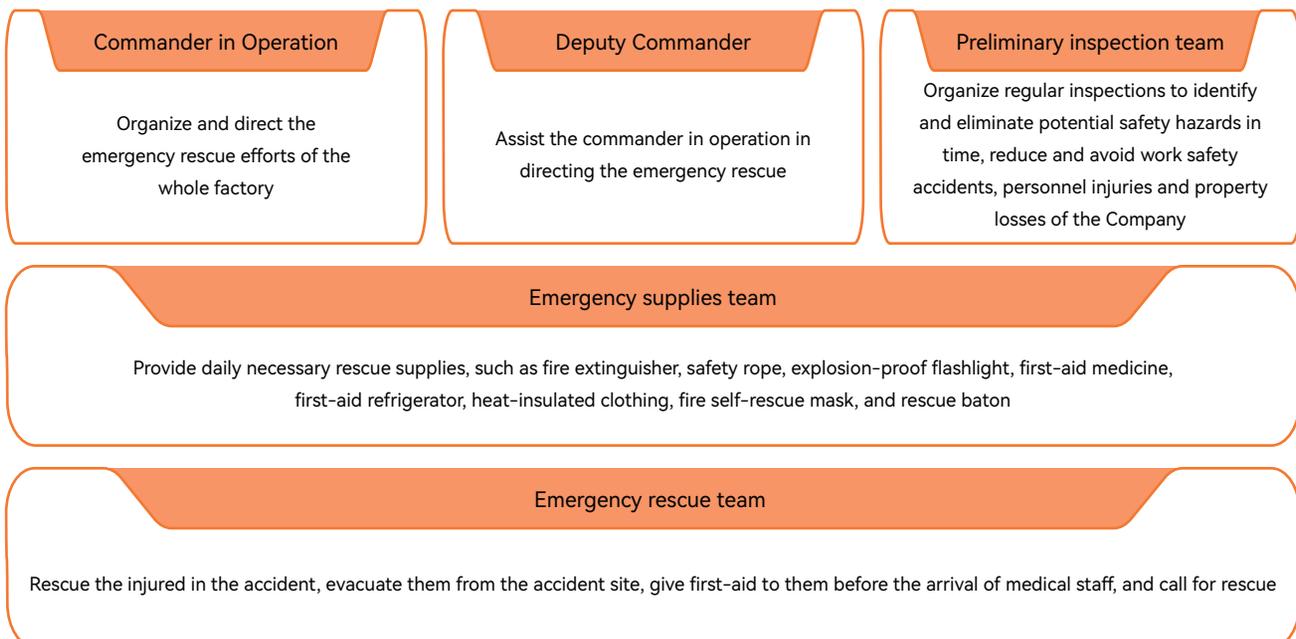
Several subsidiaries announce and regularly update the health and safety risks, potential accidents and accident cases, and disseminate health and safety risks through the bulletin board, to improve employees' awareness of safety and working in accordance with standards.

4. Emergency Response, Investigation and Correction of Health and Safety Accidents

The Company is committed to building and maintaining a safe, stable and harmonious workplace free of accidents and injuries. To this end, we introduce suitable solutions for different levels of accidents at the work site according to the established health and safety procedures such as the Incident Reporting, Investigation and Handling Management Procedure, the SOP for Emergency Preparedness and Response Management, the Work-related Injury Management Procedure, the SOP for High-temperature Emergency Response, the SOP for Natural Disaster Emergency Response, and the SOP for Emergency Response to Sudden Public Health Events. In case of any work-related injury, disease or near accident, the on-site personnel must immediately report to the on-site person in charge and EHS officers. After receiving the incident report, the on-site person in charge and the manager of the department where the incident occurs shall quickly investigate the relevant incident, analyze the root causes, develop a corrective action plan, and follow up on the solution until the end of the incident. Relevant responsible departments should carefully learn from the accident, and take corrective and preventive actions to prevent its recurrence, improve awareness and reduce the recurrence of similar incidents. During the reporting period, we conducted 6,202 EHS emergency drills of various types, covering 127,716 person-times.



Emergency Response Organization Structure of Work Safety Accidents of All Subsidiaries



Evacuation team

Evacuate personnel and materials immediately in case of an accident

Information release team

For release of safety accident information, the notice is given internally by EHS, and the progress of an emergency is announced externally by the General Manager's Office as the spokesman

Recovery and reconstruction team

Restore the site after the emergency response is terminated and the cause of the accident is investigated, and work together with relevant departments to work out a production recovery plan

The Company continues to improve the health and safety governance performance, takes effective corrective and preventive actions to address existing or potential problems in its environment and occupational health and safety management system based on the Control Procedure for EHS Corrective and Preventive Actions to ensure continuous improvement of its environment and occupational health and safety management system, and communicates the continuous improvement results with relevant employees and employee representatives. At the same time, the company also uses activities such as occupational health and safety policies, occupational health and safety objectives, audit results, data analysis, corrective and preventive measures, and management reviews to select improvement opportunities and continuously improve the suitability, adequacy, and effectiveness of the occupational health and safety management system. , to prevent accidents, promote a positive occupational health and safety culture, and improve occupational health and safety performance.

Case

Emergency drill

To enhance employees' awareness of occupational safety and health, in addition to occupational safety and health training, we regularly hold fire drills and chemical leakage accident drills to enhance employees' awareness of prevention.



chemical leakage accident drills



fire drills



fire drills

5. Fire Safety

The Company abides by the fire safety laws and regulations in the country/region where it operates, and has formulated the Fire Safety Management Procedure to improve the fire safety management, standardize the fire safety management process, improve the fire safety management level, and minimize the fire safety risk facing the Company. The Company also attaches great importance to the training on fire safety awareness, self-rescue ability, and the use of fire-fighting equipment for employees, and tightens the control of fire safety from the source. In addition, a fire drill is carried out every six months to improve the emergency handling ability of all employees in case of a fire accident.

Case

Fire Safety Month Campaign

With the theme of “taking fire safety seriously, ensuring high-quality development”, LINGYI iTECH takes November as “Fire Safety Month”. A variety of activities are carried out, including fire-fighting knowledge publicity, fire knowledge competition, emergency handling ability training for personnel in key areas, field training of emergency response capability for members of micro fire stations, and special fire drill, to ensure the safety and stability of production and office areas. LINGYI iTECH subsidiaries were responsive to the Fire Safety Month Campaign, and more than 20 subsidiaries carried out 58 fire safety month activities.



6. Continuing Care

We attach great importance to the physical and mental health of employees and relieve their work pressure through a series of measures. To enrich the spare time of employees, we have set up leisure and entertainment spaces, such as the employee activity center, football field, basketball court, badminton court, table tennis room, gym and lounge, and held various cultural and sports activities in our subsidiaries, such as basketball, badminton and table tennis games.

Case



Badminton Gym



Basketball Gym



Fitness Equipment

Case

Diversity and inclusion speak of love

To create fair and equal employment opportunities for more disabled labor populations who are able to work, help them realize their ideal to work and live a happy life, and effectively fulfill its corporate social responsibility, the Company launched a program caring for people with disabilities in August 2023. Consisting of about 15 members, the project team make accessible improvements to factory facilities mainly based on the needs of employees learned from employee forums, including adding handrails, setting up dedicated parking areas and dormitories of love.

“Diversified Talent Empowerment Cup” Quiz



On the occasion of the International Day of Persons with Disabilities (December 3), LINGYI iTECH demonstrates its sense of responsibility as an international Chinese enterprise, promotes multicultural development, and helps build a harmonious and inclusive society. The Company took an active part in the “Diversified Talent Empowerment Cup” Quiz organized by a customer’s diversified talent project team, aiming to popularize disability knowledge, improve employees’ understanding of disability issues, and encourage everyone to help disabled colleagues better integrate into the team and create an inclusive and co-existing working and living environment. Targeting at all employees of LINGYI iTECH, this activity is designed to promote understanding of disability issues and mobilize people to support the dignity, rights and happiness of the disabled. Questions related to knowledge about disability etiquette, myths and accessible construction were specifically selected for this competition, hoping to enhance participants’ perception and understanding of disability issues. Besides, to make it more interesting, a group award was set up. Each participant in the competition will help the company with whom he/she works to move toward higher participation, better ranking, and more influential results.

Chengdu Lingyi helps disabled people knock on the “employment door”

On August 31, the Chengdu Employment Service Center for Disabled Persons and Qingyang District Federation teamed up with the world’s top 500 manufacturing companies to jointly hold the first Chengdu Empowerment and Inclusive Employment Workshop for Disabled College Graduates. Present at the site were nearly 50 participants, including the representatives of Chengdu Municipal Employment Service Center for Disabled Persons and Qingyang District Federation, representatives of college graduates and students with disabilities in Chengdu, and representatives of inclusive employment enterprises. Representatives of Chengdu Lingyi were also invited to the event. At the beginning of the event, participants were brought closer through some ice breakers carefully designed by the organizer. Under the guidance of the staff, all participants had a heated discussion in groups around issues such as recruitment channels, barrier-free environment, and specialty matching degree that the disabled may encounter during their employment process to explore feasible solutions. This event effectively deepens the communication, understanding and integration between employers and disabled job seekers. The Company also offered some positions for disabled persons at the site, providing job opportunities for people with disabilities. Since its establishment, the Company has actively assumed social responsibilities, supported the programs to help disabled people and provided assistance to vulnerable groups. In the future, the Company will continue to help people with disabilities find suitable and satisfactory jobs through government-enterprise cooperation, skills training and other methods, thereby promoting the sustainable development of society.



Value Symbiosis and Social Contribution

Sustainable Supply Chain

Green Supply Chain

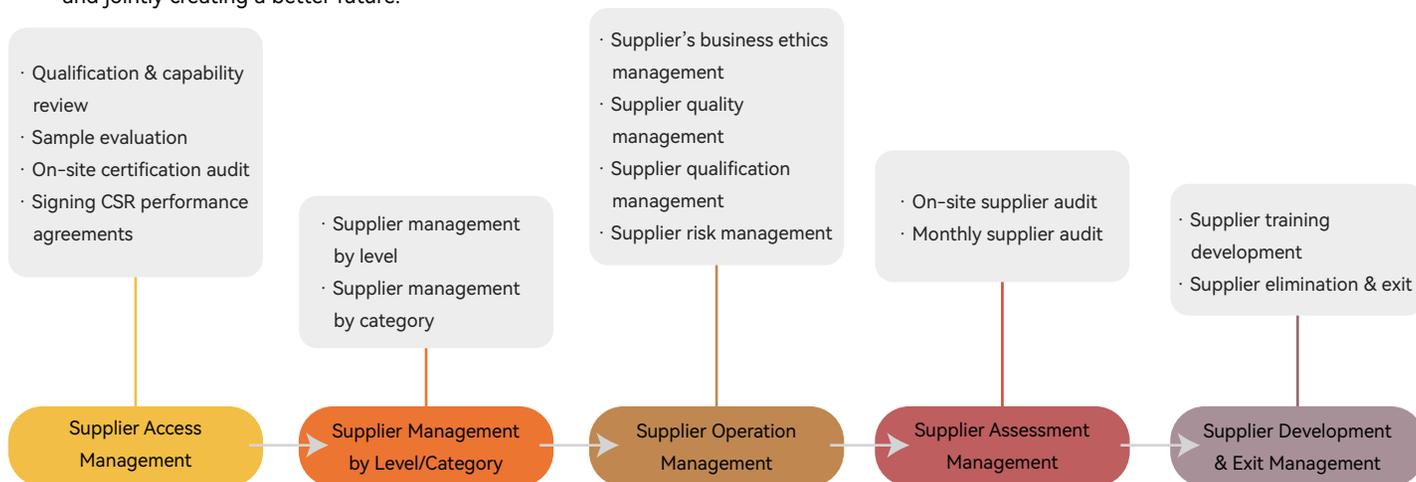
Caring for the Society

Concern about Biodiversity



(I) Sustainable Supply Chain

The company is committed to building a sustainable, inclusive, and technologically advanced supply chain system. Throughout this process, we consider bidirectional interaction and transparent communication channels as the cornerstone of our collaboration with suppliers. Based on the concept of sustainable development, we combine multiple internal management systems such as Supplier Management Procedure, Procurement Control Procedure, and Green Product Management Procedure to continuously standardize and upgrade supply chain management processes, ensuring that cooperation with suppliers is more systematic and efficient. We firmly adhere to responsible procurement practices, requiring suppliers to not only actively fulfill their social responsibilities but also proactively assume environmental responsibilities. Guided by the core values of "value symbiosis" and "long-termism," the company works hand in hand with supplier partners to build a truly responsible supply chain, injecting more positive energy into society and the environment, and jointly creating a better future.



LINGYI iTECH's Supplier Management System

1. Supplier Access

To establish a robust and reliable supply chain system, the company has implemented a multi-tiered supplier evaluation mechanism. Every step, from supplier admission to selection, undergoes strict screening to ensure the quality and reputation of our partners. Suppliers are required to fill out a detailed Supplier Evaluation Questionnaire for self-assessment and undergo comprehensive on-site audits conducted by us. We meticulously inspect everything from company qualifications to compliance, from sample quality to adherence to environmental standards, and even the source of raw materials. Additionally, different admission thresholds are set for suppliers based on the type of transactions, with production manufacturers required to obtain ISO9001 certification and comply with SA8000 social responsibility requirements. New suppliers of automotive products must pass the IATF16949 audit. Especially for core material suppliers of automotive-related products, we conduct rigorous second-party audits following the automotive industry process approach, led by senior staff members to ensure accurate and reliable audit results. Audit reports and issue lists are detailed and comprehensive, and suppliers are required to improve within a specified period to ensure the stability and efficiency of the supply chain. These rigorous steps aim to select high-quality suppliers and provide strong support for the company's sustainable development.

To ensure the smooth admission of new suppliers, the company requires them to sign a series of agreements covering not only business ethics but also green products and environmental requirements. These include agreements such as the Environmental Protection Agreement, Supply Quality Assurance Agreement, Supplier Integrity Agreement, Supplier Social Responsibility Commitment, REACH SVHC Substance Inquiry Form, Environmental Substance Control Standard List, Supplier Operational Risk Management Notice, Product Environmental Compliance Declaration, and Integrity Declaration, which specify the supplier's commitments regarding social responsibility, environmental protection, and product quality. Additionally, suppliers are required to sign declarations stating that they do not use conflict minerals or harmful substances, ensuring the purity and compliance of the supply chain. After rigorous on-site audits, only suppliers that meet the standards can become our temporary partners. After six months of successful cooperation without any issues, suppliers can apply to become our qualified suppliers and be formally included in the Qualified Supplier List. These admission processes and agreement signings not only enhance the stability and reliability of the supply chain but also lay a solid foundation for our company's sustainable development.

REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

Performance Highlights for 2023

Number of suppliers by region

1,600	1,800
Guangdong Province	other regions except for Guangdong Province

100%
Percentage of Suppliers Included in the Qualified Supplier Lis

100%
Percentage of Suppliers Signing the "Non-Conflict Mineral Commitment"

We expect our suppliers to share the values of LINGYI ITECH and adopt principles similar to LINGYI ITECH in terms of their responsibilities to stakeholders, including:

- ▶ Compliance with all applicable laws;
- ▶ Respect for the basic human rights of employees;
- ▶ Adherence to laws prohibiting the use of child labor;
- ▶ Responsibility for the health and safety of employees;
- ▶ Commitment to operate with integrity and honesty;
- ▶ Assurance that raw materials supplied comply with EU REACH standards;
- ▶ Pledge not to use conflict minerals;
- ▶ Adherence to relevant regulations and measures outlined by our company concerning suppliers;



2. Supplier Management by Level/Category

To strengthen supplier management and enhance cooperation efficiency, the company has implemented a refined classification and graded management strategy based on the "Supplier Management Procedure" and "Supplier Grading Management Specification." We comprehensively consider factors such as supplier qualifications, integrity records, quality risks, and material compliance to accurately categorize suppliers into five major categories: Strategic, Priority, Optional, Limited, and Eliminated. These categories are further refined into fourteen levels of management to ensure precise management and attention to each level of suppliers.

We regularly conduct reviews to assess supplier upgrades and downgrades. Based on monthly evaluations and annual reviews, we consider supplier qualifications, financial status, operating environment, service performance, product quality, material sourcing, transportation distance, and other dimensions to ensure comprehensive and fair evaluations. When suppliers meet the criteria for upgrades or downgrades and gain approval, we promptly act to optimize the supply chain structure and enhance overall competitiveness.

Through these measures, we have effectively improved the efficiency of supplier management, providing strong support for the steady development of the group.

3. Supplier Audit

To ensure the stability and continuity of the supply chain, we comprehensively incorporate core elements such as corporate social responsibility, environmental protection, occupational health and safety, hazardous materials management, business ethics, human rights protection, and conflict mineral management into the annual audit.



Environment

Environmental management certification system
Pollutant emission compliance
Environmental compliance



Safety

Dangerous goods management
Contingency plan for fire safety and other accidents
Food service sanitation
Occupational diseases

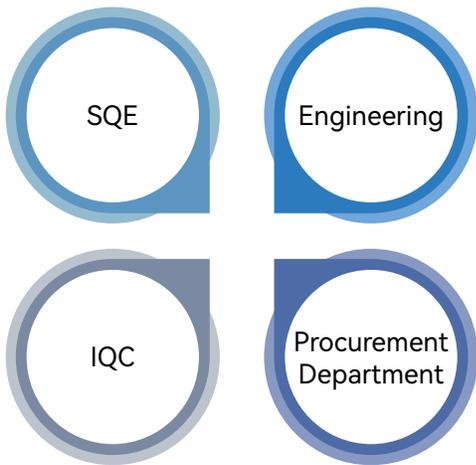


Society

Offering or accepting bribes
Integrity management mechanism and system
Human rights
Labor practice
Conflict minerals

To guarantee the efficiency and stability of the supply chain, we develop an annual audit plan based on the monthly performance evaluation of suppliers. Every month, the purchasing department, SQE, engineering department, and IQC collaborate to conduct a comprehensive assessment of suppliers' quality compliance rate, cost control, delivery punctuality, service levels, and environmental compliance. We strictly follow the "Supplier Rating Rules and Regulations" to grade suppliers as A/B/C/D levels. For temporary or low-rated C/D-level suppliers with significant purchasing volume, we conduct more rigorous annual audits. The annual audit combines supplier self-assessment with on-site audits to comprehensively evaluate suppliers' quality management systems, training management, development and design capabilities, hazardous substance management, corporate social responsibility, and process control. If a supplier performs poorly in the annual audit, we require them to propose specific improvement measures within one week and commit to completing all exceptional improvement work within one month. These measures aim to ensure the quality and efficiency of suppliers, providing strong support for the company's stable development.

Monthly Scoring Standard for LINGYI iTech's Suppliers



Grade A: Priority for procurement of materials, preference for new project development, increased cooperation quota.
Grade B: Maintain the original procurement amount of materials.
Grade C: Require rectification, with a one-month deadline for improvement and reevaluation. If still classified as Grade C, reduce the procurement amount; direct elimination if downgraded to Grade D. If rectified, maintain the original procurement amount.
Grade D: No procurement allowed; one month deadline for improvement and comprehensive reevaluation. If reclassified as Grade D upon reevaluation, direct elimination. If rectified, procurement continues but with reduced procurement amount.



Department	Considerations
1 Procurement Department	Supplier product prices, services, delivery lead time, quality, handling of defective products, supplier delivery time, product packaging, post-sales service coordination, etc.
2 SQE	SQE (Supplier Quality Engineer): Supplier environmental protection, improvement services, cooperation in problem handling, frequency of recurring issues, incoming material complaints, etc.
3 Engineering Department	Engineering Department: Supplier's engineering and technical research and development capabilities, technical support capabilities, etc.
IQC	IQC (Incoming Quality Control): Supplier's incoming batch qualification rate, batch return rate.

Our performance in 2023

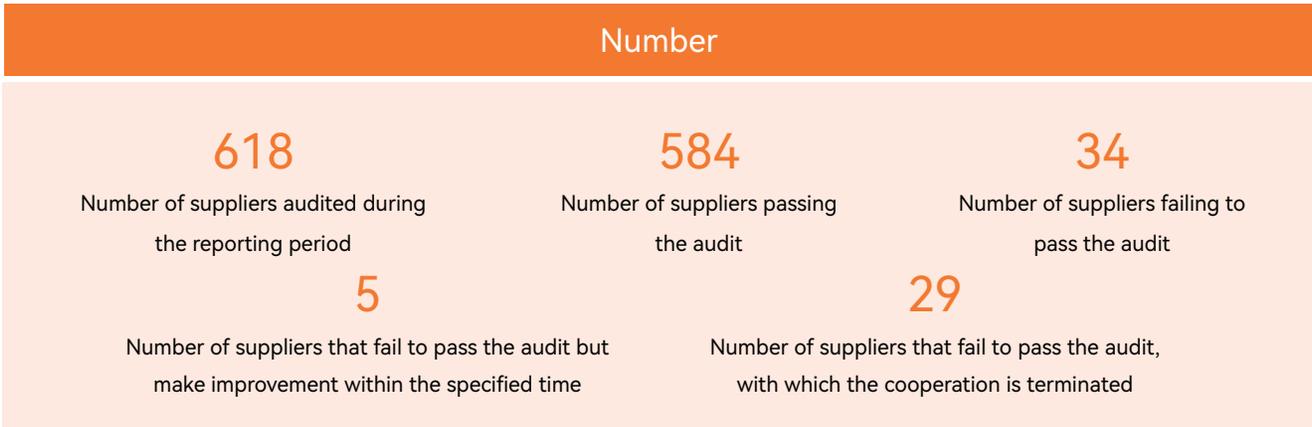
over **500** supplier training sessions

over **100** training sessions on environmental protection

over **100** sessions on safety-related topics

- During the reporting period, the company conducted over 500 supplier training sessions covering various topics including product standards, traceability requirements, social responsibility, environmental protection, and safety. Specifically, there were over 100 training sessions focused on environmental protection and over 100 sessions on safety-related topics.
- The number of suppliers audited during the reporting period. The number of suppliers that passed the audit. The number of suppliers that failed the audit. The number of suppliers that failed the audit but improved within the specified time limit. The number of suppliers whose cooperation was terminated due to failed audit.

IQC: Incoming Quality Control
SQE: Supplier Quality Engineer



4. Conflict Minerals Management

Conflict minerals, including tin, tungsten, tantalum, and gold (3TG metals) originating from regions such as the Democratic Republic of the Congo, often fuel conflict and human rights violations. In response to global regulations, the company actively incorporates conflict minerals into supplier management to align with international trends and customer expectations. In 2023, we decisively removed over 40 non-compliant or irregular smelters and continued rigorous monitoring to ensure full compliance with regulations and customer requirements, contributing to global peace and human rights.

To ensure mutually beneficial cooperation with suppliers, we not only insist on legal and compliant procurement of raw materials but also sign agreements with suppliers, solemnly pledging never to use conflict minerals. We emphasize the importance of supplier social responsibility and legal compliance, maintaining a zero-tolerance policy towards conflict minerals issues. We strictly adhere to the Responsible Minerals Initiative (RMI), United Nations, and Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas, incorporating conflict mineral screening into the supplier admission mechanism. We require all suppliers to submit Conflict Minerals Reporting Template (CMRT) and Supplier Conflict Minerals Commitment Letter. We conduct rigorous conflict mineral investigations for all products and materials that may contain gold, tantalum, tin, tungsten, cobalt, and mica. Additionally, we actively submit CMRT conflict mineral investigation reports, fully cooperate with customer audits, and participate in Conflict Minerals Reporting and Downstream Audit Program (DAP) training, demonstrating corporate social responsibility through practical actions and jointly safeguarding the peaceful use of global mineral resources.

We have established strict Conflict Mineral Management Procedures, resolutely refusing to purchase any conflict minerals directly or indirectly financing armed conflict regions, and requiring suppliers to adopt 100% responsible practices when purchasing minerals. To ensure the traceability of supply chain products, we have implemented an advanced raw material new batch traceability system, accurately tracing the sources of gold, tantalum, tungsten, tin, cobalt, and other raw materials in all products of the company through flow labels and shipping labels. Combined with due diligence investigations on suppliers, we proudly announce that 100% of our raw materials were conflict-free during the reporting period.

Every year, our main production facilities conduct investigations based on Conflict Mineral Reporting Templates (CMRT) provided by the RMI, obtaining detailed information on the smelters involved in the raw materials of manufactured products. We require relevant mineral suppliers to pass recognized third-party certifications or audits to ensure transparency and compliance of the supply chain. During the reporting period, the proportion of products with traceable origins reached an astonishing 100%. We will continue to uphold our responsibilities and contribute to the construction of a green and peaceful supply chain.

5. Supply Chain Stability/Risk Management

To ensure the robust operation of our business, the company highly values the stability and continuity of the supply chain. We have established a comprehensive risk assessment process based on carefully formulated Risk and Opportunity Control Procedures to proactively identify and manage potential risks in various aspects of the supply chain. During the procurement and supplier management processes, we particularly focus on key dimensions such as supplier product quality, environmental compliance, and supplier development, ensuring the safety and efficiency of the supply chain through precise risk control measures.

RMI: Responsible Minerals Initiative
 OECD: The Organization for Economic Co-operation and Development
 CMRT: Conflict Minerals Reporting Template

During the onboarding of suppliers, we require them to sign a Supplier Operational Risk Management Notification to strengthen awareness of shared risks. If a supplier encounters operational risks that may affect normal operations in areas such as reputation, strategy, or operational management, we require them to promptly report within 4 hours and submit a production recovery plan. Additionally, we encourage suppliers to establish specialized teams to actively respond to crises and swiftly restore production to ensure the smooth operation of the supply chain. To enhance our ability to respond to supply chain disruptions, the company regularly conducts business continuity exercises. By simulating various events that could lead to supply chain interruptions, we thoroughly analyze deficiencies in the execution process, develop improvement measures for issues identified during the exercises, and continuously monitor the effectiveness of the improvements. This hands-on exercise approach not only enhances our emergency response capabilities but also strengthens the resilience of the supply chain.

In terms of risk management in the environmental and social domains of the supply chain, we spare no effort. During the monthly evaluation of suppliers, we require them to fill out a Supplier System Audit Form to comprehensively self-assess risks in quality systems, hazardous substance management, corporate social responsibility, and information security. For significant issues discovered during the assessment, such as severe violations of basic human rights, the use of child labor, forced labor, violations of integrity and clean governance principles, and environmental pollution, we adopt a zero-tolerance attitude. We demand that suppliers promptly formulate corrective and preventive measures and continuously follow up on the progress of rectification.

Furthermore, the company actively practices the concept of a green supply chain. In 2022, we collaborated with the Institute of Public and Environmental Affairs (IPE) to continuously monitor the environmental performance of subsidiaries and suppliers and promote the removal of environmental violations by suppliers. By dynamically monitoring the environmental performance of subsidiaries and suppliers, we effectively identify potential environmental risks, promote the reduction of pollutants in the supply chain, and contribute to the construction of a green and sustainable supply chain.

Looking ahead, we will continue to deepen supply chain risk management, continuously optimize the business continuity exercise mechanism, strengthen supplier environmental and social responsibility management, and lay a solid foundation for the company's robust development.

6. Supply Chain Integrity Construction

The company adheres to the principle of integrity in procurement and strictly controls the access standards for suppliers. When introducing new suppliers, they must sign agreements such as the Supplier Integrity Agreement, Supplier Social Responsibility Commitment, and Integrity Declaration, ensuring transparent and fair cooperation. If any supplier is found to engage in commercial fraud or integrity issues during cooperation, we immediately take freezing measures, remove them from the Qualified Supplier List, suspend their supply qualifications in the system, and include them in the Supplier Blacklist, never to cooperate again.

To ensure the company's business operations are legal, orderly, and fair, we implement strict integrity and probity management for all business counterparts, including domestic and foreign customers, suppliers, service providers, and contractors, in accordance with the Bribery and Bribery Management Standards and Business Conduct and Ethics Standards. We firmly reject any form of commercial bribery, adhere to integrity, and build a business environment of honesty and integrity, laying a solid foundation for the company's sustained and steady development.

Our performance in 2023

100%

Percentage of compliant suppliers signing the Supplier Integrity Agreement

(II) Green Supply Chain

1. Green Procurement Policy

The company strictly adheres to environmental standards, requiring products provided by suppliers to meet environmental requirements such as the RoHS directive, halogen, and Reach, and successfully pass our RoHS/HF/Reach compliance assessment. New suppliers must submit material composition analysis forms and provide environmental data such as hazardous substance content test reports at specified intervals. To ensure environmentally friendly products, the company has established the Green Product Hazardous Substance Control Standard, providing clear guidance on the prohibition, restriction, and management of environmentally hazardous substances for internal and external suppliers. This standard aims to meet customer needs, comply with laws and regulations, reduce negative impacts on ecosystems, and collectively safeguard the green Earth.

Suppliers must understand and implement our company's environmental material control standards and provide compliant MSDS, material certificates, third-party test reports. The testing organization must have testing qualifications accredited by the China National Accreditation Service for Conformity Assessment (CNAS) within its accreditation scope. If located in other countries or regions, the testing organization must obtain testing qualifications within the accreditation scope recognized by the laboratory accreditation agency in the respective country or region. Additionally, all suppliers must sign our company's Environmental Agreement, REACH SVHC Substance Investigation Form, Conflict Minerals Investigation Form, and Product Environmental Compliance Declaration. Before the new material is recognized by the company, suppliers should conduct XRF testing at least once per stage. Suppliers should also establish and implement a secondary supplier management mechanism, establish quality control mechanisms for critical raw materials through quality certification systems or other methods, and transmit our company's quality, environmental protection, and other relevant requirements to secondary suppliers, signing effective control agreements with them.

(III) Caring for the Society

As an integral part of society, it is the responsibility and mission of enterprises to contribute sustainable positive value to social development. Bearing in mind its mission to improve public welfare, LINGYI iTECH continues to discharge its corporate social responsibility as always, relying on its resources and advantages. During the reporting period, the Company actively carried out programs for public good, and was committed to rural revitalization, care for vulnerable groups, and assistance to employees in difficulties, pursuit of coexistence and win-win results between man and nature, and between enterprise and society. The Company continues to fulfill its social responsibilities in poverty alleviation and public welfare services, to improve corporate value, and promote the coordinated development of the Company and the whole society.

Case

Fulfilling its social responsibilities, LINGYI iTECH offered scholarships to 190 academically and morally excellent impoverished students in GUET

On June 6, 2023, the LINGYI iTECH Scholarship Launching and Award Ceremony of was held in a solemn and warm atmosphere in the performance hall on the first floor of Hongliang Student Activity Center, Huajiang Campus, Guilin University of Electronic Technology (GUET). Mr. Jia Shuangyi, Vice Chairman of LINGYI iTECH, representatives from the Guilin Lingyi factory, as well as the leaders, teachers and students of Guilin University of Electronic Technology gathered to witness this historical moment.

After rigorous evaluation, 190 students stood out and were awarded the LINGYI iTECH Scholarship, including 120 undergraduates, 60 graduate students, and 10 doctoral students. Listed among the award-winning students were outstanding students who had won the first prize in the Contemporary Undergraduate Mathematical Contest in Modeling (CUMCM), up-and-coming researcher who had published high-level academic papers in core journals at home and abroad, and "public welfare masters" who were enthusiastic about volunteer services and excellent both academically and morally, all of who were extraordinary talents with both good character and academic performance.

Ms. Nie Hui, Deputy Secretary of CPC GUET, delivered a passionate speech. She expressed her sincere gratitude for the establishment of the LINGYI iTECH Scholarship and appreciated LINGYI iTECH Scholarship's heart-warming donations, demonstrating the company's fulfillment of social responsibilities. The aid provided by LINGYI iTECH to academically and morally excellent students with financial difficulties not only carries forward China's traditional virtues, but also provides a broader arena and bridge for future cooperation between enterprises and schools, which is of profound significance.

Case

Mr. Jia Shuangyi, Vice Chairman of LINGYI iTECH, first delivered a wonderful speech on behalf of the Chairwoman Ms. Zeng Fangqin. He introduced the glorious history of LINGYI iTECH over the past 17 years, emphasizing that talents are the core competitiveness of LINGYI iTECH. He said that LINGYI iTECH would provide outstanding talents with industry-leading learning opportunities, quick career advancement channels, global job opportunities, generous bonuses and equity incentives and other opportunities.

He also said that LINGYI iTECH would work hand in hand with Guilin University of Electronic Technology, continue to donate scholarships to excellent students, cooperate more in innovative scientific research, contribute more job opportunities to Guilin and provide a global development platform. LINGYI iTECH will work together with Guilin University of Electronic Technology to seek common development, provide students with more practical opportunities and practice platforms, and develop their ability to innovate and start a business, thus laying a solid foundation for their future.

LINGYI iTECH will always uphold the core values of "Responsibility, Long-termism and Value Symbiosis", actively fulfill social responsibilities and ESG, and make it a mission to promote sustainable development. The close cooperation between Guilin University of Electronic Technology and LINGYI iTECH provides students with a broader development platform. Such a cooperation model will set an example for future industry-university-research cooperation and foster a virtuous cycle of technological innovation and talent training.

(IV) Concern about Biodiversity

Biodiversity is the condition for human existence and the basis for sustainable socio-economic development. Concerned about ecological protection and biodiversity protection, LINGYI iTECH does not have its offices, business sites and production sites set in the national nature reserves. Before the construction of the park, we will carry out environmental impact assessment in accordance with the laws and regulations of the region where we operate to assess the adverse effects and risks that business activities may have on animals, plants and the ecological environment, and develop appropriate improvement measures to minimize or eliminate the adverse impact on the environment. Adhering to the principle of sustainable development, we try our best to reduce the discharge of waste, wastewater and air pollutants, and seek opportunities to recycle waste, reduce the water use intensity and improve water efficiency, to minimize the adverse impact of business operations on biodiversity and ecosystems.



Meanwhile, LINGYI iTECH calls on every employee to:

- ▶ Turn off the lights for saving energy
- ▶ Choose low-carbon transportation means, such as bus, walking, and bike
- ▶ Promote cleaner production to facilitate energy conservation and emission reduction
- ▶ Only turn on air conditioners when room temperature is above 25°C without opening windows
- ▶ Sort garbage for resources recycling
- ▶ Save paper and water, and protect natural resources
- ▶ Protect biodiversity, and prohibit eating wild animals

Case

Learning Party history in Spring and planting trees for greener future



On March 11, 2023, to firmly establish the green development concept of "lucid waters and lush mountains are invaluable assets" and enhance the sense of social responsibility and awareness of protecting the ecological environment of Party members, the Dongguan Lingyi Party Branch carried out a Party Day activity themed "learning Party history in Spring and planting trees for greener future" with Party member volunteers. The content of the activity included understanding the origin of the National Tree Planting Day, knowing the names of planted trees, maintenance and other related knowledge, allowing Party members to feel the joy of labor by planting trees.



Long- Termism and Sustainable Development

Construction of Environ-
mental Management
System

Coping with Climate
Change

Carbon Management

Resource Management

Chemicals Management

Pollutant Prevention and
Control

Clean Technology
Opportunities



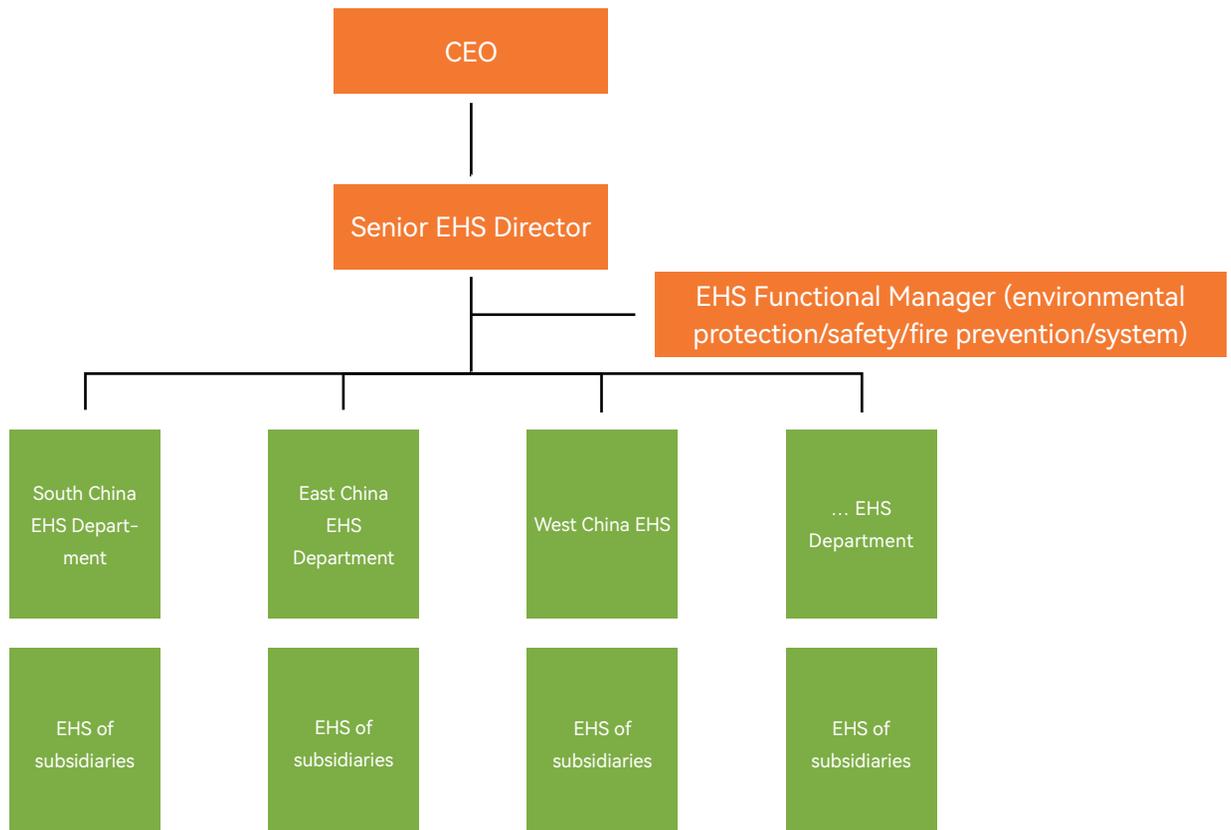
(I) Construction of Environmental Management System

1. Environmental Management

We are concerned about our environmental performance and committed to continuously reducing the environmental impact of our operations. We strictly abide by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Law of the People's Republic of China on the Prevention and Control of Soil Pollution, and the Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution, and other laws, regulations and industry standards concerning environmental protection. We have formulated the EHS Management Manual to ensure group-level environmental standardization management and compliance operations, implementation of various energy-saving and carbon reduction projects, and the smooth achievement of emission reduction targets.

We have set up a group EHS department to coordinate the environmental protection, health and occupational safety matters of the whole group, which is under the overall responsibility of the Senior Director of EHS and reports directly to the Chairman (and CEO). In addition, each subsidiary has set up an independent EHS department, which is under the direct leadership of the highest person in charge of the subsidiary, i.e., the general manager of the company's operation. The EHS organizational structure is established in the principle of overall supervision by the Group and supervision of implementation by the EHS department of all subsidiaries, and a mechanism of production and operation unit responsibility, employee participation, government supervision, industry self-regulation and social supervision is established. To clarify the EHS organizational structure of each subsidiary of the Company and determine the job responsibilities of the EHS managers, we formulated the EHS Management Organization Structure and Job Responsibilities during the reporting period to better serve the EHS management of each subsidiary.

Organizational Structure of LINGYI iTECH's EHS Department

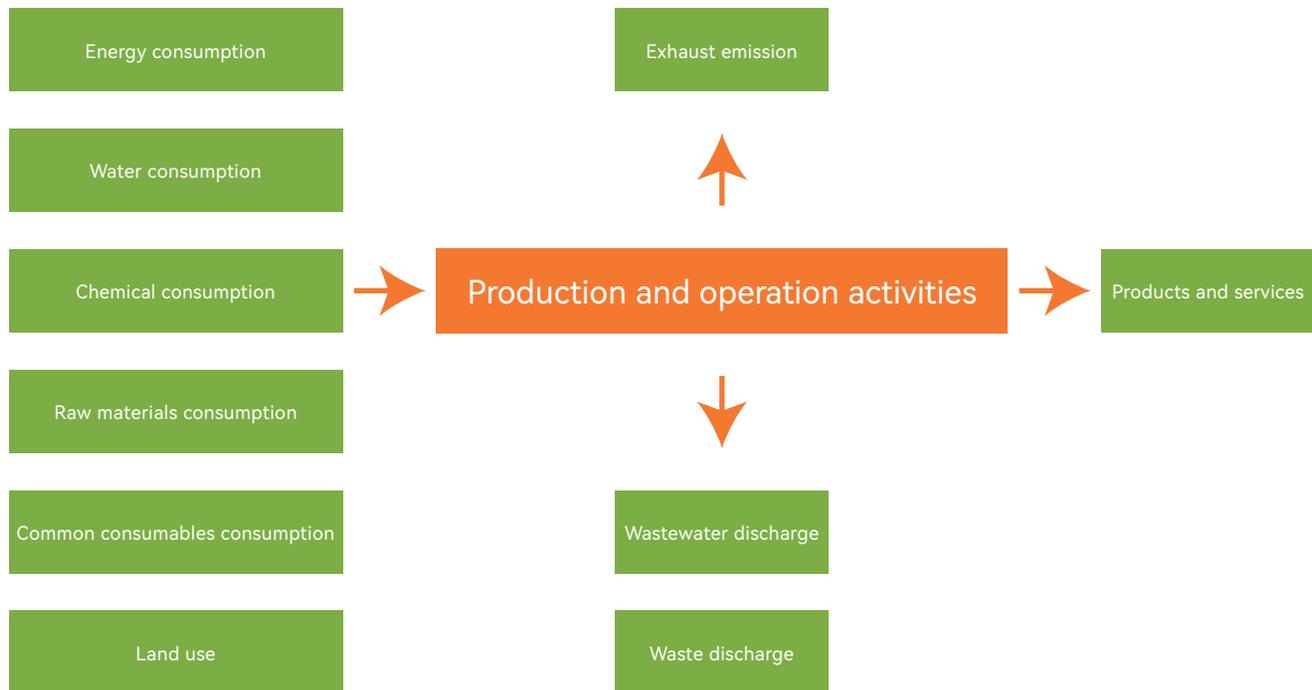


Meanwhile, we are keen to learn and absorb advanced, scientific and practical management experience, and encourage all bases and subsidiaries to push ahead with the environment-related system certification. By the end of the reporting period, relevant subsidiaries obtained the ISO 14001 environmental management system certification.

2. Environmental Risk Control

(1) Identifying Important Environmental Factors

To protect and improve the environment, we have formulated the Management Procedure for Identification, Assessment and Control of Environmental Factors to identify the environmental factors which we can control and exert influence in our operations, products and services, and ensure that the environmental factors are effectively controlled. Each department is responsible for identifying and checking its environmental factors, filling in the environmental factor identification and evaluation checklist, and the EHS department is responsible for collecting and reviewing the environmental factors. Identification and evaluation of environmental factors shall be conducted once a year. For construction projects, the environmental factors are also required to be identified and evaluated before they are commenced and put into operation, to continuously identify, control and reduce the negative environmental impact posed by our operation.



Environmental Factor Identification Flow Chart

For environmental factor evaluation, the cumulative score of the frequency of occurrence, time span of impact, scope of impact, and severity of impact provides the basis for determining the degree and importance of environmental impact of environmental factors. Each department offers an employee training on the identified environmental impact factors, and ensure the compliance of environmental impact factors through daily EHS checks. The important environmental factors that have been determined are controlled by setting specific environmental objectives, indicators and environmental management plans, and their management status is regularly tracked to mitigate environmental risks and prevent environmental violations.

(2) Specific Control Measures

Carrying out Environmental Monitoring Regularly

All subsidiaries regularly carry out environmental monitoring in accordance with the requirements of the Administrative Regulations on Pollutant Discharge Permits, the Self-monitoring Technology Guidelines for Pollutant Dischargers - General Rules, and other relevant laws and regulations of the place where they operate, based on their actual conditions, effectively monitor the discharge of pollutants, timely announce the environmental monitoring results, and accept the review of regulatory authorities and public supervision. The Company has set up special testing laboratories for environmental projects in South China, East China and West China to meet the daily monitoring needs. As a complementary measure, the Company engages a qualified third-party firm to maintain the online environmental testing devices to ensure the timely and effective data acquisition. Additionally, the third-party testing firms also regularly participate in the Company's environmental protection monitoring and testing projects.

Carrying out Environmental Protection Training

To standardize the Company's environmental education and training work and improve employees' environmental awareness and skills, we require employees in relevant positions to be trained and qualified before starting work. In 2023, 244,220 employees received EHS training, including environmental management training, with a total of 399,829.6 training hours.

Continuing to Invest in Environmental Protection

The Company prevents the decline in environmental quality caused by pollution from water, air, solid waste and noise pollution prevention and control. To further improve environmental performance, the Company continues to invest in environmental protection, upgrade and transform waste gas and wastewater treatment facilities and solid waste storage, and carry out energy-saving reconstruction projects. During the reporting period, we invested RMB 62,371,108 in environmental protection.

Improving Emergency Handling Capability

Each subsidiary of the Company makes plans and programs for professional training and emergency exercises according to their actual environmental risks, to ensure that all emergency operations can be started and work quickly in case of emergency environmental events, and enhance their capability of emergency response to a crisis.

(II) Coping with Climate Change

LINGYI iTECH understands that climate change has a significant impact on its business operations, and recognizes that climate change poses physical and transition risks to its business operations, and that enterprises, as the main participants in market economic activities and the main undertakers of social production and services, also play a crucial part in coping with climate change. Coping with climate change is the common cause of all mankind, and it can be fundamentally resolved only by overall planning within the framework of sustainable development. As a supporter of sustainable development, LINGYI iTECH firmly supports the State Council’s policy of “doing a solid job of carbon peaking and carbon neutrality”, advocates green, low-carbon, recycling and sustainable production and working methods, promotes cleaner production, and incorporates climate change response into its overall development plan.

During the reporting period, the Company and its subsidiaries continued to make a comprehensive assessment of the climate risks and opportunities facing them by referring to TCFD recommendations, and formulated and deployed specific plans and comprehensive work to address climate change and reduce greenhouse gas (GHG) emissions. The climate risk assessment and specific response measures of the Company are detailed below:

1. Identifying Climate Risks

From the physical risks and transition risks, we have identified the possible impact of climate change on our business segments in the short term (1-2 years), medium term (3-5 years), medium to long term (6-9 years) and long term (10 years and above).

Identification Matrix of Climate Risks

Type	Climate Risk Factors	Risk Classification	Description	Time Dimension	Business Section Involved	Impact Intensity
Physical Risks	Heat wave	Acute operational risk	During a heat wave, employees may be unable to work due to heat exhaustion, heatstroke or other health ailments caused by extremely hot weather, and production machines may be shut down due to overheating, resulting in higher operating costs.	Long-term	Company wide	High
	Flood	Acute operational risk	During the rainy season, the increased frequency of flooding may result in the closure of business due to property or equipment damage, and employees may be unable to work.	Long-term	Company wide	High
	Earthquake	Acute operational risk	Since the Company’s factories are mainly located in Guangdong Province, Chengdu, Zhengzhou, Suzhou, Dongtai, Wuxi and other places which are not geographically located in the earthquake zone of China; only Mianyang is an earthquake-affected area and is not in the earthquake zone, so the earthquake risk is relatively low.	Long-term	Company wide	Low

TCFD: Task Force on Climate-Related Financial Disclosure

Type	Climate Risk Factors	Risk Classification	Description	Time Dimension	Business Section Involved	Impact Intensity
Physical Risks	Typhoon	Acute operational risk	As the Company's manufacturing plant is located in Dongguan and its geographical location is a typhoon-prone area, an increase in the frequency of typhoons may result in the closure of business due to property or equipment damage, and/or employees may be unable to work, which directly leads to a loss of revenue.	Long-term	Company wide	High
	Mosquito breeding	Chronic operational risk	Rising temperatures and increased precipitation lead to mosquito breeding, thus increasing the risk of mosquito-borne disease transmission.	Long-term	Company wide	Low
	Sea level rise	Chronic operational risk	Dongguan is a low-lying coastal city, and the rising sea level poses bring a direct flood risk. Flooding at the production base may result in immediate production stoppage or reduction in production, directly leading to a loss of revenue.	Long-term	Company wide	High
Transition Risks	Energy pressure	Policy and legal risk	Due to the power rationing policy of the local government, the production sector directly suspends or reduces production. The power rationing will also affect the upstream supply chain, thereby increasing production costs and directly causing a loss of revenue.	Short-term	Production Department	High
	Pressure on water resources	Policy and legal risk	As the Company's production plants are located in Guangdong Province, Chengdu, Mianyang, Zhengzhou, Suzhou, Dongtai, Wuxi, etc., and their operations do not involve a large amount of water, so the risk of water shortage is low.	Short-term	Production Department	Low
	New policies for low-carbon economy transformation	Market and technology risk	China has committed to the "3060" dual-carbon goal, and the government has introduced new policies to support the low-carbon transition. High-emission economic activities will be under pressure, thus increasing the research and development costs of green production.	Long-term	Company wide	High
	Energy transition policy	Market and technology risk	Due to more stringent emission reduction policies issued by the government, the Company needs lower-emission green energy to replace the existing high-emission energy, which increases the cost of transitioning to lower-emission technologies.	Mid-long term	Production Department	Medium
	Carbon market price volatility	Market and reputational risk	As the government introduces more stringent carbon emission policies, the Company's cash flow will be affected by price fluctuations in the carbon market.	Mid-long term	Company wide	High
	Regulatory mandatory disclosure	Operational and reputational risk	The quality of disclosure is affected by regulatory mandatory disclosure of climate-related financial information, lack of historical data and accurate accounting methods.	Short-term	Company wide	High
	Tightening environmental standards	Market and technology risk	Due to the more stringent environmental protection policies issued by the government, the Company needs to improve production processes to comply with the energy-saving and low-emission standards of laws and regulations, and may increase its R&D investment to transform production equipment or increase energy-saving and environmental protection measures.	Long-term	Company wide	High

We have analyzed the mitigation measures for the identified risks related to climate change to make us more resilient to climate change risks.

Addressing Risks Associated with Climate Change

Type	Climate Risk Factors	Risk Classification	Description	Recommended Mitigation Measures
Physical Risks	Heat wave	Acute operational risk	During a heat wave, employees may be unable to work due to heat exhaustion, heatstroke or other health ailments caused by extremely hot weather, resulting in higher operating costs. Production machines may be shut down due to overheating, resulting in shortened service life. The two situations may lead to a loss of revenue.	<ul style="list-style-type: none"> · Provide cooling measures, such as providing employees with electric fans, rest areas and sufficient water to combat the rising temperatures and re-arrange the work schedule. · Optimize the heat dissipation performance of production machines, increase the frequency of routine inspection and maintenance, and maintain the service life.
	Flood	Acute operational risk	During the rainy season, the increased frequency of flooding may result in the closure of business due to property or equipment damage, and/or employees may be unable to work. This may result in increased operating costs and equipment depreciation.	<ul style="list-style-type: none"> · Develop and implement emergency plans for extreme weather events. · Increase the number of training sessions and drills, to strengthen the staff's awareness of prevention.
	Earthquake	Acute operational risk	As the Company's manufacturing plant is located in Dongguan and its geographical location is not an earthquake-prone area, so the earthquake risk is low.	<ul style="list-style-type: none"> · Develop and implement emergency plans for extreme weather events.
	Hurricane	Acute operational risk	As the Company's manufacturing plant is located in Dongguan and its geographical location is a typhoon-prone area, the progress of production may be adversely affected. An increased frequency of typhoons may result in closure the of business due to property or equipment damage, and/or employees may be unable to work. This may lead to direct shutdown or reduction of production in the production sector, affecting the upstream supply chain, thereby increasing production and operating costs, and directly leading to a loss of revenue. The typhoon may cause flooding in the indoor area and damage to the machinery, resulting in increased repair costs and equipment depreciation.	<ul style="list-style-type: none"> · Develop and implement emergency plans for extreme weather events. · Increase the number of training sessions and drills, to strengthen the staff's awareness of prevention. · Add waterproof devices to production machines or hurricane prevention to plant areas.
	Mosquito breeding	Chronic operational risk	Rising temperatures and increased precipitation lead to mosquito breeding, thus increasing the risk of mosquito-borne disease transmission.	<ul style="list-style-type: none"> · Implement stricter measures: · Clean the workshop frequently to avoid water accumulation; · Install insect killers; · Encourage workers to wear loose-fitting, light-colored long-sleeved tops and trousers, and insect-repellent clothing when working.
	Sea level rise	Chronic operational risk	Dongguan is a low-lying coastal city, and the rising sea level poses bring a direct flood risk. Flooding at the production base may result in immediate production stoppage or reduction in production, and income loss, causing rectification to be required and additional costs and time to be incurred.	<ul style="list-style-type: none"> · Establish an environmental monitoring team to continuously monitor and report the sea water levels. · When selecting new sites for expansion, avoid choosing a coastal or low-lying area.
	Transition Risks	Energy pressure	Policy and legal risk	Due to the power rationing policy of the local government, the production sector directly suspends or reduces production. The power rationing will also affect the upstream supply chain, thereby increasing production costs.
Pressure on water resources		Policy and legal risk	As the Company's production plant is located in Dongguan, and its operations do not involve a large amount of water, so the risk of water shortage is low.	<ul style="list-style-type: none"> · Propose water conservation commitments and policies. · Install water-saving measures or wastewater recycling systems. · Provide regular environmental protection training for employees.

Type	Climate Risk Factors	Risk Classification	Description	Recommended Mitigation Measures
Transition Risks	New policies for low-carbon economy transformation	Market and technology risk	China has committed to the “3060” dual-carbon goal, and the government has introduced new policies to support the low-carbon transition. High-emission economic activities will be under pressure, thus increasing the research and development costs of green production.	<ul style="list-style-type: none"> · Set emission reduction targets, make low carbon commitments, and formulate relevant internal policies · Increase the greening rate of subsidiaries · Expand the use of low-carbon energy to replace fossil energy, such as the replacement of fuel vehicles with electric vehicles · Develop low-carbon and low-emission processes
	Energy transition policy	Market and technology risk	Due to more stringent emission reduction policies issued by the government, the Company needs lower-emission green energy to replace the existing high-emission energy, which increases the cost of transitioning to lower-emission technologies.	<ul style="list-style-type: none"> · Energy structure transformation · Autonomous renewable energy system (photovoltaic system, energy storage system) · Not rely on the external purchase of electricity · Purchase external green energy
	Carbon market price volatility	Market and reputational risk	As the government introduces more stringent carbon emission policies, the Company’s cash flow will be affected by price fluctuations in the carbon market.	<ul style="list-style-type: none"> · Form relevant teams or appoint external experts to regularly report on the carbon market and relevant national carbon trading policies, and evaluate the financial impact of the latest policies on the Company.
	Regulatory mandatory disclosure	Operational and reputational risk	The quality of disclosure is affected by regulatory mandatory disclosure of climate-related financial information, lack of historical data and accurate accounting methods.	<ul style="list-style-type: none"> · Form relevant teams or appoint external experts to regularly report the latest disclosure standards of relevant regulators to ensure the quality of information disclosure.
	Tightening environmental standards	Market and technology risk	Due to the more stringent environmental protection policies issued by the government, the Company needs to improve production processes to comply with the energy-saving and low-emission standards of laws and regulations, and may increase its R&D investment to transform production equipment or increase energy-saving and environmental protection measures.	<ul style="list-style-type: none"> · Form relevant teams or appoint external experts to regularly report the latest environmental protection policies of the local government to avoid increasing operating costs due to environmental protection laws and regulations.

2. Opportunities Related to Climate Risk

(1) Reduction in the Stock and Consumption of Fossil Fuels

In view of the increasing awareness of sustainable development and green energy, we fully implement cleaner production. We install solar panels on idle roofs and actively purchase clean electricity to reduce the dependence on purchased energy and the use of traditional fossil energy. We have developed a sound management process to reduce the negative impact of our operation on the environment, and vigorously promote the application of green technology in production and manufacturing, and continue to promote the development of green and low-carbon industries.

(2) National “Dual Carbon” Strategic Goal

The “3060 dual carbon” goal proposed by China in 2020 has been upgraded to a national strategy, and a number of policies have been introduced to encourage enterprises that reduce emissions. Our subsidiary, Salcomp (Guigang) Co., Ltd., joined the Science-Based Targets Initiative (SBTi) in 2021, and promised to reduce carbon emissions by 25% in Scope 1 and Scope 2 and by 12.3% in Scope 3 by 2030. We believe that through a cleaner production strategy, waste management and efforts to reduce the carbon footprint of products, we can establish a positive environmentally conscious brand to attract more business opportunities, such as environmental tax relief, lower operating costs and increased external investor confidence to gain more financing opportunities.

(3) Reducing Costs through Green Production Technology

As more stringent climate-related policies lead to increased compliance costs such as emissions fees, we believe that to improve R&D capabilities can help promote cleaner production, thereby reducing compliance costs and increasing profits. We successfully improved our mold technology in 2019, significantly reducing the generation of plastic waste and reducing the cost of processing plastic waste.

(4) Increased Demand for Clean Energy

With the reduction of fossil fuels and the improvement of environmental awareness, clean energy such as solar energy, geothermal energy and wind energy has developed rapidly, and will become the main energy sources in the future. Among them, solar energy is widely regarded as one of the most promising clean energy sources due to its low cost and convenience. Soft magnetic ferrite materials and amorphous magnetic materials are the main raw materials for various magnetic components in solar inverters because of their excellent physical properties. We believe that with the development of the global solar photovoltaic industry, our magnetic materials are expected to meet its huge market demand.

(5) The Vigorous Development of the New Energy Vehicle Market

Encouraged by the policies of various governments, the new energy vehicle market is entering a period of vigorous development. In the future, the performance optimization and production cost reduction of new energy vehicles, as well as the improvement of environmental awareness and acceptance of new energy vehicles, will continue to drive the development of the new energy vehicle market. The annual continued ramp-up and sales growth of global new energy vehicles will continue to drive the rapid growth of demand for corresponding functional and structural parts. We will grasp the sources of new project business opportunities and the development needs of the new energy vehicle market.

(III) Carbon Management

1. Carbon Management System

To ensure that the Company can improve its competitiveness in the industry and achieve its development goals during the development of low-carbon economy, and the carbon emission reduction targets, and GHG inventory verification management and report conform to the principles and requirements of relevance, consistency, integrity, accuracy and transparency, according to the established Greenhouse Gas Inventory Verification Procedure, the General Manager of Operations is responsible for establishing and improving the Company's energy conservation and emission reduction and GHG management system, and for facilitating and implementing the work on GHG inventory verification and energy conservation and emission reduction, to ensure the achievement of carbon emission reduction targets. The Company has set up a GHG Inventory Verification and Emission Reduction Project Team, with the General Manager of Operations acting as the team leader, responsible for supervising and providing human resources support for the implementation of GHG management and emission reduction projects. The team members propose feasible energy conservation and emission reduction projects, and are responsible for supervising the energy conservation and emission reduction of grass-roots units, and cooperating with the inspection of the Company's energy measurement.

GHS Management Responsibilities



General Manager of Operations

- Organize and implement GHG inventory verification to ensure the achievement of carbon emission reduction targets.
- Facilitate and implement the work on GHG inventory verification and energy conservation and emission reduction.
- Arrange and use special funds for the Company's energy-saving technology update, technical transformation and other projects, investment plans and related programs based on the identified risks and data.



EHS, Administration and Equipment Department

- Identify the needs and risk points related to carbon emission reduction, provide GHG inventory verification data, and follow up on the progress of carbon emission reduction.
- Carry out GHG inventory verification and analyze inventory verification data, and identify and assess carbon emission reduction risk points.
- Supervise and inspect the inventory and emission reduction of all grass-roots units of the Company.



Heads of Relevant Departments

- Prepare and provide the GHG inventory verification data related to the work of the departments.
- Identify and evaluate carbon emission reduction risk points, and propose feasible energy conservation and emission reduction projects.
- Supervise and inspect the energy conservation and emission reduction work, and cooperate in the inspection of the Company's energy measurement.

2. Carbon Emission Risk Management

To timely identify the potential risks related to the Company's carbon emissions and ensure the smooth achievement of the carbon emission reduction targets, the Greenhouse Gas Inventory Verification Procedure also specifies the principles of carbon emission risk identification, assessment and management, and the scope of risk identification covers all departments of the Company and their activities, products and services. The risk identification is carried out from the following four aspects:

Political and Legal Risk

The state introduces policies and laws to control carbon emissions, resulting in regulatory risk and energy cost risk of carbon emissions

Economic Risk

The adjustment of economic policy and economic structure causes the energy cost risk in carbon emissions

Technical Risk

Increased investment in carbon emission technologies, causing energy cost risk in carbon emissions

Social and Cultural Risk

There may be consumer preference risk and reputational risk in carbon emissions under the environment of low-carbon economy and culture.

Actions and Strategies Adopted

Step up technical innovation, improve the corporate production process, increase energy efficiency, reduce carbon emissions in the consumption of fossil fuels, and mitigate regulatory risk. During the reporting period, all subsidiaries continued to carry out energy-saving transformation, energy-saving and environmental protection projects, etc.

Seize the opportunity brought by the third global energy structure adjustment, vigorously develop natural gas, solar energy and other efficient energy, increase the proportion of clean energy use, and promote cleaner production.

Each department shall thoroughly identify the carbon emission risk factors which it can control and exert influence depending on the energy use in its activities, products and services, and summarize the identified risks into the identification and evaluation form for carbon emission risk sources. The identification and evaluation of carbon emission risk factors will be carried out once a year. The identified risks are evaluated from the frequency of occurrence, duration of impact, scope of impact, and severity of impact. The risk factors that reach a certain threshold are determined as important risk sources which will be put under key control. Moreover, based on the risk assessment results, different risk management strategies will be adopted to optimize the energy structure, reduce carbon emissions, and mitigate risks of concern.

Case

Carbon Neutrality Project



The Company launched the Dual-carbon Project in November 2023 and made the 2024 Energy Conservation and Emission Reduction Plan to carry out energy conservation and carbon reduction within the Company in full swing, mainly from energy conservation (saving water, electricity, gas, etc. directly used in the production and operation process), emission reduction (reducing the additives produced during production, the waste water, liquid, gas and residue that have a certain impact on the environment, sludge produced in water treatment, etc. That are generated during the production process) and intelligent management (in the production process, using IT, IoT, and big data to intelligently manage energy use and waste emissions, so that energy use and waste disposal can be monitored in real time, and energy conservation and emission reduction can be achieved through intelligent adjustment methods).

Energy conservation and carbon reduction are the key to sustainable development of manufacturing companies. The Company has set up a Carbon Neutrality Project Team led by the chairman of the board and coordinated and directed by the R&D Institute, to standardize and guide the energy-saving work of the Company and its factories. The head of operations, quality, factory equipment and other departments of each subsidiary participate in the implementation. The Company's annual energy-saving targets are decomposed into each subsidiary. Each subsidiary formulates its energy-saving targets and energy-saving improvement plans based on its production and operation conditions, and continues to track the fulfillment of the targets. A two-pronged approach of management and technology optimization is adopted mainly through regular energy-saving transformation of the five energy-consuming modules - production electricity, gas supply system, central air conditioning, workshop fans, and living and work, to effectively reduce the energy consumption and GHG emissions of the Company and its factories.

During the reporting period, 19 subsidiaries successively launched the Energy Efficient Project (EEP), aiming to optimize their energy consumption. Energy efficiency measures are applied to reduce the energy use intensity in manufacturing processes, thereby reducing carbon emissions. Improved energy efficiency and the resulting carbon reduction typically occur at the facility level, such as replacing obsolete, inefficient lighting fixtures and equipment, or collecting waste heat for reuse, using less electricity to do the same job.

3. Environmental Performance

Our GHG emissions mainly come from direct emissions (Scope 1) of natural gas, diesel and gasoline consumed in production, transportation of goods and offices and indirect emissions (Scope 2) from the use of purchased electricity.

Our performance in 2023

489,648.00^{tCO₂e}

Total greenhouse gas emissions

14,819.45^{tCO₂e}

Scope 1 emissions

474,828.55^{tCO₂e}

Scope 2 emissions

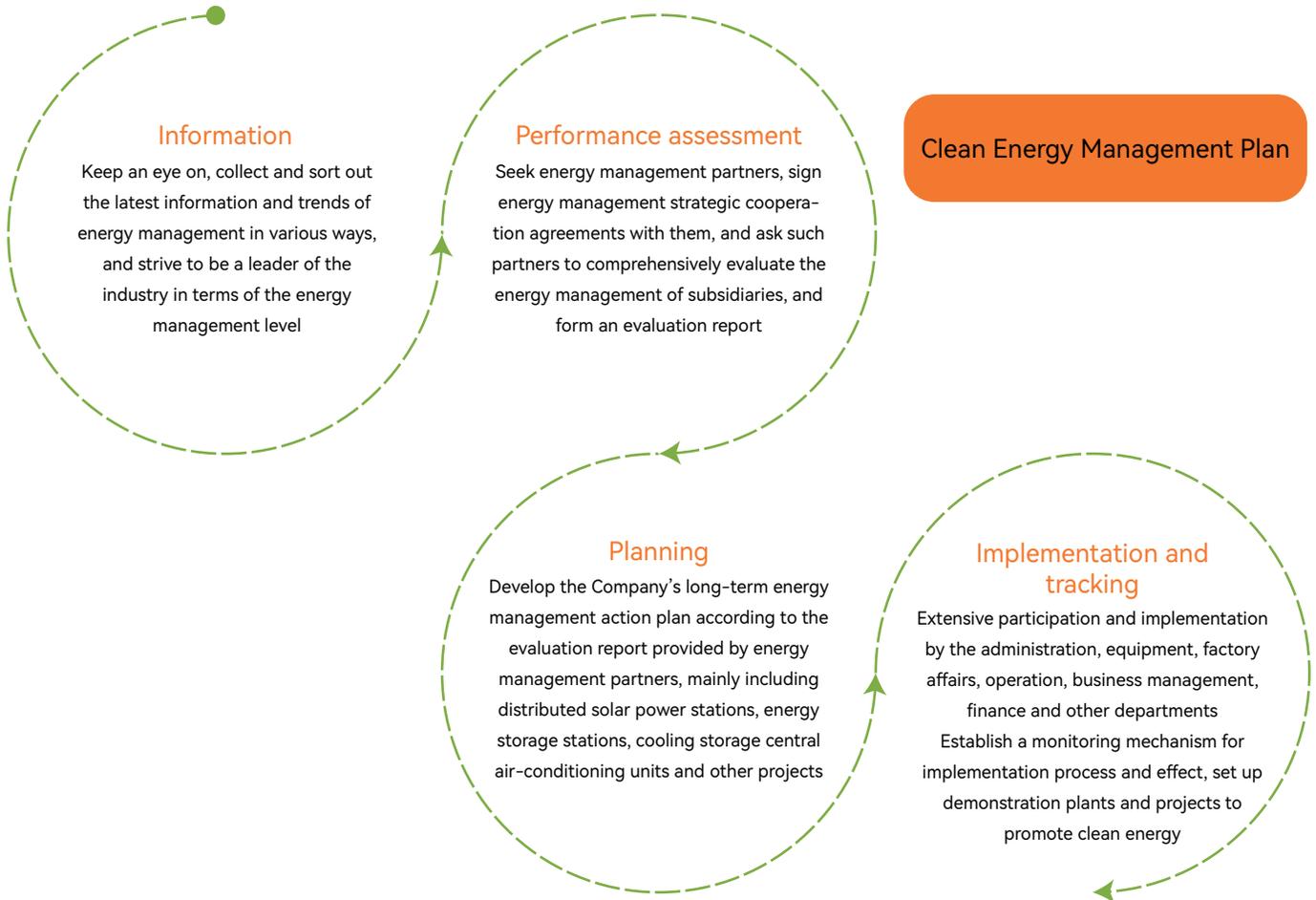
0.157^{t/10,000 yuan production value}

Carbon emission intensity

(IV) Resource Management

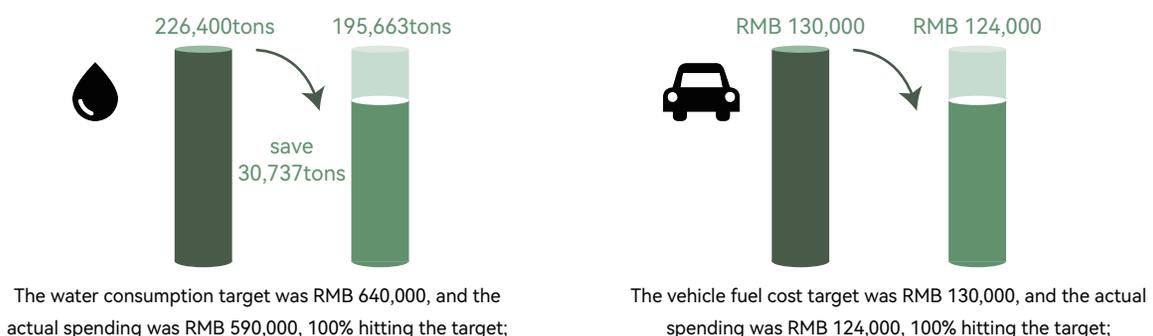
1. Energy Management

We have been committed to continuously optimizing the energy structure and improving energy efficiency. The energy sources consumed in our daily operations includes gasoline, diesel, natural gas, liquefied petroleum gas and purchased electricity. The Company has formulated the Energy and Resources Management Procedure to promote various effective measures to save energy and resources, improve energy efficiency and reduce environmental load. At the same time, through management improvement and technological innovation, the company vigorously promotes energy management and the use of clean energy, strives to increase the proportion of clean energy use, and comprehensively improves the efficiency of energy and resource use.



To better manage their energy consumption and control energy intensity, some subsidiaries have successively set energy targets, actively carried out environmental protection actions and projects such as photovoltaic power generation, technological transformation, equipment replacement, energy management, and manufacturing process improvement, improved energy conservation in a targeted manner, and reduced energy use, which help improve the overall energy use efficiency of the Company. The Company has set the energy saving target for 2024: Electricity cost per unit output value $\leq 1.95\%$

Annual water and fuel saving targets for 2023 set by the Chengdu factory



Air-source Heat Pump Replacing the Electric Heating Project of Shenzhen Pinghu Factory

683

water heater

16

air source-powered electric water heaters

3,316,068_{kwh}

Power saved

1,891.15_T

Carbon reduction

Shenzhen Pinghu factory gradually replaced 683 electric water heaters in the dormitories with 16 air source-powered electric water heaters in January 2022. By October 2023, it has saved 3,316,068 kWh of electric energy, equivalent to reducing carbon emissions by 1,891.15 tons.

Equipment Upgrading Project of Zhuhai Lingyi Subsidiary

637,182_{kwh}

Power saved

363.38_T

Carbon reduction

By the end of 2023, the air compressor upgrading (i.e. replacing low-power air compressors with high-power air compressors) and the water chiller upgrading (i.e. replacing low-power chillers with high-power chillers)

project carried out in the factory has saved a total of 637,182 kWh of electricity, equivalent to reducing carbon emissions by 363.38 tons.

Case

Energy Saving Improvement Project of Dongguan Huangjiang Stamping Factory No. 8

A stamping workshop had more than 30 lines and nearly a thousand pieces of equipment. The production process was complex and 8 pieces of equipment were connected for production. The reloading was frequent and time-consuming. The peak energy cost reached RMB 2 million a month. Therefore, a project team was formed to investigate the site for improvement.

Improvement I: Improved reloading.

Before the improvement, when reloading materials, 8 pieces of equipment needed to be pulled through manually one by one and shut down simultaneously, so each reloading took 20 minutes. After improvement, through the development of an all-in-one laser cutting and welding machine for raw materials, the tailings can be directly connected to achieve continuous reloading. The overall equipment efficiency (OEE) is improved, thereby reducing the no-load energy consumption of the machine.

Improvement II: Improved centralized waste recycling.

Before the improvement, 84 third-generation scrap suction machines were placed in the workshop, consuming 240,000 kWh of electricity per month, generating a noise of up to 95 dB and a temperature of up to 65 °C. After the improvement, seven fourth-generation 15Q centralized scrap suction machines are placed outside the workshop to replace them. Energy consumption is reduced by 170,000 kWh per month. The temperature of the original area is reduced from 65°C to room temperature, and the noise is reduced from 95 dB to ambient noise. This improvement achieves green and energy-saving effect, winning praise from clients.

Improvement III: Introducing an Automatic Start-Stop Mechanism into Equipment.

Before the improvement, any abnormality or material reloading of a certain machine would cause other machines to be no load, resulting in a large waste of energy. Therefore, the team members developed an automatic start-stop mechanism. By adding a detection program to the PLC, when the machine is empty for the set time, the PLC controls the machine to stop automatically. At present, the mechanism has been widely used in punch press, cleaning machine, welding line, magnetic eraser, grinder and many other devices, saving much no-load power consumption.

Improvement IV: Intelligent gas and oil consumption improvements.

Before the improvement, the oil dripped by gravity, and oil dripping continued even when the machine was shut down. Gas was blowing throughout the entire process for some machines, resulting in a waste of resources. Team members added solenoid valve to effectively link with the machine, thus realizing intelligent control of oil for blowing gas to the line. After the improvement, the monthly gas consumption is reduced by 15% and the oil consumption is reduced by 280L, which can save RMB 60,000.

Improvement V: Cleaning solvent improvement.

Before the improvement, outsourced hydrocarbon cleaning agents costed up to RMB 358,000 per month. Team members developed a solvent. The combination of the solvent with pure water can replace hydrocarbon detergents after the effect was confirmed by clients. After the improvement, the monthly cost is reduced by RMB 190,000.

Improvement VI: Gas improvement.

Before the improvement, 40L small tanks of argon were used as protective gas for material and part welding, which costed RMB 130,000 per month. By introducing 6,000L large tanks for centralized gas supply to the equipment, the transportation distance and downtime and replacement time were shortened to zero, effectively saving warehouse area and manpower turnover, and improving the overall equipment efficiency (OEE). On this basis, team members made further improvement, using self-made nitrogen to replace hydrogen, and verified that it was OK. Now all stamping B agents have been widely used, and it is expected that the annual cost can be saved by RMB 2 million.

Stamping Factory No. 8 actively responds to the corporate social responsibility of low-carbon, efficient and green economic activities. Team members actively integrate the concept of reducing energy consumption into production and manufacturing solutions. In 2023, it reduced carbon emissions by 732 tons, which can save an amount of RMB 5,998,000.

Our performance in 2023

3,232,006.28_{GJ}

Total energy consumption

150,291.40_{GJ}

direct energy consumption

3,081,714.89_{GJ}

indirect energy consumption

1.04_{GJ/10,000 yuan production value}

energy consumption intensity

30,990,593kwh

Total photovoltaic power generation of each subsidiary

17,673.94_T

Equivalent to carbon reduction

3.02 billion kilowatt hours

Procurement green certificate

172,230.60_T

Equivalent to carbon reduction



We actively look for alternatives to traditional fossil fuels, continue to increase investment in clean energy, and develop photovoltaic power generation projects. Since 2012, some of our factories have successively set up PV power generation facilities on the idle roofs of factory buildings or other buildings. As of the end of this reporting period, a total of 12 factories participated in this initiative. In 2023, the total photovoltaic power generation of each subsidiary was 30,990,593 kwh, equivalent to reducing carbon emissions by 17,673.94 tons. Besides, the Company purchased 3.02 billion kwh of green certificate, equivalent to reducing carbon emissions by 172,230.60 tons.

Centralized Gas Suction Project for Laser Cutting Machines in Dongguan Futai Factory:

The replacement of 10 ordinary fans with one high-speed fan saves 43,607 kWh of electricity per month; the timing switch of air conditioning units and the scheduled power-on of central air conditioning save 3,529 kWh of electricity per month. The production equipment automatically powers off after the standby time is exceeded, saving 17,788 kWh of electricity per month. The monthly electricity saved is about 65,000 kWh, equivalent to reducing carbon emissions by 37.1 tons.

Power-saving Project of Jiangyi factory



1. Increase the peak-load shifting efforts, and prepare 72 ball grinders in the wet pressing department to adjust the start-up time to mainly the valley period (24:00-8:00), reducing electricity consumption by approximately 70,588 kWh per month, equivalent to reducing carbon emissions by 40.26 tons.

2. The dry pressing department replaced an energy-saving sintering furnace (due to process requirements, the sintering furnace needs to be kept at constant temperature for 24 hours), which was completed in early July, saving about 47,058 kWh per month, equivalent to reducing carbon emissions by 26.84 tons.

temperature for 24 hours), which was completed in early July, saving about 47,058 kWh per month, equivalent to reducing carbon emissions by 26.84 tons.

2. Water Resource Management

We care about water consumption in our production activities, and are committed to reducing the dependence and adverse impact of our operations on water resources. The Energy and Resources Management Procedure formulated by the Company includes relevant provisions for production and domestic water, to ensure rational utilization of water resources in our daily operations. The water consumed by the Company is taken from the municipal water supply system, mainly used as domestic water and production water for cooling towers, boilers, steam and other auxiliary facilities in the production and manufacturing of products. Meanwhile, the administration and other departments educate employees about water conservation to improve and enhance their awareness of saving water.

Salcomp (Guigang) Co., Ltd., a subsidiary of the Company, actively responded to the CDP Water Questionnaire, and disclosed its initiatives and progress in water security management and response to climate change. In 2023, Salcomp Guigang was scored “B-” (“B-” score means that a company puts in place the governance structure to address climate change, risk management methods, and emission reduction actions) in the Climate Change Questionnaire and the Water Security Questionnaire, an improvement compared with the previous year (“C” for climate change and “D” for water security), both reaching the “Management” level. As of the end of the reporting period, six subsidiaries of the Company participated in the Clean Water Project. Through the Clean Water Project, we can understand the water risks faced by the Company and strengthen the assessment of water pressure and water balance, to better understand the current water resource management performance and identify improvements.

The Company takes a series of targeted control measures, including

Setting water use targets	Some of our subsidiaries set annual water use targets based on their operations, strictly control the use of water resources, and actively advocate for employees to save water. The water cost of the Company for 2024 is initially set to be reduced by 30%.
Promoting water recycling	Some of our subsidiaries actively advance wastewater recycling and reclaimed water and concentrated water reuse projects to minimize water consumption.
Building an energy conservation and environmental protection system	Ensure that the environmental protection facilities run normally and the water drainage complies with the laws. Carry out production using clean energy, and reduce unnecessary waste of water resources.
Wastewater discharge control	Eliminate evaporating, emitting, dripping and leakage; the equipment, administration and EHS departments conduct regular inspections, and timely rectify the problems of evaporating, emitting, dripping and leakage; discharge the wastewater generated into the downstream wastewater treatment after being treated by the internal wastewater treatment station to an acceptable standard.
Water quality safety control	Some of our subsidiaries use purified water systems to ensure the quality and safety of production water, enhance monitoring, and regularly test the quality of domestic water and drinking water.
Emergency plan management	In response to the river flood risk, the Rainwater Management Procedure has been formulated, and inspection is strengthened in the surrounding area during the rainy season to deal with any danger in a timely manner. The factory sets up a special stormwater network to collect and discharge rainwater, implement rainwater and sewage diversion, and reduce the wastewater treatment capacity of the wastewater station to ensure that the wastewater discharge is up to the standard.
Supervision and inspection	Actively cooperate with the inspection of local regulatory authorities, strictly follow the wastewater discharge standard, keep the information open, timely update the environmental protection laws and regulations, carry out production in accordance with laws and regulations, strengthen daily inspection, identify and rectify hidden dangers in a timely manner, and strengthen the upgrading of the eco-friendly treatment system.

Our performance in 2023

6,056,827.15 tons
our total water consumption

1.95 t/10,000 yuan production value
the water consumption intensity



Annual water and fuel saving targets for 2023 set by the Chengdu factory:

The water consumption target was 171,500 tons, and the actual spending was 156,747 tons, 100% hitting the target;
The vehicle fuel cost target was RMB 130,000, and the actual spending was RMB 124,000, 100% hitting the target;

Details of power-saving measures:

1. Set the target based on the electricity bill data of the previous year and decompose the target: a. Setting the target for production workshops based on the output; b. Setting the target for office buildings & dormitories & canteens based on per capita electricity bills; c. Setting the target for warehouses based on temperature changes and area; d. Setting the target for the NPI based on utilization rate;
2. Assign a responsible person for each zone: Install an independent ammeter in each zone and assign a responsible person for each zone, and make statistics of data based on output, per capita value, and area by zone;
3. Perform regular analysis: Output data on a weekly and monthly basis, and analyze the increase/decrease in data;
4. Make correction and improvement: a. Each workshops make improvement by itself (technological transformation of the equipment, range hood timing control, lighting timing control, etc.), subject to the supervision by the Administration Department.

Water-saving Project of Lingyu (Suzhou) Electronic Technology Co., Ltd.:

RO concentrated water was discharged to the wastewater station, resulting in a waste of water resources. RO concentrated water is used for grinding, which improves water reuse rate, reduces water treatment cost, and saves tap water usage, thereby reducing water consumption by an average of 599 tons per month.

Obsolete Pipe Improvement Project of Zhuhai Lingyi Subsidiary:

The factory carried out pipe improvement in early 2023 to improve water supply efficiency and save water resources. It is expected to save 31,713 tons of water every year. As of the end of this reporting period, 11,960.24 tons of water was saved.

3. Use Management of Packaging Materials and Raw Materials

The main packaging materials consumed by us come from paper, plastic. Based on the principles of environmental protection and economy, we are committed to the philosophy of reducing resource consumption and pollutant emissions from the source. We optimize the use of packaging materials from the product packaging design to minimize excessive and ineffective packaging.

Detailed packaging consumption data during the reporting period
(two categories with the highest consumption)

9.802t

Paper

25.462t

Plastic

(V) Chemicals Management

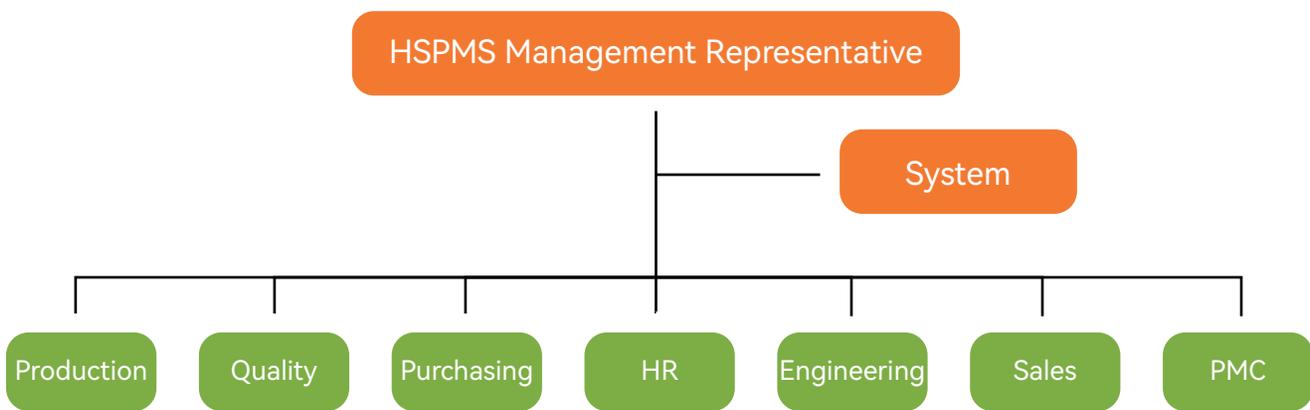
1. Hazardous Substance Management System

In the course of daily production and operation, the Company will use many categories of chemicals with different characteristics. We are committed to using green products that are safe for our employees, customers and the environment, and we strictly comply with the laws and regulations on the registration, use, disclosure and management of chemicals as well as the requirements of our customers, and we are committed to the safe management of chemicals and the provision of green products to our customers. As of the end of the reporting period, the relevant subsidiaries have passed the QC080000 management system certification.

In order to standardize the processes of chemical procurement, storage, use, waste treatment and emergency disposal, the company refers to the Chemical Safety Management Regulations, the EU Restriction of Hazardous Substances Directive (RoHS), the EU Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation and other conventions, laws and regulations of the place of operation. We have formulated "Chemical Management Procedures", "Green Product Management Procedures" and "Green Product Hazardous Substance Control Standards" to ensure that chemical management is in compliance with laws and regulations, and to minimize and eliminate the adverse effects of chemicals on product quality, employee safety and the environment. EHS organizes and implements 2 chemical training sessions per year, which includes purchasing, production, warehouse, administration, security, etc. The content includes chemical compatibility, restricted substances, site management, etc., to improve employees' awareness of chemical safety control.

The company has established a Hazardous Substance Management System and built a green product organizational structure. This system clearly defines customer environmental requirements, systematically eliminates and reduces relevant hazardous substances, and prevents the incorporation of related hazardous substances into customer products. The Chairman of the company serves as the ultimate responsible person for HSPMS, responsible for formulating green product policies and supervising the management review of the green product management system.

Green Product Organization Chart



Division of Responsibilities

General Manager	<ul style="list-style-type: none"> · Provide the personnel and resources necessary for the operation of the green product management system and lead the management review of the green product management system.
Management Representative	<ul style="list-style-type: none"> · Formulate HSPM management objectives. · Organize, plan, promote, and implement HSPM management system requirements. · Conduct regular internal audits and management reviews to implement environmental objectives. · Report the performance of the HSPM system to the top management.

Division of Responsibilities

System Department	<ul style="list-style-type: none"> · Assist in planning and organizing the implementation of the HSPM management system. · Responsible for collecting the latest environmental legal requirements and changes in customer needs, regularly updating environmental standards, and disseminating them internally. · Execute internal audits and management reviews of the HSPM system, and follow up on improvement and closure of non-conformities; · Responsible for the establishment, revision, and improvement of documents related to hazardous substances; · Lead the response to HSPM system audits by second-party and third-party organizations, and follow up on improvement and closure of non-conformities.
Production	<ul style="list-style-type: none"> · Produce green products that meet customer requirements, and ensure that the materials used in the production are environmentally friendly; · Educate and train employees on the required green product-related knowledge.
Quality	<ul style="list-style-type: none"> · Assist in risk assessment of finished products, and develop a spot testing plan for internal finished products; · Investigate, evaluate and confirm the information (chemical composition) specified by the customer's hazardous substance management requirements; · Test the hazardous substances in the incoming materials/processes/finished products according to the XRF testing plan, and analyze and deal with HSF abnormalities; · Review the compliance of the third-party hazardous substance testing report submitted by suppliers; · Audit the supplier's hazardous material management system, and follow up on the improvement and closure of non-conformities.
Purchasing	<ul style="list-style-type: none"> · Communicate the Company's requirements for green products to suppliers and the information on suppliers' environmental protection non-conformities; · Request environmental protection information on relevant projects from suppliers; · Sign an environmental protection agreement with suppliers, and investigate the processed products of suppliers; · Plan the annual audit of the supplier's HSPM system.
HR	<ul style="list-style-type: none"> · Advocate the internal green product management policies, and develop and supervise the implementation of annual training plans related to green products.
Engineering	<ul style="list-style-type: none"> · Design green product introduction; · Implement the part approval process for green products, and confirm the conformity of the components in hazardous chemicals; · Carry out engineering change management and compliance assessment of green products.
Sales	<ul style="list-style-type: none"> · Obtain the relevant requirements for or changes of customers' green products, and timely notify relevant departments of the factory; · Lead the review of environmental protection agreements with customers.
PMC / Warehousing	<ul style="list-style-type: none"> · Store, identify and plan green products and their raw and auxiliary materials, and manage green products on a first-in-first-out basis.

2. Chemical Lifecycle Management

To comprehensively identify the presence of hazardous substances in purchased chemicals and ensure comprehensive control over these substances, each department of our company plays its role. From the development of new products to the procurement, incoming inspection, processing, finished products, and warehousing of materials, comprehensive lifecycle management of chemicals is carried out, covering procurement, assessment, use, disposal, emergency response, and other stages, ensuring the safety of chemical use.

To fully identify the chemical content in the products and ensure the comprehensive control of hazardous substances, each department of the Company performs its duties, and carries out the lifecycle management covering the procurement, evaluation, use, disposal, emergency response and other aspects of chemicals from the development of new products to the procurement of materials, incoming materials, process, finished products, storage and other production procedures, to ensure the use safety of chemicals in all aspects.

Management requirements and measures

Procurement

- When purchasing chemicals, according to the Group's Chemical Management Procedure, the supplier shall present the qualification documents, the Material Safety Data Sheet (MSDS), Technical Data Sheet (TDS) and labeling specifications of the chemicals, operation and transportation qualification documents, and third-party test report of hazardous substances, and sign environmental protection agreement; the chemicals shall be classified and evaluated, and purchase can be made only after the review result is acceptable.
- Relevant test reports shall be provided for chemicals containing cadmium (Cd), lead (Pb), mercury (Hg), hexavalent chromium (Cr6+), polybrominated biphenyls (PBB), polybrominated biphenyl ethers (PBDEs), phthalate esters (DEHP/DBP/BBP/DIBP) and other substances to demonstrate their compliance.

- For the introduction of new chemicals, the user department needs to apply to EHS for evaluation in advance, and the evaluation contents include the possible risks of chemicals to job safety, employee health and the environment, and the suitability of chemical storage conditions. If process change is involved, risk control measures must be taken through the management of change (MOC).
- To make clear the chemical verification process and improve the efficiency and quality of verification, the Company has formulated the Chemical Verification Management Regulations. Each relevant department will be responsible for the upstream, midstream and downstream processes of chemical verification and confirm that each process is traceable. Efforts are intensified to standardize the source inspection of chemicals to ensure that the chemicals we use conform to laws and regulations, and comply with RoHS/HF/Reach and other environmental requirements.

Evaluation

Use

- When using chemicals, we label all products, services and chemicals involved in activities. Special personnel must be assigned to be responsible for the requisition of chemicals, and the quantity of chemicals requisitioned each time may not exceed the quantity of chemicals used for the shift.
- The Material Safety Data Sheet (MSDS) must be kept at the site of chemical use, and its requirements shall be followed. Labor protection shall be provided for the chemical users according to the "Exposure Controls/Personal Protection" section of the MSDS, and the labor protection status shall be checked regularly during the use of chemicals.
- It is stipulated that the user department must set up a temporary storage area for chemicals at the work site and put up eye-catching signs. The chemicals temporarily not in use or the remaining chemicals must be placed in the temporary storage area for chemicals, and may not be placed on the outdoor land.

- Waste chemicals and their pollutants include: expired chemicals, chemicals whose labels are lost and cannot be identified, chemical residues, waste containers, waste cleaning cloth, etc.
- The hazardous waste produced from waste chemicals and their pollutants shall be uniformly recycled and disposed by EHS, and a recycling registration system shall be established. The hazardous waste shall be placed in a fixed place, clearly labelled and managed by a specially-assigned person. Each department of the Company shall properly classify waste chemicals and their pollutants and may not throw them away.

Waste

Accidental release measures

- The Company has formulated the Emergency Preparedness and Response Management Procedure and the Work Instructions for Emergency Response to Chemical Spills, and applicable standard operating procedures and emergency plans or site handling plans for different chemicals, and quickly deals with the emergencies occurring in each process of the chemical lifecycle through operation management and on-site engineering control, to ensure the health and safety of employees, and minimize losses and harm.

In addition, the company has established the "New Product Development Procedure," which incorporates risk control standards and environmental impact assessments and confirmation processes into the new product development process. During the new product design process, the project management team organizes personnel to analyze project and product risks (including environmental compliance risk assessments) in advance and provides risk reduction solutions, ensuring whether the new product meets environmental requirements. During the new product sampling process, the quality department is responsible for testing, evaluating, and confirming the environmental impact of the samples, conducting inspections and assessments including environmental hazardous substance testing, and providing environmental data for new product materials to ensure the quality of new product design and compliance with relevant requirements for performance, applicability, and environmental impact.

3. Chemical Restriction and Elimination Plan

To reduce and eliminate the harmful substances in our products in a planned way, based on the requirements of domestic and foreign laws and regulations including the EU's Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the customer's special requirements, we have formulated the Control Standards for Hazardous Substances in Green Products, the List of Environment and Substance Control Standards and other internal control procedures, and update the list of controlled chemicals each quarter. For the materials of the products made by the Company, including raw materials, parts and components, semi-finished products, finished products, packaging materials and auxiliary materials purchased by the Company, 129 prohibited or restricted hazardous substances are specified. In addition, eight chemical substances, including benzene, toluene, and brominated organic solvents, are included in the scope of control in the production process.

Category	Description	Response
Level I Prohibited Substances	· Prohibited by laws and regulations	· Stop using immediately
Level II Prohibited Substances	· Existing laws and regulations stipulate the period of prohibition · The customer requests restricted or prohibited use · The Company actively pushes for the prohibition of use	· Restrict the use · Actively push for the prohibition of use
Level III Prohibited Substances	· May be prohibited or restricted by future laws	· Minimize use

Category	Quantity	Main Substances
Product Materials (Restricted)	Restricted Quantity 49	Restrict the usage amount of cadmium, lead, mercury compounds, chlorine, bromine and other chemicals in batteries, insulating materials, various chemical reagents and other products.
Product Materials (Prohibited)	Prohibited Quantity 80	Polycyclic aromatic hydrocarbons, benzene, methylbenzene, hexabromocyclododecane and other chemicals are prohibited in various chemical reagents, coatings, electronic equipment and other products.
Production Process (Prohibited)	Prohibited Quantity 8	Benzene, organic solvents containing chlorine and bromine, n-hexane and other chemicals are prohibited in cleaning agents, degreasing agents and release agents, and may not be deliberately used in other chemicals used in the processes.

During the reporting period, our subordinate factories cooperated with customers to advance the audits of Chemical Safety Disclosure (CSD) and volatile organic compound (VOC) materials to ensure that the raw and auxiliary materials used are green and environmentally friendly, and meet the requirements of laws and regulations. In accordance with the VOC Management Regulations, we manage chemicals by level depending on the usage amount and VOC content, and cooperate with suppliers to give priority to the development and verification of alternatives to chemicals with a large usage amount and high VOC content. Meanwhile, we have established an elimination plan for some hazardous substances, for example, replacing solvent-based ink with water-based ink with a low VOC content, which is not only more environmentally friendly, but also helps reduce the risk of occupational harm.

(VI) Pollutant Prevention and Control

Adhering to relevant laws and regulations on pollutant prevention and control, the Company strictly controls waste gas, wastewater, solid waste, soil pollution hazard investigation, noise and other aspects to ensure that all pollutants are treated in compliance with regulations and discharged in accordance with standards. To protect the environment, reduce the pollution of waste to environment and standardize the classification, collection and transfer of internal waste to comply with the relevant national laws and regulations, the Company has formulated the Management Procedure for Environmental Protection Discharge to standardize the wastewater, waste gas and noise handling in the production and life, and ensure the discharge of wastewater, waste gas and noise as required. In accordance with the Administrative Regulations on Pollutant Discharge Permits and the Self-monitoring Technology Guidelines for Pollutant Dischargers - General Rules, the Company requires its subsidiaries to regularly engage qualified third-party testing organizations to carry out self-monitoring, timely announce the environmental monitoring information, and accept the review of regulatory authorities and public supervision.

1. Waste Management

The hazardous and non-hazardous wastes generated by our business operations mainly include chemicals, organic waste, waste liquids, paper, plastic, office waste, electronic waste, etc. The amount of waste generated varies depending on the business that each production chain focuses on. With close attention paid to the generation and treatment of these wastes, we have formulated the Waste Management Instructions to specify the waste classification, recycling, storage, and transportation procedures, assign special personnel to manage the wastes, store the wastes in a special warehouse, and regularly hand them over to professional institutions for treatment.

Besides, we have established a waste management data statistics mechanism, and update the list of wastes every quarter, and the EHS (Environmental, Health and Safety) Department is responsible for collection, verification and on-site confirmation. We manage the waste generated throughout the process, and pollution must be prevented in the management of collection, identification, weighing, storage and disposal. For example, when storing the treated waste materials, the materials shall be put into the designated waste material transfer channel; When they are stored outside the subsidiary, they shall be placed in a designated temporary storage location, and clean management and protection shall be properly carried out.

Having always adhered to the green production philosophy of zero waste to landfilling, we reduce the generation of waste from the source by recycling and reducing waste, and reduce the amount of landfilled waste outside the plant through recycling, power generation, anaerobic digestion, biofuel, composting and other conversion methods, to make full use of the residual value of waste from materials and energy.

Our performance in 2023

19,901.56^{tons}

Total amount of hazardous waste

0.01^{t/10,000 yuan production value}

Hazardous waste intensity

Zero Waste to Landfill Project



The Company continues to promote the advanced waste management concept of zero waste to landfill (ZWP), supervises the waste management work of each subsidiary, explores optimizable waste disposal methods and carries out special improvement work, to replace direct incineration and landfilling of waste and comprehensively improve waste conversion rate and resource utilization rate. We classify and reuse recyclable plastics, metals, cartons and other wastes, transfer non-recyclable wastes such as hazardous wastes to qualified service providers for incineration, and advocate the heat recovery.

During the reporting period, the Company continued to train the management team and employees to strengthen their understanding of the concept of “zero waste to landfill”, deepen their understanding of waste classification and recycling, and guide each factory to optimize waste disposal methods, reduce environmental impact and improve environmental performance.

During the reporting period, two subsidiaries achieved a waste conversion rate of above 90% and obtained UL2799 zero waste landfill certification, and 16 other subsidiaries successively participated in the ZWP project.

2. Waste Gas Management

The Company abides by the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution and other relevant laws and regulations, and formulates the Management Procedure for Environmental Protection Discharge, the Work Instructions for Waste Gas Treatment, and the Management Instructions for Waste Gas Pollution Control, as the management regulations of the Company to prevent waste gas pollution, and all subsidiaries of the Company are required to strictly comply with them, thereby reducing the adverse impact of waste gas emissions on the environment and the health of employees.

We equip the production plant with suitable ventilation facilities in accordance with regulations, properly treat the waste gas generated in the production, and discharge it only after being treated by the waste gas treatment equipment to reach the standard. It is strictly prohibited to directly discharge to the environment waste gas that does not meet the standard. R&D and production work involving volatile organic compounds shall be carried out in a fume hood or exhaust hood with local ventilation. For new construction projects, we provide reasonable treatment processes and technicians, and comply with the requirements of the local government to do a good job of monitoring.

Our performance in 2023

41.37 tons

Volatile organic compounds (VOCs) emissions

68.99 tons

Particulate matter (PM) emissions

4.98 tons

Nitrogen oxide emissions

1.90 tons

Sulfur oxide emissions

2.79 tons

Emissions of other exhaust pollutants (xylene, sulfuric acid mist, etc.)

3. Wastewater Management

The wastewater we produce includes domestic sewage and industrial wastewater from production. We guarantee the compliance of sewage discharge, comply with the environmental regulations of the place of our production and operation, and have formulated the Work Instructions for Sewage Treatment and the Management Procedure for Environmental Protection Discharge, clearly defining the wastewater discharge management procedures, and stipulating that the wastewater discharge list shall be regularly updated by the environmental protection engineer to identify the type of wastewater discharge. The EHS Department implements the Control Procedure for EHS Corrective and Preventive Actions to control the potential risks in its wastewater discharge. In 2022, we strengthened the management of wastewater discharge, the discharge concentration, rate, total amount of each emission factor and the operating time of treatment facilities.

Our performance in 2023

999,144.14^{m³}

Amount of production wastewater discharged

1,704.66^{tons}

Amount of COD discharged in wastewater

8.60^{tons}

Amount of ammonia-nitrogen
discharged in wastewater

212.58^{tons}

Amount of other wastewater pollutants discharged
(total phosphorus, petroleum, suspended solids, etc.)

4. Noise Management

The Company strictly abides by the Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution, the Emission Standard for Industrial Enterprises Noise at Boundary, and other laws and regulations of the place where it operates, and engages the relevant environmental monitoring department to detect the noise within the factory boundary every year. If the noise exceeds the permitted level, the noise will be silenced and isolated until it reaches the standard. In addition, the Company puts the noisy machinery under protection, takes sound insulation measures, enhances the self-protection awareness of employees, asks them to wear personal protective equipment such as earplugs, and continues to carry out noise control work.

(VII) Clean Technology Opportunities

Aware of the huge opportunities presented by the carbon neutrality market, we need to increase our investment in carbon neutrality technologies and products, and actively seize the opportunities of the third global energy structure adjustment to vigorously develop clean technology-related businesses, increase the share of clean energy use, optimize the energy structure, reduce carbon emissions, and mitigate the risks brought by energy regulation.

1.Clean Business Development Plan

We will move forward with the concept of green development and fully uncover new energy business opportunities. In 2022, we actively explored the opportunities in clean technology to shape a sustainable future of smart manufacturing. In the future, Lingyi Intelligent Manufacturing will continue to increase investment in research and development of clean technology business and continue to exert its driving ability of new energy business.

New Energy Battery

We increased the R&D investment in the new energy battery structural parts. We seek to become a leader of this trade by enhancing our competitive edge by improving techniques, developing molds, curtailing raw material waste and slashing costs.

Photovoltaic Inverter

The photovoltaic inverter is one of the important balances of system (BOS) in the photovoltaic array system. We also invested R&D resources in the field of photovoltaic inverter.

Energy Storage Power Supply

We invest in the development of portable energy storage devices and store peak power generation energy for outdoor use. In 2023, the Company continued to invest in the research and development of household energy storage products to provide complete clean energy when they are used in combination with high-efficiency photovoltaic inverters.

2. Green Products

We consider environmental factors in the process of product research and development. It is clearly stipulated that environmental factors must be taken into account in the process of research and development and design of new products. All products must meet RoHS or other environmental protection requirements. We are committed to reducing emissions and resource consumption in the life cycle of our products, and creating greener products.



Recyclable materials are reused

- We use recycled aluminum in the production and manufacturing of some products, which can help achieve the goals of environmental protection, resource conservation and cost reduction.
- The application of recycled PC materials in our chargers and AR/VR projects can help reduce carbon emissions by about 30% compared with ordinary plastics.



High-efficiency charger

- The dual-port charger designed by us can charge two kinds of electrical appliances simultaneously, which can eliminate the use of an additional charger.
- The charger with high conversion efficiency developed by us, higher than the standard required by DOE, can reduce the waste of electric energy by 10%~15%.
- We have developed a gallium nitride charger, with a size smaller than ordinary chargers by 30%, thereby saving raw materials and reducing the use of packaging materials.

In addition, when establishing a product development project, we will confirm whether the production of the product contains high-energy consumption processes, choose cold forging, stamping, and one-step forming technologies, if possible, and strictly keep the proportion of products manufactured by high-energy consumption processes within 5% of the total number of products.

3. Clean Technology R&D

We have developed and applied for several clean technology patents to support cleaner production with technology:



Extend the life of your products

A mold enabling in-mold automatic lubrication:

Enable in-mold automatic lubrication for continuous die cutting, prevent adhesion of materials, avoid mold collapse caused by residual glue and material due to lubrication or uneven lubrication, thereby ensuring the wear resistance and service life of the mold, improving mold strength through cooling, increasing production efficiency, and ensuring product yield.

Charger:

The field-effect transistor can be limited by setting the first limiting part on the transformer framework, effectively reducing the inclination of the field-effect transistor, which helps further lower the probability of short-circuiting components and heating output capacitors, and prolong the service life of the charger.



Reduce energy consumption

A surface protective film for laser cutting of tile-shaped lens:

A surface protective film for laser cutting of tile-shaped lens. The protective film is seamlessly fitted to the surface of the tile-shaped structure of the lens. It can prevent smoke penetration during laser cutting, so that no cleaning is needed after cutting, thus saving costs and reducing environmental pollution.

Press-fit welding protection device:

This device can improve position accuracy and welding quality, and the press-fit hood can cover the upper surface of the pole to avoid or reduce welding fume, welding slag and other contaminants.



Economical use of resources

3D multi-layer die-cutting structure and die-cutting equipment:

A set of blades is arranged in the deficient die-cutting product area to process multiple rows of products simultaneously, which improves efficiency and saves the main materials for die-cutting processing. It is suitable for products with a large spacing in the die-cutting industry. In the 3D multi-layer die-cutting process, it can help increase the die-cutting efficiency by 60% and save the main materials for die-cutting processing by 50%.

Oil removing equipment and production line:

The oil suction nozzle automatically sucks oil from the jig plate and workpiece without manual operation, saving time and effort; the oil sucked out by the oil suction nozzle can be collected, reducing material waste and saving costs.

To keep enhancing our competitiveness and better seize the market opportunities of clean technology, we will ramp up its efforts on new energy battery structural parts, AR/VR, and carbon fiber.

- 1.Reduce the cost of new energy battery structural parts through process improvement and mold R&D.
- 2.Develop AR/VR technology and cooperate with the pioneering metaverse companies to provide quality products and services for customers, aiming to become a beacon of the industry.
- 3.We are dedicated to developing thermoplastic carbon fiber products, solving the pain points thereof, reducing the waste of raw materials and increasing material utilization.

4.Green Manufacturing

To realize a circular green economy and maximize the development and use of articles through reduction, recycling and reuse, the Company launched the “3R” (Reduce, Reuse, Recycle) Program in 2023 to practice sustainable development in its daily production and operation activities.

Reduce: Reduce the use of raw materials and energy as much as possible to achieve the established production targets and consumption goals.

Reuse: The products manufactured, raw materials and packaging can be reused.

Recycle: Products can turn into usable resources after fulfilling their functions. Besides, the leftover materials, intermediate materials and other materials generated during the production process can be recycled to the production process or used separately.

Achievements

5,000

CNC machines

1,008,000 kWh

saving electricity annually

575 tons

equivalent to reducing carbon emissions

Reduce: An intelligent temperature control system was introduced into 5,000 CNC machines, saving about 1,008,000 kWh of electricity annually, equivalent to reducing carbon emissions by 575 tons

5%-10%

main materials was increased by

18,085

saved cutter bars

70%

recycled pallets

40+

saved production lines

600+

tools reused

39,000 tons

water recycled

Reuse:
The utilization rate of main materials was increased by 5%-10%; the reuse of production lines saved 40+ pieces

Reuse:
The transformation of cutters saved 18,085 cutter bars, with 600+ sets of tools reused

Recycle:
70% of the pallets were made of the recycled PET materials; 39,000 tons of water was recycled

Appendix 1

Data Performance Table

Category	Unit	2022	2023
Environment			
Energy consumption			
Electricity	kWh	839,151,206.15	833,190,139.41
Power consumption intensity	kwh/10,000 yuan	754.83(kwh/10,000 yuan revenue)	267.80
Outsourced steam	J	37,462,773,029,000.00	82,230,386,522,000.00
Solar power	kWh	25,609,381.95	3,0990,592.70
Natural gas	m ³	3,634,506.00	3,125,897.22
Natural gas consumption density	m ³ /10,000 yuan	3.27(m ³ /10,000 yuan revenue)	1.00
Gasoline	liter	291,730.09	303,243.06
Diesel oil	liter	1,023,477.81	1,109,904.69
Liquefied natural gas	m ³	13.18	15.79
Greenhouse Gases			
Scope 1 emissions	t	9,435.25	14,819.45
Scope 1 emissions intensity	t/10,000 yuan	0.008(t/10,000 yuan revenue)	0.005
Scope 2 emissions	t	478,567.93	474,828.55
Scope 2 emissions intensity	t/10,000 yuan	0.430(t/10,000 yuan revenue)	0.153
Total	t	488,003.18	489,648.00
Total emissions intensity	t/10,000 yuan	0.439(t/10,000 yuan revenue)	0.157
Refrigerants			
R404a	kg	30.00	/
R134a	kg	191.70	54.00
R410A	kg	204.95	/

Notes: FY2022, Correction of electricity data: 839,151,206.15 kWh, Correction of electricity intensity data: 754.83kwh/10,000 yuan revenue, Correction of purchased steam data: 37,462,773,029,000J, Correction of gasoline data: 291,730.09 liter, Correction of diesel fuel data: 1,023,477.81 liter, Correction of liquefied petroleum gas data: 13.18m³. At the same time, Power consumption intensity and greenhouse gases data are corrected accordingly.

Category	Unit	2022	2023
Refrigerants			
R-22	kg	304.99	41.00
R-32	kg	438.71	160.00
R-12	kg	37.50	/
R407C	kg	60.50	/
Waste			
Hazardous waste	t	12,635.47	19,901.56
Hazardous waste intensity	t/10,000 yuan	0.01(t/10,000 yuan revenue)	0.01
Non-hazardous waste	t	9,652.84	NA
Non-hazardous waste intensity	t/10,000 yuan	0.009(t/10,000 yuan revenue)	NA
Total waste amount	t	22,288.31	NA
Waste intensity	t/10,000 yuan	0.02(t/10,000 yuan revenue)	NA
General Waste			
Domestic waste production	t	11,359.50	NA
Recycled domestic waste	t	8,545.49	NA
Industrial waste production	t	54,501.26	NA
Recycled industrial waste	t	47,662.44	NA
Hazardous Waste			
Total amount of hazardous waste	t	12,635.47	19,901.56
Sludge	t	5,474.25	6,237.99
Waste cutting fluid	t	652.78	548.45
Oil-containing washing wastewater	t	1,763.50	1,577.84
Waste organic solvents	t	496.14	317.39
Waste mineral oil	t	150.64	173.69
Waste packaging containers/barrels	t	338.46	746.82
Used battery	t	0.00	5.06
Waste activated carbon	t	66.22	69.02
Others	t	3,693.48	10,326.06

Category	Unit	2022	2023
Wastewater			
Wastewater discharge	t	814,783.02	999,144.14
Amount of COD discharged in wastewater	t	52.46	1,704.66
Amount of ammonia-nitrogen discharged in wastewater	t	5.28	8.60
Amount of other wastewater pollutants discharged (total phosphorus, petroleum, suspended solids, etc.):	t	6.13	212.58
Water Usage			
Water use in production and office work	t	6,584,104.91	6,056,827.15
Water use intensity in production and office work	t/10,000 yuan	5.92(t/10,000 yuan revenue)	1.95
Packaging Materials			
Paper	t	1,860	9.802
	set	16,229,347	/
	1,000 PCS	300,876	/
Plastic	t	1,921	25.462
	km	153,995	/
	1,000 PCS	573,805	/
Others	t	3,055	/
	km	13,849	/
	1,000 PCS	169,381	/
Waste Gas			
Nitrogen oxide emissions	t	3.56	4.98
Sulfur oxide emissions	t	1.67	1.90
Suspended PM emissions	t	35.60	68.99
VOC emissions	t	25.38	41.37
Emissions of other exhaust pollutants (xylene, sulfuric acid mist, etc.)	t	12.49	2.79

Category	Unit	2022	2023
Social			
Employee Structure			
Number of employees	Total	65,731	66,350
Gender	Male	38,806	41,883
	Female	26,925	24,467
Age group	<20 years old	2,525	4,514
	20-29 years old	27,032	23,691
	30-39 years old	25,474	24,439
	40-49 years old	9,782	12,243
	50 years old and above	918	1,463
Education	PhD	19	12
	Master	487	264
	Bachelor	6,942	4,301
	Junior college	10,157	8,564
	Below junior college	48,126	53,209
Employment type	Full-time	65,731	66,350
	Part-time	0	0
Function	Production	54,162	56,151
	Sales staff	838	777
	Technicians	6,604	5,902
	Financial staff	492	404
	Administration staff	3,608	3,116
Rank	Female management (manager level and above)	347	388
	Executive Management	1,813	1,865
	Percentage of female management	19.14%	20.80%
Number and Rate of Work-related Deaths			
Number of work-related deaths	Total	0	NA
Rate of work-related deaths	Ratio	0	NA
Product Responsibility			
Recalls due to safety and health	PCS	0	0

Appendix 2

List of Main Applicable Laws and Regulations

This part mainly lists the main laws and rules applicable to the Group by ESG indicators in accordance with the requirements of “Relevant laws and rules that have a material influence on the issuer” in the “General disclosure” of the Guidelines of the Stock Exchange of Hong Kong.

Category	Name of Laws and Regulations
Environmental protection	Environmental Protection Law of the People’s Republic of China
	Environmental Protection Tax Law of the People’s Republic of China
	Water Law of the People’s Republic of China
	Law of the People’s Republic of China on the Prevention and Control of Water Pollution
	Law of the People’s Republic of China on the Prevention and Control of Ambient Noise Pollution
	Law of the People’s Republic of China on the Prevention and Control of Solid Waste Pollution
	Environmental Impact Assessment Law of the People’s Republic of China
	Law of the People’s Republic of China on the Promotion of Cleaner Production
	Law of the People’s Republic of China on the Promotion of Circular Economy
	Integrated Emission Standard of Air Pollutants
	Integrated Wastewater Discharge Standard
	Emission Standards for Odor Pollutants
	Emission Standard for Industrial Enterprises Noise at Boundary
Emission Standard of Environment Noise for Boundary of Construction Site	
Labor	Labor Law of the People’s Republic of China
	Labor Contract Law of the People’s Republic of China
	Work Safety Law of the People’s Republic of China
	Special Equipment Safety Law of the People’s Republic of China
	Law of the People’s Republic of China on the Protection of Women’s Rights and Interests
	Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases
	Social Insurance Law of the People’s Republic of China
	Trade Union Law of the People’s Republic of China
	Regulations on Work-Related Injury Insurance
	Regulations on Emergency Response to Work Safety Accidents
Provisions on the Prohibition of Using Child Labor	

Category	Name of Laws and Regulations
Product Responsibility	Trademark Law of the People's Republic of China
	Patent Law of the People's Republic of China
	Anti-unfair Competition Law of the People's Republic of China
Anti-corruption and corporate governance	Anti-unfair Competition Law of the People's Republic of China
	Anti-money Laundering Law of the People's Republic of China
	Anti-monopoly Law of the People's Republic of China
	Company Law of the People's Republic of China
	Securities Law of the People's Republic of China
	Interim Regulations on Prohibiting Commercial Bribery
	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
	Code of Corporate Governance for Listed Companies
	Basic Rules for Enterprise Internal Control
	Trade Union Law of the People's Republic of China
Companies Ordinance (Chapter 622 of the Laws of Hong Kong)	

Appendix 3

Content Index of GRI Standards

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2-8	Workers who are not employees	P.47&P.105
2-9	Governance structure and composition	P.18-P.19
2-10	Nomination and selection of the highest governance body	P.19-P.20
2-11	Chair of the highest governance body	P.18
2-12	Role of the highest governance body in overseeing the management of impacts	P.18-P.21
2-13	Delegation of responsibility for managing impacts	P.18-P.21
2-14	Role of the highest governance body in sustainability reporting	P.1&P.22
2-15	Conflicts of interest	P. 29
2-16	Communication of critical concerns	P. 14 & P. 16
2-17	Collective knowledge of the highest governance body	-
2-18	Evaluation of the performance of the highest governance body	P. 23 & P. 24
2-19	Remuneration policies	P. 23 & P. 24
2-20	Process to determine remuneration	P. 23
2-21	Annual total compensation ratio	Refer to the Annual Report
2-22	Statement on sustainable development strategy	P. 3-P. 4
2-23	Policy commitments	P. 26-P. 27 & P. 47-P. 50

Number	Item	Location
2-24	Embedding policy commitments	P. 26-P. 27 & P. 47-P. 50
2-25	Processes to remediate negative impacts	P. 29-P. 31
2-26	Mechanisms for seeking advice and raising concerns	P. 29-P. 31
2-27	Abiding by laws and rules	P. 28-P.29
2-28	Membership associations	-
2-29	Approach to stakeholder engagement	P. 14-P. 15
2-30	Collective bargaining agreements	P. 48
201	Economic performance	Refer to the Annual Report
202	Market presence	Refer to the Annual Report
203	Indirect economic impacts	Refer to the Annual Report
204	Procurement practices	P. 71-P. 76
205	Anti-corruption	P. 26-P. 29
206	Anti-competitive behavior	P. 28
207	Tax	P. 28-P. 29
301	Materials	P92
302	Energy	P. 88-P. 92
303	Water and effluents	P91
304	Biodiversity	P. 77
305	Emissions	P. 97-P. 99
306	Waste	P. 97-P. 98
308	Supplier environmental assessment	P. 71-P. 76
401	Employees	P. 47
402	Labor/management relations	P. 47-P. 64
403	Occupational health and safety	P. 64-P. 69
404	Training and education	P. 51-P. 55
405	Diversity and equal opportunities	P. 47

Number	Item	Location
406	Anti-discrimination	P. 49
407	Freedom of association and collective bargaining	P. 48
408	Child labor	P. 49
409	Forced or compulsory labor	P. 49
410	Security practices	P. 50
411	Rights of indigenous peoples	-
412	Human rights assessment	P. 47-P. 50
413	Local communities	P. 76-P. 77
414	Supplier social assessment	P. 71-P. 76
415	Public policy	P. 76-P. 77
416	Customer health and safety	P. 43-P. 45
417	Marketing and labeling	P. 28
418	Customer privacy	P. 37-P. 43

Appendix 4

Reader's Feedback Form

We anticipate your opinions and suggestions to continuously improve our ESG efforts, as well as our competence in ESG management. We hope you could complete the questions in the feedback form below, and send it back to us in the following methods.

Address: No. 8, Longwan Road, Pengjiang District, Jiangmen City, Guangdong Province

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Your Information



Name



Employer



Tel



Email



Opinions & Suggestions

1. What's your overall impression on our ESG report?

Excellent Good Average

2. Do you think this report has presented the significant impact of our ESG issues?

Excellent Average Not Know

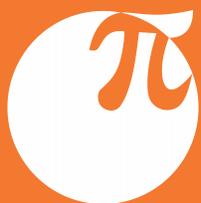
3. How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?

Very High High Average Poor Very Poor

4. Which aspect of this report are you most satisfied with?

5. What kind of information do you want to learn more about?

6. Do you have any suggestions for the ESG reports to be released in the future?



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2023

Corporate Social Responsibility Report

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