

RUIYUAN  
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浙江瑞遠智控科技股份有限公司

Zhejiang RuiYuan Intelligent Control Technology Company Limited\*

(a joint stock limited company incorporated in the People's Republic of China)

Stock code : 8249

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
REPORT

2023

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# 1. ABOUT THIS REPORT

Zhejiang Ruiyuan Intelligent Control Technology Company Limited (the “Company”), together with its subsidiaries (collectively the “Group” or “we”), are pleased to publish our eighth Environmental, Social and Governance Report (“ESG Report” or “this Report”), which outlines the Group’s undertakings and principles in practicing sustainable development and fulfilling corporate social responsibility, and describe our idea, vision and mission for sustainable development.

## REPORTING PRINCIPLES

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix C2 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited, and the contents covered herein have met the requirements of the “Comply or Explain” provisions and the reporting principles (materiality, quantitative, balance and consistency) set out in the Guide. Readers may also refer to the “Corporate Governance Report” section in this Annual Report for a comprehensive understanding of the Group’s ESG performance.

**Materiality:** The importance of ESG issues, important stakeholders, and the process and results of their engagement have been identified and disclosed in this Report.

**Quantitative:** The statistical criteria, methods, assumptions and/or calculation tools used for reporting key performance indicator, and the source of the conversion factors have been disclosed in this Report.

**Balance:** This Report presents the Group’s performance for the Reporting Period in an unbiased manner, avoiding selections, omissions or formats of presentation that might improperly influence the decisions or judgements of the readers of the report.

**Consistency:** This Report is disclosed using statistical methods consistent with those in the 2022 Report. Any changes to statistical methods or key performance indicators or any other relevant factors that affect the meaningful comparisons will be explained in the report.

## SCOPE OF THE REPORT

This Report discloses the Group’s policies, measures and key performance indicator (“KPI”) for sustainable development in relation to its business for the period from 1 January 2023 to 31 December 2023 (hereinafter referred to as the “Year” or the “Reporting Period”). Unless otherwise stated, this Report covers the businesses under the Group’s direct control and collects data from the head office of Ruiyuan IC and the offices of its two subsidiaries to assess the KPI in the environmental aspect.

## REPORTING LANGUAGE

This report is published in both Traditional Chinese and English. In case of discrepancies, please refer to the Traditional Chinese version.

## APPROVAL OF THE REPORT

This report was confirmed by management and adopted by the Board on 27 March 2024.

## FEEDBACK

We value your views on this report and should you have any enquiries or suggestions, please contact us by email at: [ruiyuan\\_icttech@yeah.net](mailto:ruiyuan_icttech@yeah.net).

## 2. SUSTAINABLE DEVELOPMENT OF ENTERPRISE

Zhejiang Ruiyuan Intelligent Control Technology Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China ("PRC"), its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Company and its subsidiaries (collectively, the "Group") are the design, manufacture and sales of computer numerical control ("CNC") machine tools optical and mechanical products, sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances in the PRC. We always regard fulfilling social responsibilities as our core mission, taking solid corporate governance as the cornerstone, and striving to minimise the negative impact of our business activities on the environment and the society. We strictly comply with the laws and regulations of each location where we operate, and are committed to creating value for all stakeholders.

### 2.1 BOARD STATEMENT

We believe that paying attention to various ESG issues and formulating effective energy-saving and emission-reducing measures are crucial to the future development of the Company. As the core leader of the Group's ESG efforts, the Board makes key decisions on ESG issues, establishes a solid governance structure, reviews relevant issues and strategies, identifies and manages the ESG risks faced by the Company in its operations, reviews the status of implementing environmental targets set, reduces the environmental impact of our business operations, and ensures sustainable development in line with our own business development. The Board will continue to prioritise and confirm on the identified key issues that involve our stakeholders in accordance with the Group's policies and its business needs, and audit and approve the ESG Report to ensure open and transparent disclosure of the relevant content.

### 2.2 ESG GOVERNANCE

We believe that sustainable development is fundamental to the sound operation of a corporation. We have established a comprehensive ESG governance structure during the Reporting Period, with three components forming the main parts of the structure, namely the Board, the ESG Committee, as well as the Group's various departments. The Board is responsible for overall strategies, and directly sets the management guidelines and direction for ESG. With the authorisation by the Board, the ESG Committee comprising the senior management and staff from different departments including the Group's Chief Executive Officer, Risk Management Department, Human Resources Department and Administration Department, is responsible for implementation of policies and collection of ESG data on a day-to-day basis, as well as making appropriate adjustments to business operations in accordance with the relevant policies to ensure that the Company achieves its set sustainability objectives and ESG compliance. When implementing ESG management measures, various departments need to cooperate accordingly and integrate relevant policies into the daily operations.

## 2. SUSTAINABLE DEVELOPMENT OF ENTERPRISE (CONTINUED)

### 2.3 COMMUNICATION WITH STAKEHOLDERS

In order to meet the expectations of our various stakeholders, we continue to strengthen our communication and cooperation with our shareholders, investors, customers, employees, suppliers, regulators, the community and the media, and pay close attention to their feedbacks, views and suggestions on our ESG performance, which will serve as critical references for us to adjust and perfect our sustainable development strategies. Such interactions not only promote win-win development between us and various stakeholders, but also enhance the adaptability and effectiveness of our strategies.

<b>Stakeholders</b>	<b>Communication channels</b>
Customers	<ul style="list-style-type: none"><li>• Daily operation/communications</li><li>• Site visit by customer relationship managers</li><li>• Phone calls</li></ul>
Shareholders/Investors	<ul style="list-style-type: none"><li>• Annual general meetings</li><li>• Investors meetings</li><li>• Interim reports and annual reports</li><li>• Corporate communications</li><li>• Announcement of results</li></ul>
Employees	<ul style="list-style-type: none"><li>• Performance evaluation</li><li>• Meetings and interviews</li><li>• Employee suggestion box</li><li>• Employee opinion survey</li><li>• Employee communication conferences</li><li>• Business briefing</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Management process for suppliers</li><li>• Site inspection</li></ul>
Business Partners	<ul style="list-style-type: none"><li>• Visits</li><li>• Meetings</li></ul>
Regulators	<ul style="list-style-type: none"><li>• Written response to public consultation</li><li>• Compliance report</li></ul>
Media	<ul style="list-style-type: none"><li>• Announcement of results</li><li>• Senior management visits</li></ul>

## 2. SUSTAINABLE DEVELOPMENT OF ENTERPRISE (CONTINUED)

### 2.4 MATERIALITY ASSESSMENT

The Group's management and the ESG Committee confirmed that the results of the materiality assessment for 2022 remain relevant for the current year as (i) there were no significant changes in the Group's business and operating environment during the Reporting Period; and (ii) the results of the materiality assessment continue to respond to stakeholders' expectations of the Group. Based on the analysis of the results of the materiality assessment from stakeholders, the Group's management has identified 26 materiality issues, 16 of which are topics of high materiality, 5 are topics of moderate materiality and 5 are topics of materiality. The following table sets forth the material ESG issues that we have identified for the Year:

#### Topics of high materiality

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- Compliance with laws and regulations
- Product liability
- Prevention of child labour and forced labour
- Waste management
- Data security
- Market competitiveness
- Employee Health and Safety
- Energy consumption and efficiency
- Supply Chain Management
- Product design and life cycle
- Staff Development and Training
- Emissions Management
- Customer Service
- Labour practice
- Water consumption and efficiency
- Use of resources

#### Topics of moderate materiality

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- Anti-Corruption
- Reporting mechanisms
- Business Ethics
- Intellectual property protection
- Staff Benefits

#### Topics of materiality

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- Promotion and product service labels
- Staff engagement, diversity and inclusion
- Greenhouse gas emissions
- Climate change
- Caring for Community

### **3. LEGAL AND COMPLIANT BUSINESSES**

We believe that strict and compliant operation is the core element in the sustainable development of enterprises and the promotion of long-term profitability. The Group has strictly complied with the laws and regulations in the locations around the world where it operates, and has also actively integrated efficient internal control and risk management systems to enhance its corporate governance structure, thereby improving our management efficiency and creating an image as a regulated and compliant corporation, laying a solid foundation for the Group's stable development and expansion of businesses in the future. During the Reporting Period, the Group has no material non-compliance of relevant laws and regulations.

#### **3.1 ANTI-CORRUPTION AND PROMOTION OF INTEGRITY**

The Group operates in strict compliance with the relevant national anti-corruption laws and regulations during its operations, such as the Supervision Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Anti-Money Laundering Law of the People's Republic of China, and complies with the operation principle of integrity and honesty. Our business practices not only strictly comply with legal requirements, but also adhere to high standards of ethics to ensure integrity and transparency in business operations.

The Group is committed to maintaining high standards of professional ethics and standardised conduct, and has formulated the Anti-Corruption Policy. We have developed and implemented a comprehensive internal code of conduct, which not only requires employees to be strictly abide by it, but also strengthens its execution through regular anti-corruption and anti-extortion training, so as to prevent any behavior that may harm the Company's interests. During the Reporting Period, we have provided anti-corruption training to our directors and staff, including requiring directors to read the Prevention of Bribery Ordinance and attend relevant anti-corruption training, issuing a management manual on honesty to our management staffs, and requiring employees to study Prevention of Bribery Ordinance of Hong Kong, etc.

The Board of Directors of the Group has the important responsibilities for maintaining and reviewing the comprehensive system of internal controls and risk management of the Company, which are designed to facilitate effective and efficient operations, to safeguard assets of the Company, and to ensure the quality of internal and external reporting as well as compliance with applicable laws and regulations. The Board continuously monitors these systems to ensure their continued effectiveness and adaptability.

To counter and prevent any corruption and extortion behavior, a whistleblowing channel is in place to encourage employees, customers, suppliers and other external stakeholders to report any bribery or improper behavior in any form. The Company adopts a fair and transparent approach to handle such violations. While dealing with these issues, we strictly protect the privacy of any whistleblower, and sturdily oppose any form of retaliation to ensure a healthy and fair corporate environment.

During the Reporting Period, the Group has not received any new litigation or discovered any cases of corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

### **3. LEGAL AND COMPLIANT BUSINESSES (CONTINUED)**

#### **3.2 DATA PRIVACY PROTECTION**

We believe that data privacy is crucial to the Group's operation, and hold high regards of the confidentiality of customers' data. The Group strictly complies with the Law of the People's Republic of China on Guarding State Secrets and the Regulation on the Implementation of the Law of the People's Republic of China on Guarding State Secrets and other laws and regulations related to information security to safeguard the privacy of our customers. We have established business operating rules and service conduct guidelines to standardise the professional behavior and operating procedures that employees follow when handling and maintaining customer information, while cultivating their awareness of confidentiality and being responsible for handling of customer data. In order to further reduce the possibility of data leakage, we have strictly restricted access to customer data and internal information of the Group to ensure that only authorised personnel have access to the relevant data.

#### **3.3 INTELLECTUAL PROPERTY PROTECTION**

The Group attaches great importance to the protection of its intellectual properties, and continuously monitors the development of trademark on the market to prevent any infringement of the Group's intellectual properties, such as counterfeit trademarks. Meanwhile, we also respect the intellectual property rights of others and require our employees to obtain the authorisation by the copyright owner when using products and information protected by copyright restrictions, including but not limited to intellectual property rights, legal patent rights, trademark rights and copyright. The Group will deal with any violation of the relevant provision seriously, and take appropriate disciplinary actions based on the seriousness of the case.

The Group also strictly complies with the Advertising Law of the People's Republic of China, the Patent Law of the People's Republic of China, Rules for Implementation of the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations for the business information disclosure, in order to compile to the procedures and standards of the laws. The Group is also aware of the importance of disclosing information according to the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong and the GEM Listing Rules, to ensure timely and accurate notification of relevant information to the public. The Group is committed to conveying complete and true information through appropriate channels, and stringently manages the content of advertisement, product labels and other related matters, and will never tolerate false or misleading product descriptions and fraudulent activities, in order to maintain the authenticity and transparency of information transmission.

During the Reporting Period, the Group was not aware of any legal or regulatory issues that violated the health and safety, advertising, labeling and privacy of products and services and had a material impact on the Group.



### **3. LEGAL AND COMPLIANT BUSINESSES (CONTINUED)**

#### **3.4 SUPPLY CHAIN MANAGEMENT**

The Group attaches great importance to the sustainable development of the supply chain, and is aware of the importance of maintaining solid cooperation relationship with suppliers to achieve long-term mutual development. We also strictly comply with the Law of the People's Republic of China on Bid Invitation and Bidding and the Regulation on the Implementation of the Bidding Law of the People's Republic of China and other relevant laws and regulations, and pay attention to sustainability and compliance management in all stages along the supply chain, which not only strengthens cooperation with suppliers, but also helps to achieve sustainable and healthy development of the overall supply chain.

We select suppliers who share similar ESG values to jointly undertake environmental and social responsibility, and have established a standardised procurement process to carefully evaluate the sustainability performance of suppliers, so as to ensure the compliance and quality of the supply chain. When selecting suppliers, we not only consider the prices and quality of products, but also the environmental and social risks factors. Under the same conditions, we prefer to cooperate with suppliers with lower risks. We also require suppliers to abide by local laws and business ethics, and suppliers are strictly prohibited from engaging in any corruption and bribery behavior. In order to ensure the stability and transparency of the supply chain, we have established a supply chain tracking management system to monitor the source, quality and after-sales service of goods and services. Unqualified purchases of products or services are directly returned.

Our procurement department has established comprehensive tender and procurement procedures, specifying the criteria for supplier admittance and conducting regular evaluations, to ensure that the suppliers can meet the standards raised by our growing business. If a supplier is found to be unable to provide qualified products or services in accordance with the contract, we will thoroughly review the supplier and terminate the cooperation as appropriate.

During the Reporting Period, the Group had 10 major suppliers, all of which were from China, 5 from Zhejiang Province, 2 from Jiangsu Province, 1 from Guangdong Province, 1 from Henan Province and 1 from Anhui Province.

## **4. PRODUCT AND SERVICE GUARANTEED**

### **4.1 PAYING ATTENTION TO CUSTOMERS' NEEDS**

The Group upholds the business philosophy of "customer-oriented", and attaches great importance to their feedbacks and opinion. We have established a customer service system that covers all aspects from customer inquiries to complaints handling and after-sales support. We have also set up a customer-specific channel. Our sales staff regularly contacts with customers through face-to-face meetings or telephone interviews to understand their needs and feedbacks. For customer complaints or product recalls, we will immediately conduct detailed communication with affected customers to fully understand their demands, and take prompt action to provide effective remedial measures to compensate customers for their losses. At the same time, we conduct detailed internal analysis of customer feedback and reasons for complaints to continuously optimise and improve our service levels.

During the Year, the Group did not receive any complaints about its products and services.

### **4.2 MAINTAINING PRODUCT QUALITY**

The Group understands that product quality is the key to enhance our brand reputation and maintain sustainable development of our businesses. Therefore, we strictly manage and enhance the quality of our products and are committed to providing healthy and safe products and services, and to focus our efforts on our customers' needs. We strictly comply with the Product Quality Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other laws and regulations related to product responsibility, so as to ensure that our products and services comply with industry standards, and meet our customers' high standards requirement.

We also implement stringent health and safety standards and conduct product quality sampling tests regularly to ensure the quality of our products and services. During the Year, the Group did not have any cases of product recalls due to health and safety reasons.

## 5. NURTURING TALENT

The Group fully understands that employees are the core driver of the development of the Company, and is committed to creating an equal and diverse workplace environment. We pay full attention to the opinions and demands of each employee and actively adopt such measures to safeguard the benefits and interests of employees. As of 31 December 2023, the Group have 11 employees in total, all of whom are based in Eastern China<sup>1</sup>; 8 female employees and 3 male employees; 8 full-time junior employees, 1 full-time intermediate management staff and 2 full-time senior management staff, 10 employees aged 30-50 and 1 employee aged above 50. In 2023, the Group's turnover rate is 0.

### 5.1 IMPROVING STAFF MANAGEMENT

The Group endeavours to defend the personal values of its employees, and strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law, Law on the Protection of Minors and the Prohibition of Using Child Labour and other laws and regulations related to labour and employment. Our talent selection mechanism always adheres to the principle of fairness, democracy and competitiveness, and continuously improves human resources management policies and systems. During the recruitment process, we focus on the educational background and work experiences of the candidates, and will not base our decisions on their nationality, race, colour, religion, age, gender, political affiliation, sexual orientation, disability, family status and any other legally protected characteristics. We strive to ensure that candidates who pass the interview are competent for the job and can fit in with the Group's development direction.

In order to protect the mutual interests of our employees and the Company, we sign a formal employment contract stipulating the working conditions clearly with each newly joined employee. The Human Resources Department verifies the identity documents of new employees before they join us to eliminate the occurrence of child labour. When employees tender their resignation, we will follow our established procedures to process their resignation and arrange for the HR department to understand the reasons for their resignation so that we can further improve our management and operation. We promise that employees will not be subject to any discrimination at any stage of work, including recruitment, training, promotion, termination of employment, leave, remuneration and benefits. Should any violation of this principle is identified, we shall deal with it seriously in accordance with Company's regulations to ensure a fair and respectful workplace culture.

Meanwhile, we value the diversity and inclusion of our Board members and staff. As such, we have adopted a policy of diversity on the Board, which takes into account a number of key factors, including gender, age, culture, educational and professional skills and experience, to achieve diversity on the Board.

During the Reporting Period, the Group did not violate any laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, etc., and there was no case of non-compliance in relation to employment, using of child labour or forced labour.

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<sup>1</sup> Based on actual working location

## 5. NURTURING TALENT (CONTINUED)

### 5.2 ATTENTION TO TALENT CULTIVATION

The Group pays attention to exploring and enhancing the potential of employees. As such, we provide employees with training suitable for their career development planning to help them achieve their career goals. Meanwhile, we will continue to improve and upgrade our systematic training to provide high quality and efficient training programmes for employees in different positions.

In addition, the Group encourages employees to participate in external seminars, sharing sessions, exchange sessions, etc. We also invite professionals in the industry to provide intensive training courses to help our staff gain a better understanding of industry-related laws and regulations, and to familiarise them with the latest developments in the industry and apply them in day-to-day practice. We will provide exam holidays and cash subsidies for employees participating in advanced training to provide support, so as to improve employees' skills and knowledge in all aspects and help employees realise their full potential.

During the Reporting Period, various types of training organised by the Group have extended to each employee. For the percentage of staff training by gender<sup>2</sup>, the percentages of trained male staff and female staff were both 100%; for the percentage of trained staff by employment type, the percentages of trained junior staff, middle management and senior management were 100%. The following table shows the average training hours of staff by gender and employment type.

	<b>Average training hours (Hours)</b>	<b>Percentage of trained staff<sup>2</sup> (%)</b>
Female staff	19	100
Male staff	18.5	100
Junior staff	152	100
Middle management	19	100
Senior management	38	100

<sup>2</sup> Calculation method: Number of staff received training in the category/Total number of staff in the category, subject to rounding

## 5. NURTURING TALENT (CONTINUED)

### 5.3 STAFF REMUNERATION AND BENEFITS

The Group values the attraction and retention of talent. Our remuneration committee has established a comprehensive remuneration management strategy that combines market trend with our own circumstances to provide fair remuneration for our employees.

We conduct annual reviews of salary structures as a basis for judgement, and make regular adjustments to salaries and benefits through staff appraisals, so as to maintain its competitiveness and fairness. For employees who have made significant contributions to the Company, we also offer special bonuses and long-term service incentives to recognise their contributions and commitment.

The Group attaches great importance to the work-life balance of its employees, ensuring that all employees have the right to rest on statutory holidays in accordance with the law, and provides a variety of leave arrangements, including sick leave and annual leave, to take care of the health and well-being of employees.

Also, the Group strictly complies with Labour Law of the People's Republic of China and other laws and regulations, and provide all employees with "five insurances and one fund", including basic medical insurance, endowment insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, to help them solve the worries of life so that they can focus on their work.

No employees of the Group resigned during the Year. During the Reporting Period, the Group was not aware of any breaches of laws and regulations relating to leave and other benefits entitlements that would have a material impact on the Group.

### 5.4 OCCUPATION HEALTH AND SAFETY

The Group is committed to creating a safe and comfortable working environment for our employees, and strictly complies with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Fire Control Law of the People's Republic of China, the Regulation on Work-Related Injury Insurance, and other laws and regulations relating to occupational safety, so as to assume our duties as an employer. As such, we have implemented a series of occupational safety and health measures to effectively reduce the risk of occupational injuries, and to safeguard the health and safety of our employees while they are working hard.

The Group is committed to creating a safe and healthy working environment, and has taken a number of measures to improve employees' awareness of occupational safety and self-protection skills. Through customised safety training for each department and position, we ensure that employees understand safety regulations and they can identify and respond to potential risks in the workplace.

In addition, in order to strengthen safety awareness, we regularly convey the latest occupational safety information to employees and carry out occupational health education activities. We have also established an efficient safety incident notification system to enable employees to quickly report potential safety issues, allowing us to take timely measures and conduct investigations to minimise the impact and losses.

For the health of our employees, we also implement strict no-smoking regulations within the Company to ensure that all employees work in a smoke-free environment. Through these comprehensive measures, we aim to provide our employees with a safer and more hygienic working environment.

During the Year, the Group was not involved in any breach of any relevant laws and regulations relating to providing a safe working environment and the protection of employees from occupational hazards, nor did it receive any loss of work days due to work-related injuries or have any cases of death of employees at work in the past three years.

## 6. BUILDING GREEN ENTERPRISE

The Group is aware of the importance of its environmental responsibilities and actively implement energy saving, emission reducing and environmental protection measures to minimise the environmental impact from its operations. We comply with the environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. We continuously optimise and update our environmental protection strategies, and actively assume our responsibility of protecting the environment while promoting our business development. During the Reporting Period, the Group was not aware of any cases of non-compliance with environmental protection laws and regulations.

### 6.1 WATER RESOURCE MANAGEMENT

The Group has high regards for the protection and sustainability of water resources, and is aware of the growing importance of water-related issues in the society nowadays. Our water supply is mainly from the local municipal water supply system. We did not encounter any problems with access to water. During the Reporting Period, our head office and the offices of our two major subsidiaries used 190,000 litres of water in total during the course of their operations, with a water consumption intensity of 8.72 litres per thousand RMB revenue.

In order to use water effectively and avoid wastage of water resources, we have adopted comprehensive water conservation measures, including conducting thorough inspections regularly of the water pipe system to detect any leaks or seepage problems and repaired promptly to ensure efficient use of water resources. In addition, we have posted posters encouraging water conservation in various areas of the Company to enhance employees' awareness of water conservation and cultivate awareness of water conservation in daily work and life.

### 6.2 ENERGY MANAGEMENT

The Group's energy consumption mainly comes from the electricity consumption required for daily operations and the gasoline consumption generated by vehicle transportation. During the Reporting Period, the energy consumption and intensity of our head office and the offices of our two major subsidiaries during the course of their operations are as follows:

<b>Energy consumption items</b>	<b>Unit</b>	<b>2023</b>
Total energy consumption	GJ	87.77
Energy consumption intensity	MJ/Revenue (RMB'000)	4.03

We have optimised energy management and emphasised the conservation and efficient use of energy. In daily operations, employees are encouraged to turn off lighting, computers, printers and other electronic equipment when not in use to avoid unnecessary power consumption. In addition, our office lighting system is individually managed in sectors through independent control switches to ensure less reliance on electric lights during the day when there is sufficient natural light. We also set the air-conditioning temperature reasonably to ensure a balance between comfort and environmental protection, and encourage employees to wear casual clothing to work to avoid over-reliance on air-conditioning, thus mitigating its impact on the environment.

## 6. BUILDING GREEN ENTERPRISE (CONTINUED)

### 6.3 WASTE MANAGEMENT

As our business does not involve production, the non-hazardous waste generated from the daily operation of our head office and the offices of our two main subsidiaries during the Reporting Period was office domestic waste, a total of 1.50 kilograms of non-hazardous waste was generated, and each employee generated 0.14 kilograms, which decreased by 25% compared to last year. For hazardous waste, it comprised 10 pieces of used batteries and 7 pieces of used ink and toner cartridges.

In order to achieve sustainable development, we actively encourage employees to participate in recycling projects, focusing on reducing waste generated and increasing the recycling rate. In this way, we aim to avoid unnecessary waste of resources and ensure that all waste generated is centralised and handled safely at the building. Specifically, we not only encourage employees to actively recycle waste paper that is commonly seen in offices, but also reduce pollution from the source by using environmentally friendly paper.

In addition, we communicate and collaborate through email in daily office work, effectively reducing paper usage. When printing is necessary, we insist on using energy-saving double-sided printing and ink-saving mode to reduce use of consumable material. According to records, our paper usage is 89.69 kilograms during the Year.

For hazardous waste such as electronic products, batteries, computers and used ink cartridges, we strictly abide by relevant regulations and cooperate with qualified recyclers to handle the processing, so as to ensure that the items are processed safely and effectively to minimise the negative impact on the environment.

### 6.4 GREENHOUSE GAS MANAGEMENT

In order to achieve carbon reduction targets in line with the national Double Carbon Policy, the Group has adopted a series of measures to reduce our greenhouse gas ("GHG") emissions, particularly targeting electricity consumption and company vehicle emissions, the two major sources of our emissions. We conducted a comprehensive GHG emission assessment for the Group's headquarters and offices of its two principal subsidiaries in accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 as defined by the International Organisation for Standardisation.

A summary of our GHG emissions for the Reporting Period is as follows:

<b>Greenhouse gas emissions performance<sup>3</sup></b>	<b>Unit</b>	<b>2023</b>
Direct GHG emissions (Scope 1)	tonnes CO <sub>2</sub> e	4.52
Indirect GHG emissions (Scope 2)	tonnes CO <sub>2</sub> e	5.02
Total GHG emissions (Scopes 1 and 2)	tonnes CO <sub>2</sub> e	9.53
GHG emissions intensity (RMB'000 Revenue)	kg CO <sub>2</sub> e/RMB'000	0.44

Scope 1: GHG emissions generated from sources owned and controlled by the Group, including the use of fuel in the Group's vehicles.

Scope 2: GHG emissions from electricity generation, heating and cooling, or steam purchased by the Group, including the use of electricity in the Group's operations.

<sup>3</sup> Calculation using the emission factors in the Stock Exchange's "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs", subject to rounding.

## 6. BUILDING GREEN ENTERPRISE (CONTINUED)

During the Year, our main challenge during the operation of our headquarters and the offices of our two principal subsidiaries came from the direct GHG emission from fuel consumption and the indirect GHG emission from externally purchased energy. Our total emission amounted to 9.53 tonnes of carbon dioxide equivalent. In addition, our GHG emission intensity was 0.44 kilogram of carbon dioxide equivalent emission per thousand RMB revenue, thus reflect our efforts and result in the environmental protection aspect.

For actual emissions, a total of 5.02 kilograms of nitrogen oxides (NOx); 0.02 kilograms of sulphur oxides (SOx), and 0.46 kilograms of particulate matter (PM) were generated by the Group's vehicles. Monitoring and reporting of these data is critical to us for optimizing operational strategies and mitigating environmental impacts.

In order to further reduce emissions and promote sustainable development, we focus on energy conservation and consumption reduction in our daily operations. We perform regular maintenance on company vehicles to ensure maximum operating efficiency and minimise fuel waste. In addition, we also actively promote green traveling and encourage employees to prioritise using public transportation as the main method of commuting, thereby reducing the use of personal vehicles and reducing the overall carbon footprint. Through these measures, we are committed to achieving a more environmentally friendly and efficient operating model.

In order to better implement environmental protection responsibilities, we have linked environmental considerations to our business operations and set directional environmental targets:

### **Greenhouse gas emissions**

Maintain or gradually reduce total greenhouse gas emissions from 2019 by actively implementing and executing the Group's energy conservation measures. During the Year, total greenhouse gas emissions decreased compared to 2019.

### **Energy use efficiency**

Maintain or gradually reduce total electricity consumption from 2019 by actively implementing and executing the Group's energy conservation measures. During the Year, total electricity consumption decreased compared to 2019.

### **Water use efficiency**

Maintain or gradually reduce total water consumption from 2019 by actively implementing and executing the Group's water conservation measures. During the Year, total water consumption decreased compared to 2019.

### **Waste reduction**

Maintain or gradually reduce total amount of waste generated from 2019 by actively implementing and executing the Group's material conservation measures. During the Year, the total amount of hazardous waste generated decreased in 2019.



## **6. BUILDING GREEN ENTERPRISE (CONTINUED)**

### **6.5 CLIMATE CHANGE MANAGEMENT**

We are aware that climate change can have a long-term impact on business operations. We are committed to reducing our carbon emissions and continuing to address the risks that climate change poses on our business.

We are aware that during physical risks such as typhoons, flooding and extreme high temperatures brought by the climate change, thus temporary closure of office premises may be required and may have a significant impact on the Company's business operation. In response to these impacts, we have established an emergency response plans for natural hazards and are continuously improving the relevant systems. These plans include the detailed preventive measures and emergency procedures designed to minimise the impact of natural disasters on the Company's operations.

We also pay attention to weather forecasts and climate change progress, to ensure timely activation of contingency plans in advance of extreme weather events to ensure business continuity and safety of employees. In addition, we will continue to monitor the risks and opportunities brought about by climate change, thus continuously improve our carbon emissions management.

We are fully aware of our responsibilities as a corporation. While actively reducing carbon emissions, we must also continue to strengthen climate change adaptability to ensure the Company's resilience and sustainable development capabilities in the face of future challenges.

## 7. SOCIAL RESPONSIBILITIES

We deeply understand that actively participating in social responsibility during business development and using our own resources to devote ourselves to social welfare so as to bring care to the people around us is a measure to maintain social prosperity and development. Therefore, we encourage our employees to participate into the community and provide opportunities to enhance our corporate values in any way we can.